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

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)****CONTINUING CONNECTED TRANSACTIONS**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Independent Board Committee is set out on page 11 of this circular and a letter from Quam Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 19 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 8/F Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong on 24 June 2010 at 11:00 a.m. (the "Extraordinary General Meeting") is set out on pages 24 to 25 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you are able to attend the Extraordinary General Meeting, 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 Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment of it, if you so wish.

* *for identification purposes only*

4 June 2010

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DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules;
“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 continuing connected transactions between Jiangsu Chemical and Jiangsu Paper, which is indirectly wholly-owned by Lee & Man Paper, which constitute continuing connected transactions of the Company which require reporting, announcement and Independent Shareholders’ approval;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the New Agreements, the transactions contemplated hereunder and each of the New Annual Caps;
“Existing Annual Caps”	the maximum annual consideration for providing services to Jiangsu Chemical under the Existing Agreements for each of the three financial years ended 31 December 2008, 2009, and ending 31 December 2010 as approved by independent Shareholders at the Company’s extraordinary general meeting held on 25 April 2008;
“Existing Agreements”	the agreement dated 14 March 2008 between Jiangsu Paper and Jiangsu Chemical in relation to services provided to generate steam by Jiangsu Paper to Jiangsu Chemical and the agreement dated 14 March 2008 between Jiangsu Paper and Jiangsu Chemical in relation to services provided to generate electricity by Jiangsu Paper to Jiangsu Chemical;
“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;

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	a board committee comprising of Mr. Heng Kwo Seng and Mr Wan Chi Keung, Aaron BBS JP, both of whom are independent non-executive Directors, and which will make recommendations to the Independent Shareholders in respect of the New Agreements and the New Annual Caps;
“Independent Shareholders”	Shareholders other than Mr. Lee Wan Keung Patrick and his associates;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and an indirectly 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 indirectly wholly-owned subsidiary of Lee & Man Paper;
“kcal”	kilocalorie;
“kg”	kilogram;
“kWh”	unit of electricity, i.e. kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour;
“Latest Practicable Date”	31 May 2010;
“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;
“New Annual Caps”	the maximum annual consideration to be paid or received for providing services to generate electricity and steam by Jiangsu Paper to Jiangsu Chemical under the New Agreements for each of the three financial years ending 31 December 2010, 2011 and 2012;
“New Agreements”	the New Steam Services Agreement and New Electricity Services Agreement;

DEFINITIONS

“New Steam Services Agreement”	the agreement dated 20 May 2010 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides services to generate steam for Jiangsu Chemical;
“New Electricity Services Agreement”	the agreement dated 20 May 2010 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper provides services to generate electricity for Jiangsu Chemical;
“PRC”	the People’s Republic of China;
“Quam”	Quam Capital Limited, being a corporation licensed by the SFC for carrying out Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Agreements and the transactions contemplated thereunder and the New Annual Caps;
“RMB”	Renminbi, the lawful currency of PRC;
“SFC”	The Securities and Futures Commission of Hong Kong;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“ton”	a metric ton, a measurement of mass equal to 1,000 kilograms; and
“%”	per cent.

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. Poon Lai Ming

Mr. Lee Man Yan

Mr. Kung Phong

Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Independent Non-executive Directors:

Mr. Heng Kwo Seng

Mr. Wong Kai Tung, Tony

Mr. Wan Chi Keung, Aaron *BBS JP*

Principal Place of

Business in Hong Kong

8th Floor, Liven House

61-63 King Yip Street

Kwun Tong

Kowloon

Hong Kong

4 June 2010

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement made by the Company dated 20 May 2010. On 20 May 2010 Jiangsu Chemical, an indirectly wholly-owned subsidiary of the Company, entered into the New Agreements with Jiangsu Paper to replace the Existing Agreements. Jiangsu Paper is an indirectly wholly-owned subsidiary of Lee & Man Paper, an associate of Mr. Lee Wan Keung Patrick, the ultimate controlling shareholder of the Company. Accordingly, the transactions under the New Agreements constitute continuing connected transactions under the Listing Rules.

