
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**



Quam Capital Limited

A letter from the Independent Board Committee is set out on page 10 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 11 to 16 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 25 April 2008 at 10:30 a.m. (the "Extraordinary General Meeting") is set out on pages 22 to 23 of this circular.

A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. If you do not intend 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*

3 April 2008

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DEFINITIONS

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

“Agreements”	the Electricity Services Agreement and the Steam Services Agreement;
“Annual Caps”	the maximum annual consideration payable by Jiangsu Chemical to Jiangsu Paper under the Agreements for each of 2008, 2009 and 2010;
“associates”	has the meaning ascribed thereto 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;
“connected person”	the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	extraordinary general meeting to be convened by the Company for the approval of the transactions contemplated under the Agreements;
“Electricity Services Agreement”	the agreement dated 14 March 2008 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper generates electricity for 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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	a board committee comprising of Mr. Wan Chi Keung, Aaron <i>JP</i> , an independent non-executive Director of the Company, constituted to make recommendations to the Independent Shareholders in respect of the Agreements and the Annual Caps. As Mr. Heng Kwo Seng and Mr. Wong Kai Tung, Tony, two of the independent non-executive Directors, are also independent non-executive directors of Lee & Man Paper, they will not be on the Independent Board Committee;
“Independent Shareholders”	Shareholders other than Fortune Star and its associates;
“Jiangsu Chemical”	Jiangsu Lee & Man Chemical Limited, a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of the Company;
“Jiangsu Paper”	Jiangsu Lee & Man Paper Manufacturing Company Limited, a wholly foreign-owned established in the PRC and a wholly-owned subsidiary of Lee & Man Paper;
“Latest Practicable Date”	31 March 2008;
“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;
“PRC”	the People’s Republic of China;
“Quam”	Quam Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the Annual Caps;
“RMB”	Reminbi, the lawful currency of the PRC. For information only, RMB have been translated into HK\$ as to RMB1 to HK\$1.09. No representation is made that such amounts were or could be exchanged at such rates;
“SFO”	Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Shareholders”	holders of the Share(s);
“Steam Services Agreement”	the agreement dated 14 March 2008 entered into between Jiangsu Paper and Jiangsu Chemical pursuant to which Jiangsu Paper generates steam for Jiangsu Chemical;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Unit(s)”	unit(s) of electricity, i.e. kilowatt(s); 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. Lee Marina Man Wai

Ms. Poon Lai Ming

Mr. Lee Man Yan

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. Wan Chi Keung, Aaron JP

Mr. 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

3 April 2008

To the shareholders of the Company

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement made by the Company dated 14 March 2008. On 14 March 2008 Jiangsu Chemical, a wholly owned subsidiary of the Company, has entered into the Agreements with Jiangsu Paper. Jiangsu Paper is a wholly owned subsidiary of Lee & Man Paper, an associate of Fortune Star, the controlling shareholder of the Company. Accordingly, the transactions under the Agreements constitute continuing connected transactions under the Listing Rules.

As the Annual Caps is more than 2.5% and is less than 25% of the applicable percentage ratios in respect of the Company and is greater than HK\$10,000,000, the Agreements and Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Accordingly, each of the Agreements is conditional upon the approval of the Independent Shareholders at the EGM.

* for identification purposes only

LETTER FROM THE BOARD

In addition, since Lee & Man Paper is a listed company on the Stock Exchange, the 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 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 25 April 2008 for the purpose of obtaining the approval from the Independent Shareholders in respect of the subject transactions by way of poll.

THE AGREEMENTS

A summary of Agreements is set out below:

Date

14 March 2008

Parties

Jiangsu Paper and Jiangsu Chemical

Main terms

Type of transaction

Electricity Services Agreement

Services to generate electricity by
Jiangsu Paper for Jiangsu
Chemical

Nature of transaction

Under the Electricity Services Agreement dated 14 March 2008, Jiangsu Paper will provide services to generate electricity for Jiangsu Chemical at a fee of RMB0.05 per Unit. The coal and other raw material for generating the electricity will be supplied by Jiangsu Chemical. Jiangsu Chemical will also be responsible for the installation of electricity cables and other facilities to transmit electricity to its production facilities. The Electricity Services Agreement is for a term of two years and eight months commencing from 1 May 2008 till 31 December 2010.

