LEE & MAN HOLDING LIMITED
理文集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Website: http://www.leeman.com.hk

(Stock Code: 746)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

	2007	2006	Change
	HK$'000	*HK$'000*	
Turnover	**387,766**	353,981	+9.5%
Profit for the period	**53,133**	52,633	+1.0%
Interim dividend per share	**HK2.5 cents**	HK2.5 cents	
Earnings per share	**HK6.4 cents**	HK6.4 cents	–

INTERIM RESULTS

The board of directors (the "Board") of Lee & Man Holding Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**387,766**	353,981
Cost of sales		**(276,699)**	(246,485)
Gross profit		**111,067**	107,496
Other income		**4,255**	5,393
Distribution costs		**(13,290)**	(15,614)
Administrative expenses		**(42,778)**	(39,102)
Interest on bank borrowings wholly repayable within five years		**(162)**	(21)
Profit before taxation		**59,092**	58,152
Income tax expenses	*3*	**(5,959)**	(5,519)
Profit for the period	*4*	**53,133**	52,633
Interim dividend	*5*	**HK2.5 cents**	HK2.5 cents
Earnings per share	*6*	**HK6.4 cents**	HK6.4 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30.6.2007 (Unaudited) HK$'000	31.12.2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	**277,297**	143,272
Prepaid lease payments		**47,257**	27,520
Deposit paid for acquisition of property, plant and equipment		**110,770**	51,500
Defined benefit assets		**1,786**	3,277
		437,110	225,569
CURRENT ASSETS			
Inventories	8	**93,268**	89,611
Prepaid lease payments		**981**	490
Trade and other receivables	9	**128,341**	128,975
Derivative financial instruments		**–**	163
Bank balances and cash		**87,189**	206,114
		309,779	425,353
CURRENT LIABILITIES			
Trade and other payables	10	**123,796**	95,101
Amounts due to a related company		**942**	1,023
Taxation payable		**5,732**	2,501
Import loans		**7,431**	–
Unsecured bank borrowings		**32,978**	119
Bank overdrafts		**–**	865
		170,879	99,609
NET CURRENT ASSETS		**138,900**	325,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**576,010**	551,313
NON-CURRENT LIABILITY			
Deferred taxation		**2,238**	1,938
		573,772	549,375
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**491,272**	466,875
		573,772	549,375

Notes:

1. **Basis of preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2006 annual report.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements contained in the 2006 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning 1 January 2007. The adoption of these standards, amendments or interpretations has no material effect on the Group's financial position or results of operations.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. **Business and geographical segments**

No business segment analysis is provided as all of the Group's turnover and contribution to results were derived from the manufacture and sales of handbags for both periods.

An analysis of the Group's revenue and contribution to operating results by geographical segments based on customers location, irrespective of the origin of the goods, is presented below:

Geographical segments

	Sales revenue by geographical market Six months ended 30 June		**Contribution to profit before taxation Six months ended 30 June**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**225,249**	282,473	**33,535**	45,713
Europe	**137,552**	60,914	**25,789**	11,383
South America	**9,233**	3,855	**1,492**	593
Hong Kong	**5,858**	305	**1,176**	75
Others	**9,874**	6,434	**1,222**	572
	387,766	353,981	**63,214**	58,336
Surplus on revaluation of property, plant and equipment			**196**	–
Unallocated corporate expenses			**(5,019)**	(3,535)
Interest income			**863**	3,372
Interest on bank borrowings wholly repayable within five years			**(162)**	(21)
Profit before taxation			**59,092**	58,152
Income tax expenses			**(5,959)**	(5,519)
Profit for the period			**53,133**	52,633

Since the goods sold to various geographical markets were produced from the same production facilities, analysis of assets and liabilities by geographical market is not presented.

3. **Income tax expenses**

The charge represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period.

A substantial portion of the Group's profits neither arises in, nor is derived from, Hong Kong and therefore is not subject to Hong Kong Profits Tax.

4. **Profit for the period**

	Six months ended 30 June	
	2007	2006
	HK$'000	*HK$'000*
Profit for period has been arrived at after charging:		
Staff costs (including directors' remuneration)	**72,154**	62,188
Amortisation of prepaid lease payments	**488**	245
Depreciation of property, plant and equipment	**6,634**	6,122
Loss on disposal of property, plant and equipment	**651**	2,105
and after crediting:		
Interest income	**863**	3,372
Surplus arising on revaluation of property, plant and equipment	**196**	–

5. **Interim dividend**

The Board has declared that an interim dividend of HK2.5 cents (2006: HK2.5 cents) per share amounting to HK$20,625,000 (2006: HK$20,625,000) be paid to shareholders for the six months ended 30 June 2007.

6. **Earnings per share**

The calculation of the basic earnings per share is based on the profit for the period of HK$53,133,000 (2006: HK$52,633,000) and 825,000,000 (2006: 825,000,000) shares in issue during the period.

7. **Additions to property, plant and equipment**

During the period, the Group spent HK$198 million (2006: HK$4 million) on property, plant and equipment to expand its operations.