For the purpose of the Listing Rules, the New Annual Caps being more than 2.5% and less than 25% of the applicable percentage ratios and are greater than HK\$10,000,000. Consequently, the New Agreements and New Annual Caps are subject to reporting,

* *for identification purposes only*

LETTER FROM THE BOARD

announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Accordingly, each of the New Agreements is conditional upon the approval of the Independent Shareholders at the EGM.

In addition, since Lee & Man Paper is a company listed on the Stock Exchange, the New Agreements also constitute continuing connected transactions for Lee & Man Paper and are subject to approval by their independent shareholders.

The purpose of this circular is i) to provide you with further information in relation to the transactions contemplated under the New Agreements; ii) to set out the opinions and recommendations of the Independent Board Committee and Quam; and iii) to give you notice of the EGM at which the resolutions set out therein will be proposed. The EGM will be held on Thursday, 24 June 2010 for the purpose of, among others, obtaining the approval from the Independent Shareholders in respect of the subject transactions by way of poll.

THE NEW AGREEMENTS

The principal terms of the New Agreements are set out as follows:

1. New Steam Services Agreement

Date:	20 May 2010
Parties:	(i) Jiangsu Paper (ii) Jiangsu Chemical (an indirectly wholly-owned subsidiary of the Company)
Nature of Transaction:	Jiangsu Paper will provide services to generate steam for Jiangsu Chemical at a charge of RMB30.00 per ton measured at Jiangsu Paper's meter. The coal for generating the steam will be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical will be 0.164 ton of coal for 1 ton of steam, based on the coal standard at 4,750 kcal/kg. Jiangsu Chemical will provide the steam pipelines and relevant facilities to transfer steam to its production facilities. Jiangsu Chemical will also be responsible for the maintenance and repairs of steam pipelines and relevant facilities.
Term of Agreement:	3 years commencing with effect from 1 April 2010 till 31 March 2013.
Payment:	Steam service fees will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption of the amount of the steam but subject to the limits of the New Annual Caps.

LETTER FROM THE BOARD

2. New Electricity Services Agreement

Date:	20 May 2010
Parties:	(i) Jiangsu Paper (ii) Jiangsu Chemical (an indirectly wholly-owned subsidiary of the Company)
Nature of Transaction:	Jiangsu Paper will provide services to generate electricity for Jiangsu Chemical at a charge of RMB0.08 per kWh measured at Jiangsu Paper's meter. The coal for generating the electricity will be supplied by Jiangsu Chemical to Jiangsu Paper in advance. The quantity of coal to be supplied by Jiangsu Chemical will be 0.557 kg for 1 kWh, based on the coal standard at 4,750 kcal/kg. Jiangsu Chemical will provide the electricity cables and relevant facilities to transmit electricity to its production facilities. Jiangsu Chemical will also be responsible for the maintenance and repairs of electricity cables and relevant facilities.
Term of Agreement:	3 years commencing with effect from 1 April 2010 till 31 March 2013.
Payment:	Electricity service fees will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption of the electricity units but subject to the limits of the New Annual Caps.

Under the New Agreements, the steam and electricity service fees are based on the estimated supply costs (including overheads and a mark up representing the investment and financing costs of the electricity and steam generating facilities) of Jiangsu Paper. The New Agreements were negotiated and determined on an arm's length basis based on normal commercial terms. The Existing Agreements and Existing Annual Caps will continue to apply until the New Agreements come into effect, whereupon the Existing Agreements will be superseded by the New Agreements. The Directors are of the opinion that the New Agreements and the New Annual Caps are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

HISTORICAL AMOUNTS AND ANNUAL CAPS

The aggregate consideration for the services provided to generate steam and electricity for each of the 8 months in 2008, the financial year ended 31 December 2009 and the 3 months ended 31 March 2010 were as follows:–