LETTER FROM THE BOARD

Type of transaction

Nature of transaction

Steam Services Agreement

Services to generate steam by
Jiangsu Paper for Jiangsu
Chemical

Under the Steam Services Agreement dated 14 March 2008, Jiangsu Paper will provide services to generate steam for Jiangsu Chemical at a charge of RMB90.00 per ton. The coal for generating the steam will be supplied by Jiangsu Chemical. Jiangsu Chemical will also be responsible for installing steam pipelines and other facilities to transfer steam to its production facilities. The Steam Services Agreement is for a term of two years and eight months commencing from 1 May 2008 till 31 December 2010.

The electricity and steam service fees under the Agreements will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption subject to the amounts restricted by the Annual Caps.

The electricity and steam service fees under the Agreements were negotiated and determined on an arm's length basis 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) to Jiangsu Paper. The Directors are of the view that such mark up is fair and reasonable taking into account the benefits of securing steady supply of electricity and steam which would reduce the risk of interruptions to the Company's production and the combination of the following factors. As regards supply of steam services, there are no other suppliers nearby the production facilities of Jiangsu Chemical and the rate charged by Jiangsu Paper (taking into consideration the costs of raw material and steam pipelines which will be provided by Jiangsu Chemical) is in line with those which Jiangsu Paper is charging other steam customers. As regards supply of electricity service, the Group considers such basis for determination of the rate to be reasonable in view of the benefits for securing steady supply of electricity to ensure fulfilment of the Company's production needs and there are no relevant market rates from other suppliers (which the Company considers will be able to provide reliable and steady supply) which can be used as benchmark for the rates under the Agreements.

LETTER FROM THE BOARD

The Company proposes that the maximum aggregate annual consideration under the Agreements will not exceed the respective cap amounts (in respect of which Independent Shareholders approval is proposed to be sought at the EGM) as shown in the table below for the eight months in 2008 and the years of 2009 and 2010:

Type of Transaction	Annual Caps for the year ending 31 December		
	2008 (8 months)	2009	2010
Services to generate electricity by Jiangsu Paper for Jiangsu Chemical	RMB14,000,000 (approximately <u>HK\$15,260,000</u>)	RMB30,000,000 (approximately <u>HK\$32,700,000</u>)	RMB30,000,000 (approximately <u>HK\$32,700,000</u>)
Services to generate steam by Jiangsu Paper for Jiangsu Chemical	RMB20,000,000 (approximately <u>HK\$21,800,000</u>)	RMB50,000,000 (approximately <u>HK\$54,500,000</u>)	RMB50,000,000 (approximately <u>HK\$54,500,000</u>)
Total	RMB34,000,000 (approximately <u>HK\$37,060,000</u>)	RMB80,000,000 (approximately <u>HK\$87,200,000</u>)	RMB80,000,000 (approximately <u>HK\$87,200,000</u>)

The sharp increase in the Annual Caps for 2009 compared to 2008 is due to the production plans of Jiangsu Chemical to be carried out in two phases, with phase one expected to commence by end of March 2008 and phase two expected to commence in the fourth quarter of 2008. The production capacity of phase two is almost double that of phase one and as such, the Annual Caps for 2009 are substantially larger than that of 2008.

The Annual Caps have been determined by reference to the following principal factors:

- the spare electricity/steam capacity of Jiangsu Paper available for Jiangsu Chemical's consumption, after taking into account their own anticipated consumption requirements;
- the production plans and the related estimated electricity and steam requirements of Jiangsu Chemical for the period from 1 May 2008 up to 31 December 2010; and
- the estimated unit price of electricity and steam services to be provided.