8. Inventories

	30.6.2007	31.12.2006
	HK$'000	*HK$'000*
Raw materials and consumables	**49,041**	42,249
Work in progress	**34,153**	37,759
Finished goods	**10,074**	9,603
	93,268	89,611

All inventories were carried at cost at the balance sheet date.

9. Trade and other receivables

The Group generally allows an average credit period ranged from 30 to 60 days to its trade customers.

Included in trade and other receivables are trade and bills receivables of HK$113,672,000 (31.12.2006: HK$122,272,000). The aged analysis of trade and bills receivables at the balance sheet date is as follows:

	30.6.2007	31.12.2006
	HK$'000	*HK$'000*
Less than 30 days	**78,494**	59,778
31 – 60 days	**14,042**	35,663
61 – 90 days	**4,229**	13,028
Over 90 days	**16,907**	13,803
	113,672	122,272
Other receivables	**14,669**	6,703
	128,341	128,975

The fair value of the Group's trade and other receivables as at 30 June 2007 approximates to the corresponding carrying amount.

10. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

Included in trade and other payables are trade and bills payables of HK$70,338,000 (31.12.2006: HK$69,942,000). The aged analysis of trade and bills payables at the balance sheet date is as follows:

	30.6.2007	31.12.2006
	HK$'000	*HK$'000*
Less than 30 days	**33,685**	40,822
31 – 60 days	**27,451**	25,316
61 – 90 days	**5,932**	2,549
Over 90 days	**3,270**	1,255
	70,338	69,942
Other payables	**53,458**	25,159
	123,796	95,101

The fair value of the Group's trade and other payables as at 30 June 2007 approximates to the corresponding carrying amount.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5 cents per share for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members on 10 September 2007. It is expected that the interim dividend will be paid around 21 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 September 2007 to 13 September 2007, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accomplished by the relevant share certificates must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on 7 September 2007.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2007, turnover of the Group and profit attributable to shareholders amounted to HK$388 million and HK$53.13 million respectively, representing an increase of 9.5% and 1.0% respectively over the corresponding period last year.

The United States market continued to be the largest market for the Group's products. Sales to the United States, Europe and other market constituted 58.1%, 35.5% and 6.4% of the Group's turnover whereas 79.8%, 17.2% and 3.0% were shared respectively for the same period of last year.

During the period under review, the Group focused on development of European market which has narrowed the sales gap between European and United States markets closer to a presetting goal. Moreover, with various measures of continuous upgrading in product design, further strengthening in co-operations with international well-known branded customers and rigorous control on costs, the Group has been able to maintain its steady results in its handbag business.

The phase I of chemical production plant of the Group in Changshu, the PRC is scheduled to commence its production in about the 4th quarter of 2007. It is anticipated that the chemical sector will generate contributions to the Group's results in 2008. In the meantime, the planning for acquisition of production facilities for the phase II of chemical plant has been started. The Group is full of confidence in business prospects of the chemical sector, which will bring more favorable return to the shareholders in future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 30 June 2007 was HK$574 million (31.12.2006: HK$549 million). As at 30 June 2007, the Group had current assets of HK$310 million (31.12.2006: HK$425 million) and current liabilities of HK$171 million (31.12.2006: HK$100 million). The current ratio was 1.81 as at 30 June 2007 as compared to 4.27 at 31 December 2006.

The Group generally finances its operation with internally generated cash flows and credit facilities provided by its principal bankers in Hong Kong. As at 30 June 2007, the Group maintained a zero (31.12.2006: zero) net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity).

As at 30 June 2007, the Group had a net cash surplus of HK$87 million (31.12.2006: HK$205 million) and most of the cash balance was deposited in the leading banks in Hong Kong.

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments.

Capital Commitments

As at 30 June 2007, the Group had capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment and lease of land use rights of approximately HK$237 million and HK$26 million respectively.

Pledge of assets

As at 30 June 2007, the Group did not have any assets pledged for general facilities.

HUMAN RESOURCES

At 30 June 2007, the Group had a workforce of more than 6,000 people. The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staffs are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as a code of conduct regarding directors' securities transactions. All the members of the Board have confirmed, following specific enquiry by the Company that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 June 2007.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007 except where stated and explained below.

The Group has an Executive Chairman. No individual has been appointed as a chief executive officer. The Executive Chairman with the assistance of the Group's senior management team oversees and manages the Group's business. Other functions normally undertaken by a chief executive officer of a company are delegated to members of the Group's senior management team. This structure deviates from the code provision A2.1 of Code that requires the roles of the chairman and the chief executive officer to be separate and not performed by the same individual. The Board has considered this matter carefully and decided not to adopt the code provision. The Board believes that the current management structure has been effective in facilitating the operation and development of the Group and its business for a considerable period of time and that the necessary checks and balances consistent with sound corporate governance practices are in place. Accordingly, the Board does not consider it necessary to change the current management structure. However, the Board will review the management structure from time to time to ensure it continues to meet these objectives.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2007.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 20 August 2007

As at the date of this announcement, the Board 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 Kwoo Seng, Mr. Wan Chi Keung, Aaron JP and Mr. Wong Kai Tung, Tony.

* *For identification purposes only*