Type of Transaction	1 May 2008 till 31 December 2008	Amount Year ended 31 December 2009	1 January 2010 till 31 March 2010
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB 8,078,000 (approximately HK\$ 9,179,000)	RMB 27,944,000 (approximately HK\$ 31,754,000)	RMB 8,843,000 (approximately HK\$ 10,049,000)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB 5,061,000 (approximately HK\$ 5,751,000)	RMB 18,778,000 (approximately HK\$ 21,339,000)	RMB 5,837,000 (approximately HK\$ 6,633,000)
Total	RMB 13,139,000 (approximately HK\$ 14,930,000)	RMB 46,722,000 (approximately HK\$ 53,093,000)	RMB 14,680,000 (approximately HK\$ 16,682,000)

At the extraordinary general meeting of the Company held on 25 April 2008, the following Existing Annual Caps for the Existing Agreements for each of the 8 months ended 31 December 2008, and each of the two financial years ended 31 December 2009 and ending 31 December 2010, were approved by the Independent Shareholders.

Type of Transaction	Year ended 31 December 2008 (8 months)	Amount Year ended 31 December 2009	Year ending 31 December 2010
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB 20,000,000 (approximately HK\$ 21,800,000)	RMB 50,000,000 (approximately HK\$ 54,500,000)	RMB 50,000,000 (approximately HK\$ 54,500,000)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB 14,000,000 (approximately HK\$ 15,260,000)	RMB 30,000,000 (approximately HK\$ 32,700,000)	RMB 30,000,000 (approximately HK\$ 32,700,000)
Total	RMB 34,000,000 (approximately HK\$ 37,060,000)	RMB 80,000,000 (approximately HK\$ 87,200,000)	RMB 80,000,000 (approximately HK\$ 87,200,000)

LETTER FROM THE BOARD

NEW ANNUAL CAPS

The Company proposes that the New Annual Caps under the New Agreements (in respect of which Independent Shareholders approval is proposed to be sought at the EGM) for each of the three financial years ending 31 December 2010, 2011 and 2012 be as follows:-

Type of Transaction	Amount		
	Year ending 31 December 2010	Year ending 31 December 2011	Year ending 31 December 2012
Services to generate steam by Jiangsu Paper to Jiangsu Chemical	RMB 23,918,000 (approximately HK\$ 27,194,800)	RMB 20,100,000 (approximately HK\$ 22,853,700)	RMB 20,100,000 (approximately HK\$ 22,853,700)
Services to generate electricity by Jiangsu Paper to Jiangsu Chemical	RMB 39,437,000 (approximately HK\$44,839,800)	RMB 44,800,000 (approximately HK\$50,937,600)	RMB44,800,000 (approximately HK\$ 50,937,600)
Total	RMB 63,355,000 (approximately <u>HK\$ 72,034,600</u>)	RMB 64,900,000 (approximately <u>HK\$73,791,300</u>)	RMB 64,900,000 (approximately <u>HK\$ 73,791,300</u>)

The New Annual Caps have been determined by reference to the amount of historical transactions between Jiangsu Chemical and Jiangsu Paper for the 8 months ended 31 December 2008, the financial year ended 31 December 2009, and the 3 months ended 31 March 2010, taking into account Jiangsu Paper's own anticipated consumption requirements, the spare electricity and steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements, the production plans and the related estimated electricity and steam requirements of Jiangsu Chemical for the period from 1 April 2010 up to 31 March 2013, as well as the estimated unit price of steam and electricity services to be provided.

CONDITION PRECEDENT

Each of the New Agreements is conditional upon the approval of the Independent Shareholders at the EGM. In addition, since Lee & Man Paper is a company listed on the Stock Exchange, the New Agreements also constitute continuing connected transactions for Lee & Man Paper and is subject to approval by their independent shareholders.

INFORMATION ON LEE & MAN PAPER AND JIANGSU PAPER

Lee & Man Paper and its subsidiaries are a large-scale paper manufacturer and specializes in the production of linerboard and corrugating medium. The principal business of Jiangsu Paper is manufacturing and trading of paper.

LETTER FROM THE BOARD

REASONS FOR AND BENEFIT OF THE TRANSACTIONS UNDER THE NEW AGREEMENTS

The New Agreements have been negotiated and agreed on an arms' length basis between Jiangsu Chemical and Jiangsu Paper based on normal commercial terms. The Group's production facilities in Jiangsu does not have any steam generating facilities and electricity generator, and the production facilities of Lee & Man Paper (which has such facilities) are located nearby. The New Agreements will secure steady supply of electricity and steam to ensure fulfilment of the Company's production needs.