Each of the Agreements is conditional upon the approval of the Independent Shareholders at the EGM. In addition, since Lee & Man Paper is a listed company on the Stock Exchange, the 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 specialize 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 AGREEMENTS

The Group's production facilities in Jiangsu does not have any steam generating facilities and only has an electricity generator, and the production facilities of Lee & Man Paper (which has such facilities) are located nearby. Prior to the date of the Agreements, Jiangsu Chemical has not commenced production and as such it did not require any steam and only utilised minimal electricity for its construction phase from the state grid and its electricity generator. The transactions under the Agreements will enable the Group to secure a steady supply of electricity and steam to meet its production requirements at a reasonable price.

The Agreements have been negotiated and agreed on an arm's length basis between the Group and Jiangsu Paper based on normal commercial terms. The Directors consider the terms of the Agreements to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

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

Jiangsu Paper is a wholly owned subsidiary of Lee & Man Paper whose director Mr. Lee Wan Keung, Patrick is also the ultimate controlling shareholder of the Company through its shareholding interest in Fortune Star, the controlling shareholder of the Company. As at the Latest Practicable Date, Fortune Star is interested in 618,750,000 Shares, representing approximately 75% of the shares in the Company and Mr. Lee Wan Keung, Patrick is interested in 55 shares, representing approximately 55% of the shares in Fortune Star. Accordingly, the transactions under the Agreements constitute continuing connected transactions. The Company does not hold any shares in Lee & Man Paper and vice versa as at the Latest Practicable Date.

Save for the Agreements, the Company has confirmation from Fortune Star that it and its associates do not have any other transactions with the Group that are subsisting and are subject to aggregation pursuant to Rule 14A.25 to 14A.27 of the Listing Rules.

As the Annual Caps is more than 2.5% and is less than 25% of the applicable percentage ratios in respect of the Company and is greater than HK\$10,000,000, the Agreements and their respective Annual Caps are subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Fortune Star and its associates will abstain from voting at the EGM of the Company to approve the Agreements, and the votes of the Independent Shareholders in the EGM will be taken by poll.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL AT THE EGM

Where a resolution is put to the vote at the EGM, the resolution shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of the EGM; or
- (b) by at least three Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the EGM; or
- (c) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the EGM; or
- (d) by a Shareholder or Shareholders present in person (or in the case of a Shareholder being a corporation by its duly authorized representative) or by proxy and holding Shares conferring a right to vote at the EGM being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a 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 10 of this circular which contains its recommendation to the Independent Shareholders in respect of the resolution to approve the transactions contemplated under Agreements.

The advice of Quam to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Agreements are fair and reasonable and in the interests of the Company and its Shareholders as a whole are set out on pages 11 to 16 of this Circular.

FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of
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)

3 April 2008

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I have been appointed as the sole member of the Independent Board Committee to advise the Independent Shareholders in respect of the resolution to approve the transactions contemplated under the 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 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 Capital Limited” 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, I consider the terms of the transactions contemplated under the Agreements to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, I 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 Agreements.

Yours faithfully,
Independent Board Committee
Mr. Wan Chi Keung, Aaron JP
Independent Non-executive Director

* *For identification purposes only*

LETTER FROM QUAM CAPITAL LIMITED

The following is the full text of the letter of advice from Quam Capital Limited, 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 terms of the Electricity Services Agreement and the Steam Services Agreement.



Quam Capital Limited 華富嘉洛企業融資有限公司

A Member of The Quam Group

3 April 2008

*To the Independent Board Committee
and the Independent Shareholders*

Lee & Man Holding Limited
8th Floor, Liven House
61-63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions pursuant to the Electricity Services Agreement and the Steam Services Agreement (the “Agreements” or “Continuing Connected Transactions”). Details of the terms of the Continuing Connected Transactions are set out in the “Letter from the Board” contained in the circular issued by the Company to the Shareholders dated 3 April 2008 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Mr. Wan Chi Keung, Aaron *JP*, an independent non-executive Director, has been appointed as member of the Independent Board Committee to advise the Independent Shareholders as to whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and to advise the Independent Shareholders, taking into account our advice, as to whether to vote in favour of the Continuing Connected Transactions. The other two independent non-executive Directors, Mr. Heng Kwoong Seng and Mr. Wong Kai Tung, Tony, are also independent non-executive directors of Lee & Man Paper, as such they have not been appointed as members of the Independent Board Committee. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders.