GENERAL

The Group is principally engaged in the manufacture and sale of handbags and chemical production. The principal business of Jiangsu Chemical is in the production and sales of chloromethane products.

Jiangsu Paper is an indirectly 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 Latest Practicable Date, Fortune Star is interested in approximately 75 % of the shares in the Company and Mr. Lee Wan Keung Patrick is interested in 55 % of the shares in Fortune Star. Accordingly, the transactions under the New Agreements 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 Latest Practicable Date.

Under the Listing Rules, the New Annual Caps, being more than 2.5% and less than 25% of the applicable percentage ratios, is also greater than HK\$10,000,000. Consequently, the New Agreements and the New Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. As at the Latest Practicable Date, Mr. Lee Wan Keung, Patrick and his associate are interested in 618,750,000 shares of the Company, representing 75% of the shares of the Company. Mr. Lee Wan Keung Patrick and his associates will abstain from voting at the EGM of the Company to approve the New Agreements.

POLL PROCEDURE

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions set out in the notice of the EGM shall be voted by poll. Votes may be given either personally or by proxy.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 11 of this circular which contains its recommendation to the Independent Shareholders in respect of the resolution to approve the transactions contemplated under the New Agreements.

LETTER FROM THE BOARD

The advice of Quam to the Independent Board Committee and the Independent Shareholders as to whether the terms of the New Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole are set out on pages 12 to 19 of this Circular.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



LEE & MAN HOLDING LIMITED

理文集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 746)

4 June 2010

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders in respect of the resolutions to approve the transactions contemplated under the New Agreements, details of which are set out in the “Letter from the Board” contained in the circular of the Company (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the advice of Quam in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the New Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole, as set out in the “Letter from Quam” as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Quam in relation thereto as stated in its letter, we consider the terms of the transactions contemplated under the New Agreements to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the transactions contemplated under the New Agreements and the New Annual Caps.

Yours faithfully

Independent Board Committee

Mr. Heng Kwoong Seng

Independent Non-executive Director

Mr. Mr. Wan Chi Keung, Aaron BBS JP

Independent Non-executive Director

* *for identification purposes only*

LETTER FROM QUAM

The following is the text of a letter of advice from Quam, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Agreements and the New Annual Caps.



Quam Capital Limited

A Member of The Quam Group

4 June 2010

The Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions contemplated under the New Agreements and the New Annual Caps. Details of the Continuing Connected Transactions are set out in the "Letter from the Board" contained in the circular dated 4 June 2010 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular, unless the context otherwise requires.

Mr. Heng Kwo Seng and Mr. Wan Chi Keung, Aaron *BBS JP* the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the New Agreements and the New Annual Caps are fair and reasonable; whether the New Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole; and whether to vote in favour of the New Agreements and the New Annual Caps. As Mr. Wong Kai Tung, Tony, an independent non-executive Director, is also an independent non-executive director of Lee & Man Paper, he is not considered to be sufficiently independent to advise the Independent Shareholders in respect of the Continuing Connected Transactions. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

We are independent of and not connected with any members of the Group or any of their substantial shareholders, directors or chief executives, or any of their respective associates, and are accordingly qualified to give an independent advice in respect of the Continuing Connected Transactions.

In formulating our recommendation, we have relied on the information and facts supplied by the Company, and the opinions expressed by and the representations of the directors and the management of the Company. We have assumed that all the information and representations contained or referred to in the Circular were true and accurate in all respects at the date

LETTER FROM QUAM

thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time that they were made and continue to be true until the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group.

Principal factors and reasons considered

In arriving at our recommendation, we have taken into consideration the following principal factors and reasons:

A. Background of and reasons for the Continuing Connected Transactions

(i) Background of the Continuing Connected Transactions

The Group is principally engaged in the manufacture and sale of handbags and chemical production. The Group's phase I chemical production plant commenced production in May 2008. Subsequently, phase II of the chemical production plant have entered into production and it reached full capacity in the middle of 2009. The chemical business contributed net profit of approximately HK\$130 million, or about 55.6%, to the net profit of the Group for the year ended 31 December 2009.

The principal business of Jiangsu Chemical is the production and sale of chloromethane products. Since the commencement of Jiangsu Chemical's chemical production, Jiangsu Paper has been providing service to generate electricity and steam required for its production plant (the "**Electricity Supply Services**" and the "**Steam Supply Services**" respectively) pursuant to the Existing Agreements both dated 14 March 2008 as detailed in the circular of the Company dated 3 April 2008. The Existing Agreements and the Existing Annual Caps for the two years and eight months ending 31 December 2010 were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 25 April 2008.

On 20 May 2010, Jiangsu Chemical and Jiangsu Paper entered into the New Agreements to supersede the Existing Agreements.

Jiangsu Paper is an indirectly wholly-owned subsidiary of Lee & Man Paper, an associate of Mr. Lee Wan Keung Patrick, the ultimate controlling Shareholder. Accordingly, the transactions contemplated under the New Agreements constitute

LETTER FROM QUAM

continuing connected transactions under the Listing Rules. The Continuing Connected Transactions are subject to the approvals of the independent shareholders of each of the Company and Lee & Man Paper.

(ii) Reasons for the Continuing Connected Transactions

It is noted from the “Letter from the Board” that the Group’s production facilities in Jiangsu does not have any steam generating facilities and electricity generator. We were advised by the Company that the Group does not intend to construct any electricity or steam generating facilities capable of catering for the needs of chemical production.

Jiangsu Paper, which is principally engaged in the manufacture and trading of paper, is located three kilometres away from the production site of Jiangsu Chemical, and has its own electricity and steam production facilities. Jiangsu Paper is a wholly-owned subsidiary of Lee & Man Paper, a company listed on the Stock Exchange. Jiangsu Paper has been engaged as a steam supplier to other production facilities in the area since March 2005. Furthermore, we were advised by the Company that Jiangsu Paper is the only supplier of steam available within the area where Jiangsu Chemical’s factory is located. We were also advised that the Electricity Supply Services and Steam Supply Services have operated smoothly since the commencement of Jiangsu Chemical’s chemical production. As such, the New Agreements will secure steady supply of electricity and steam to ensure fulfillment of the Jiangsu Chemical’s production needs.

Taking into account the business activities of Jiangsu Chemical and that Jiangsu Chemical’s operations is expected to continue to benefit from the stable supply of steam and electricity from Jiangsu Paper, we are of the view that the entering into the New Agreements by the Company is within its usual and ordinary course of business and in the interests of the Company and the Shareholders as a whole.

B. Principal terms of the New Agreements

Each of the New Electricity Services Agreement and the New Steam Services Agreement is for a term of 3 years with effect from 1 April 2010 to 31 March 2013. Service fees for electricity and steam will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption restricted by the New Annual Caps. Other major terms of the New Agreements are set out below:

(i) The New Electricity Services Agreement

Pursuant to the New Electricity Services Agreement, Jiangsu Paper has agreed to provide services to generate electricity for Jiangsu Chemical and Jiangsu Chemical has agreed, at its own expense, provide electricity cables and relevant facilities for Jiangsu Paper to supply electricity to Jiangsu Chemical. As advised by the Company, such facilities have been installed and utilised by Jiangsu Chemical. The coal for generating the electricity will be supplied by Jiangsu

LETTER FROM QUAM

Chemical to Jiangsu Paper in advance. As such, it is noted that the electricity service fees to be charged by Jiangsu Paper only represents the provision of electricity generating services.

The electricity service fee of RMB0.08 per kWh was determined based on the estimated supply costs (including overheads and a mark up representing the investment and financing costs of the electricity and steam generating facilities) of Jiangsu Paper.

Since the establishment of the chemical business, Jiangsu Chemical has only purchased electricity from the state grid for its construction phase and has not purchased any electricity for manufacturing purpose. As such, no other similar transaction between the Group and an independent electricity supplier is available for comparison to the terms of the transactions contemplated under the New Electricity Services Agreement.