LETTER FROM QUAM CAPITAL LIMITED

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 is accordingly qualified to give an independent advice in respect of the Continuing Connected Transactions.

In formulating our recommendation, we have relied on the information, facts supplied by the Company, and the opinions expressed by and the representations of the Directors and 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 thereof and may be relied upon. We have also assumed that all statements and representations made or referred to in the Circular are true at the time that they were made and continue to be true at the date thereof. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Directors have confirmed to us that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement in the Circular 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 any member of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the transactions are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the following principal factors and reasons:

1. Background and reasons for the transactions

The Group is principally engaged in the manufacture and sale of handbags and luggage and chemical production. On 16 November 2005, the Company announced its plan to enter the chemical production sector with the establishment of Jiangsu Chemical, a wholly-owned subsidiary of the Company principally engaged in the production and sale of chloromethane products. As stated in the Letter from the Board, phase I of the chemical production plant is expected to commence production in end of March 2008 and the construction of phase II of the chemical production plant is in progress and is expected to begin production in the fourth quarter of 2008.

It is noted in the Letter from the Board that the Group does not, at present, have any on-site electricity or steam generating facilities capable of catering for the needs of chemical production. As such, the Company will have to secure steam and electricity provider that can offer reliable and steady supply of electricity and steam which are essential to the operation of the chemical production site. It is also noted in the Letter from the Board that no viable alternative sources of electricity is available to Jiangsu Chemical. On that note, the Directors are of the view that apart from Jiangsu Paper,

LETTER FROM QUAM CAPITAL LIMITED

there are no other facilities located in the area which are capable of supplying electricity and steam at the level of stability required. It is also the Directors' view that securing the stable supply of electricity and steam from Jiangsu Paper will effectively reduce the risk of interruptions to Jiangsu Chemical's production.

Jiangsu Paper, which is principally engaged in the manufacturing and trading of paper, is located 3 kilometres away from the production site of Jiangsu Chemical, and has their own electricity and steam production facilities. Jiangsu Paper is a wholly-owned subsidiary of Lee & Man Paper, a listed company on the Stock Exchange, is a large-scale paper manufacturer that specializes in the production of linerboard and corrugating medium. Jiangsu Paper has also been engaged as a steam supplier to other production facilities in the area since March 2005.

In view of the above, the Directors consider it is in the interest of the Group to secure Jiangsu Paper as the steam and electricity supplier of Jiangsu Chemical. In light of the respective business activities of Jiangsu Chemical and Jiangsu Paper, we are of the view that the entering into the Agreements by the Company is within its usual and ordinary course of business.

Since Jiangsu Paper is a wholly-owned subsidiary of Lee & Man Paper, which is an associate of Fortune Star, the controlling shareholder of the Company, the transactions contemplated by the Agreements constitute continuing connected transactions of the Company and approvals from the independent shareholders of each of the Company and Lee & Man Paper are required.

2. Principal terms of the Agreements and comparison with independent third parties

As stated in the Letter from the Board, the electricity and steam service fees under the Agreements were arrived at on an arm's length basis. Subject to approval by the Independent Shareholders at the EGM, the Agreements shall become effective from 1 May 2008 to 31 December 2010.

The electricity and steam service fees under the Agreements will be paid in cash by Jiangsu Chemical within 14 days after the end of each month based on actual consumption. Such fees were negotiated and determined on an arms length basis based on the estimated supply costs to Jiangsu Paper, including overheads and a mark up representing the investment and financing costs of the electricity and steam generating facilities.

Electricity Services Agreement

Pursuant to the Electricity Services Agreement, Jiangsu Paper will provide services to generate electricity for Jiangsu Chemical. As noted in the Letter from the Board, Jiangsu Chemical will be responsible for the installation of electricity cables and other facilities required for the transmission of electricity. Raw material for use in the generation of electricity will also be procured and supplied by Jiangsu Chemical. As

LETTER FROM QUAM CAPITAL LIMITED

such, it is noted that the electricity service fee to be charged by Jiangsu Paper only represents the provision of electricity generating services and it is set at RMB0.05 per Unit.