We were advised by the Company that Jiangsu Paper has supplied electricity to Jiangsu Chemical only and not to any other party. Excess electricity generated by Jiangsu Paper can be sold to the state grid and in turn is sold to end-users. According, no similar transaction between Jiangsu Paper and an independent third party is available for pricing comparison in our analysis.

We were advised by the Company that in the Changshu Development Zone (常熟開發區), where Jiangsu Chemical's factory is located, state electricity supply is priced according to the relevant electricity price lists issued by municipal governments of the Jiangsu Province. We have reviewed the aforementioned price lists and noted that the total unit cost of electricity of Jiangsu Chemical is not higher than the state prescribed prices of electricity issued by the Price Bureau of Jiangsu Province. Jiangsu Chemical's unit cost of electricity includes the electricity service fee of RMB0.08 per kWh pursuant to the New Electricity Services Agreement, the costs of coal for generating electricity, costs of construction and maintenance of the facilities required for electricity transmission.

(ii) The New Steam Services Agreement

Pursuant to the New Steam Services Agreement, Jiangsu Paper has agreed to provide services to generate steam for Jiangsu Chemical and Jiangsu Chemical has agreed to be responsible for providing and maintaining the steam pipelines and relevant facilities for the transfer of steam to its production facilities. We were advised that such facilities have been installed and utilised by Jiangsu Chemical. Coal for generating steam will also be supplied by Jiangsu Chemical to Jiangsu Paper in advance. As such, the service fee as stipulated under the New Steam Services Agreement represents the provision of steam generating services only.

The steam service fee of RMB30 per ton measured at Jiangsu Paper's meter was determined based on the estimated supply costs (including overheads and a mark up representing the investment and financing costs of the electricity and steam generating facilities) of Jiangsu Paper.

LETTER FROM QUAM

We understand that due to the close proximity of Jiangsu Chemical's factory to Jiangsu Paper's steam facilities and the continuous high transmission rate of steam, the wastage of steam supplied to Jiangsu Chemical is significantly lower than that supplied to other customers of Jiangsu Paper. As such, Jiangsu Paper and Jiangsu Chemical have mutually agreed to measure the usage of steam at the meter of Jiangsu Paper's steam facilities instead of at the meter of Jiangsu Chemical's factory as was previously measured.

Following the establishment of Jiangsu Chemical and up to the Latest Practicable Date, the Group had not purchased any steam from independent third parties. Accordingly, no other similar transaction between the Group and an independent steam supplier is available for comparison to the terms of the transactions contemplated under the New Steam Services Agreement.

It is noted that Jiangsu Paper sells steam to independent third parties. The unit price of steam charged by Jiangsu Paper to customers other than Jiangsu Chemical is inclusive of coal and pipe facility costs and is measured at the meters of the customers' respective factories. In order to compare the unit price of steam charged to Jiangsu Chemical with the unit price of steam charged to other customers, the total unit cost of steam for Jiangsu Chemical is calculated, which includes the steam service fee charged by Jiangsu Paper and all extra costs and the cost of wastage of steam borne by Jiangsu Chemical. We noted that Jiangsu Chemical's unit cost of steam is not higher than the unit price of steam charged to Jiangsu Paper's other customers.

In view of the above, we consider that the terms of the New Agreements are fair and reasonable.

C. New Annual Caps

The maximum aggregate annual fees payable to Jiangsu Paper by Jiangsu Chemical for the provision of Electricity Supply Services and Steam Supply Services for the three years ending 31 December 2012, must not exceed the New Annual Caps (which are subject to Independent Shareholders' approval at the EGM). The table below sets out (i) the historical transaction value for the provision of Electricity Supply Services and Steam Supply Services between 1 April 2008 and 31 March 2010; and (ii) the New Annual Caps for the three years ending 31 December 2012:

LETTER FROM QUAM

(In thousands)	For the 8 months ended 31 December 2008	For the year ended 31 December 2009	For the 3 months ended 31 March 2010	New Annual Caps for the year ending 31 December 2010	New Annual Caps for the 2 years ending 31 December 2012
Steam Supply Services	RMB8,078 (approximately HK\$9,179)	RMB27,944 (approximately HK\$31,754)	RMB8,843 (approximately HK\$10,049)	RMB23,918 (approximately HK\$27,194.8)	RMB20,100 (approximately HK\$22,853.7)
Electricity Supply Services	RMB5,061 (approximately HK\$5,751)	RMB18,778 (approximately HK\$21,339)	RMB5,837 (approximately HK\$6,633)	RMB39,437 (approximately HK\$44,839.8)	RMB44,800 (approximately HK\$50,937.6)

In assessing the reasonableness of the New Annual Caps, we have discussed with the management of the Company the bases and assumptions underlying the projections of the New Annual Caps. We noted that in calculating the New Annual Caps, the Directors have taken into account the following:

- the amount of historical transactions between Jiangsu Chemical and Jiangsu Paper for the eight months ended 31 December 2008, the financial year ended 31 December 2009 and the three months ended 31 March 2010;
- the production plans and the related estimated electricity and steam requirements of Jiangsu Chemical from 1 April 2010 to 31 December 2012;
- the unit price of electricity and steam services to be provided; and
- Jiangsu Paper's own anticipated consumption requirements, the spare electricity and steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements.

The New Annual Caps reflect the anticipated value of transactions based on the services fees as stipulated under the New Agreements and the anticipated consumption of electricity and steam by Jiangsu Paper.

We have reviewed (i) the estimation of spare electricity and steam capacity of Jiangsu Paper available for Jiangsu Chemical's requirements; and (ii) the actual amount of electricity and steam consumed by Jiangsu Chemical after entering into full production. Furthermore, we have discussed the future production plan of Jiangsu Chemical with the management and also noted Jiangsu Chemical's intention to establish a new phase of its chemical production plant which is expected to enter into production in March 2011. Based on our work done, we are of the view that the consumption estimations are reasonable and, therefore, the amount of the New Annual Caps are reasonable.

LETTER FROM QUAM

D. Annual review of the Continuing Connected Transactions

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following requirements:

- (i) each year the independent non-executive Directors will review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company will provide a letter to the Directors confirming that the Continuing Connected Transactions:
 - (a) have received the approval of the Directors;
 - (b) have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (c) have not exceeded the relevant annual caps;
- (iii) the Company shall allow, and shall procure the relevant counterparties to the Continuing Connected Transactions to allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions. The Directors must state in the annual report whether the auditors have confirmed the matters as set out in paragraph (ii) above; and
- (iv) the Company will promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (i) and/or (ii) respectively.

In view of the Continuing Connected Transactions will be subject to annual reviews by the independent non-executive Directors and auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interest of the Shareholders.

LETTER FROM QUAM

Recommendation

Having considered the principal factors and reasons as discussed above, and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- Jiangsu Chemical does not have any steam generating facilities and electricity generator;
- the New Agreements will secure steady supply of electricity and steam to ensure fulfillment of Jiangsu Chemical's production needs;
- Jiangsu Chemical's unit cost of electricity (including the service fee to be charged by Jiangsu Paper) is not higher than the state prescribed prices of electricity;
- Jiangsu Chemical's unit cost of steam (including the service fee to be charged by Jiangsu Paper) is not higher than the unit price charged to other independent customers of Jiangsu Paper;
- the bases of determining the New Annual Caps are reasonable; and
- appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions,

we are of the view that the New Agreements and the New Annual Caps are fair and reasonable; the New Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the New Agreements and the New Annual Caps.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Director

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular 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 he was taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or were required to be entered in the register referred therein pursuant to Section 352 of the SFO.

Directors' interests in the Shares

Name of Director	Number of Shares interest (Long Position)	Capacity	Approximate percentage of Shares
Lee Man Yan	618,750,000 (Note)	Held by controlled corporation	75%

Note: These shares are held by Fortune Star.