Since the establishment of the chemical production business, Jiangsu Chemical has only purchased electricity from the state grid for its construction phase and has never purchased any electricity for manufacturing purpose. As such, no other similar transaction between the Group and independent electricity supplier is available for comparison to the terms of the transactions contemplated under the Electricity Services Agreement. We have, however, reviewed terms on sales of electricity of the state grid and noted that the terms offered by the Jiangsu Paper to the Group are in line with the terms offered by other independent supplier.

Steam Services Agreement

Pursuant to the Steam Services Agreement, Jiangsu Paper will supply steam to Jiangsu Chemical. As stated in the Letter from the Board, Jiangsu Chemical will also be responsible for the installation of steam pipelines and other facilities for the transfer of steam to its production facilities. Coal for use in the generation of steam will be procured and supplied by Jiangsu Chemical. As such, fees charged pursuant to this agreement represent the provision of steam generating services plus costs of raw materials other than coal and it is set at RMB90.00 per ton.

Similar to the transaction mentioned above, prior to the setting up of the chemical production business, the Group has never purchased any steam from any steam supplier. Following the setting up of Jiangsu Chemical and up to the Latest Practicable Date, the Group has not purchased any steam and no other similar transaction between the Group and independent steam suppliers is available for comparison to the terms of the transactions contemplated under the Steam Services Agreement. We have, however, reviewed terms on past sales of steam by Jiangsu Paper to independent customers and noted that the terms offered by the Jiangsu Paper to the Group are in line with the terms offered to other independent customers.

In view of the above, and given that the purchase price for the Electricity Services Agreement is in line with those offered by independent third party in the area and the purchase price for the Steam Services Agreement is in line with the terms offered to other independent customers by Jiangsu Paper, we consider that the pricing bases for and the terms of the Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL LIMITED

3. Annual Caps

Subject to the Independent Shareholders' approval in the EGM, the maximum aggregate annual fees payable to Jiangsu Paper under each of the Agreements shall not exceed the respective Annual Caps as set out below:

	Eight months ending		Year ending 31 December			
	31 December		2009		2010	
	2008					
	RMB'000	HKD'000	RMB'000	HKD'000	RMB'000	HKD'000
Annual cap pursuant to the Electricity Services Agreement	14,000	15,260	30,000	32,700	30,000	32,700
Annual cap pursuant to the Steam Services Agreement	20,000	21,800	50,000	54,500	50,000	54,500

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

- the estimated maximum electricity and steam requirements of Jiangsu Chemical for the 8 months ending 31 December 2008, and the year ending 31 December 2009 and 2010 respectively, in particular, the proposed commencement of new production facilities for the phase II chemical production plant in the fourth quarter of 2008 as mentioned in the above section headed "background and reasons for the transactions";
- the estimated unit price of electricity and steam services to be provided; and
- Jiangsu Paper's spare capacity of electricity and steam supply available for Jiangsu Chemical's consumption, after taking into account its own anticipated consumption requirements.

As stated in the announcement dated 16 November 2005 regarding the Company's investment in Jiangsu Chemical, the chemical production facilities will be capable of producing, among other products, trichloromethane (chloroform) and caustic soda. Applications of such products include production of refrigerant for air conditioners and freezers, downstream fluoropolymers chemical materials, laboratory general solvent, anesthetic drug, pulp and paper, soaps and detergents, bleach manufacturing and dyeing of textiles. Given that one of the main uses of chloromethane is the manufacture of consumable daily items where global demand is less susceptible to economic cycles, demand for chloromethane products is expected to be sustainable in the long run. As such, the Directors are of the view that there is demand for PRC manufactured chloromethane products.