Directors' interests in the Share Options

Name of Director	Date of grant	Consideration (HK\$)	Exercise price per share (HK\$)	Exercisable period	Number of share options outstanding as at the Latest Practicable Date	Percentage to the issued share capital
Lee Man Yan	23.04.2010	1.00	6.69	23.04.2011 to 22.04.2015	82,500,000	10%

Directors' interests in associated corporations of the Company

Name of Director	Capacity	Number of associated company	Number of shares interested	Percentage of the issued share of the associated company
Lee Man Yan	Beneficial owner	Fortune Star	45 (Note)	45%

Note: As Fortune Star owns more than 50% of the Company, Fortune Star is an associated corporation of the Company under the SFO. The entire issued share capital of Fortune Star is owned by Mr. Lee Man Yan, a Director, as to 45% and Mr. Lee Wan Keung Patrick as to the remaining 55%. Ms Wai Siu Kee is a director of Fortune Star.

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	618,750,000	Beneficial Owner	75%
Lee Man Yan	618,750,000	Held by controlled corporation	75%
Lee Wan Keung Patrick	618,750,000	Held by controlled corporation	75%
Lee Wong Wai Kuen	618,750,000	Spousal interest	75%

Note:

- Under the SFO, Ms. Lee Wong Wai Kuen is deemed to be interested in these 618,750,000 ordinary shares as she is the spouse of Mr. Lee Wan Keung Patrick.

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 Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which will not expire or may not be terminated by the Group within one (1) year without the payment of compensation other than statutory compensation.

6. COMPETING INTERESTS

None of the Directors and their respective associates have any interest in a business, which competes or may compete with the business of the Group.

7. EXPERT

- (a) The following is the qualification of Quam, which has given its opinion or advice which is contained in this circular:

Name	Qualification
Quam	a corporation licensed by the SFC for carrying out Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Quam did not have any shareholding, direct or indirect, in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group, nor did it have any interest, direct or indirect, in any assets which had, since 31 December 2009, being the date up to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.
- (c) Quam has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear.

8. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, being the date up to which the latest published audited financial statements of the Group were made.
- (b) None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

9. MISCELLANEOUS

- (a) The company secretary and the qualified accountant of the Company 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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at 8th Floor, Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong, from 7 June 2010 for a period of 14 days up to 23 June 2010:

- (a) this circular;
- (b) the Articles of Association of the Company;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (d) the letter from Quam, the text of which is set out on pages 12 to 19 of this circular;
- (e) the written consent of Quam referred to in the section headed "Expert" in this Appendix;
- (f) the New Agreements; and
- (g) the Existing Agreements.

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 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 24 June 2010 at 11:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTION

- “1. **THAT** the electricity services agreement (the “New Electricity Services Agreement”) dated 20 May 2010 between Jiangsu Lee & Man Chemical Limited (“Jiangsu Chemical”) and Jiangsu Lee & Man Paper Manufacturing Company Limited (“Jiangsu Paper”) pursuant to which Jiangsu Paper provides services to generate electricity for Jiangsu Chemical and the annual caps and the transactions contemplated thereunder be and are hereby approved and any one director be and are hereby authorised to exercise all the powers of the Company and take all other steps as they may in their opinion to be desirable or necessary in connection with the Electricity Services Agreement and generally to exercise all the powers of the Company as they deem desirable or necessary in connection with the foregoing.”
- “2. **THAT** the steam services agreement (the “New Steam Services Agreement”) dated 20 May 2010 between Jiangsu Lee & Man Chemical Limited (“Jiangsu Chemical”) and Jiangsu Lee & Man Paper Manufacturing Company Limited (“Jiangsu Paper”) pursuant to which Jiangsu Paper provides services to generate steam for Jiangsu Chemical and the annual caps and the transactions contemplated thereunder be and are hereby approved and any one director be and are hereby authorised to exercise all the powers of the Company and take all other steps as they may in their opinion to be desirable or necessary in connection with the Steam Services Agreement and generally to exercise all the powers of the Company as they deem desirable or necessary in connection with the foregoing.”

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

4 June 2010

* *for identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 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.

At the date hereof this notice, 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.