LETTER FROM QUAM CAPITAL LIMITED

In order to ensure smooth production, we regard that it is reasonable to use the maximum requirements of steam and electricity as a basis for determining the Annual Caps. Furthermore, we noted that estimations of electricity and steam requirements are calculated based on the standard specifications of the respective production machinery.

In view of the above, we are of the view that the bases for determining the Annual Caps on the whole, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Taking into consideration of the above mentioned principal factors and reasons, we consider that the terms of the Electricity Services Agreement and the Steam Services Agreement were entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned. 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 Agreements and their respective Annual Caps.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Sandy Yip
Director

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
Lee Man Yan	618,750,000 (Note)	Held by controlled corporation	75%

Note: These shares are held by Fortune Star.

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
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 as to the remaining 55%. Ms Wai Siu Kei 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	618,750,000	Held by controlled corporation	75%
Lee Wong Wai Kuen	618,750,000	Spousal interest	75%
Value Partners Limited	54,648,000	Investment Manager	6.62%
Value Partners Group Limited	54,648,000	Corporate interest	6.62%
Cheah Capital Management Limited	54,648,000	Corporate interest	6.62%
Cheah Cheng Hye	54,648,000	Founder of discretionary trust	6.62%
To Hau Yin	54,648,000	Spousal interest	6.62%
Cheah Company Limited	54,648,000	Corporate interest	6.62%
Hang Seng Bank Trustee International Limited	54,648,000	Trustee	6.62%

Note:

1. 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.
2. The long position of 54,648,000 shares were held by Value Partners Limited which was wholly owned by Value Partners Group Limited (“VPGL”). Cheah Capital Management Limited which holds 35.65% interest in VPGL, which in turn is wholly owned by Cheah Company Limited (“CCL”). Hang Seng Bank Trustee International Limited was the trustee of a discretionary trust of CCL. By virtue of the SFO, Mr. Cheah Cheng Hye, being the founder of the Trust and Ms. To Hau Yin as his spouse is deemed to be interested in the interest held by Value Partners Limited.

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 December 2006, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable 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 (as defined in the Listing Rules) 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	independent financial adviser, a licensed corporation licensed to carry 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 2006, 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 2006, 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 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.
- (b) The company secretary and 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.
- (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 3 April 2008 for a period of 14 days up to 17 April 2008:

- (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 10 of this circular;
- (d) the letter from Quam, the text of which is set out on pages 11 to 16 of this circular;
- (e) the written consent of Quam referred to in the section headed “Expert” in this Appendix; and
- (f) the 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 25 April 2008 at 10:30 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 “Electricity Services Agreement”) dated 14 March 2008 between Jiangsu Lee & Man Paper Manufacturing Company Limited and Jiangsu Lee & Man Chemical Limited for the supply of electricity services 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 “Steam Services Agreement”) dated 14 March 2008 between Jiangsu Lee & Man Paper Manufacturing Company Limited and Jiangsu Lee & Man Chemical Limited for the supply of steam services 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

3 April 2008

* *For identification purposes only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Shareholders entitled to attend and vote at the extraordinary general meeting are entitled to appoint one or more persons (whether or not a shareholder of the Company) as their proxy to attend and vote on behalf of themselves. A proxy need not be a shareholder of the Company but must attend the meeting in person to represent a shareholder.
2. The form of proxy must be signed by a shareholder or an attorney duly authorized in writing by a shareholder or, in the case of a corporation must be either executed under its common seal or under the hand of an officer or attorney or other person duly authorized to sign the same.
3. In the case of joint holders of a share if more than one of such joint holder 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 holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.
4. In order to be valid, the form of proxy, together with the power of attorney (if any) or other authority under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the meeting.
5. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the Extraordinary General Meeting if such shareholder so wishes. In such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the board of directors of the Company comprises of 4 executive directors, namely, Ms. Wai Siu Kee, Ms. Lee Marina Man Wai, Ms. Poon Lai Ming and Mr. Lee Man Yan, and 3 independent non-executive directors, namely, Mr. Heng Kwo Seng, Mr. Wan Chi Keung, Aaron JP and Mr. Wong Kai Tung, Tony.