



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 2008

FINANCIAL HIGHLIGHTS

	2008	2007	Change
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	
Turnover	464,309	387,766	+19.7%
Profit for the period	53,601	53,133	+0.9%
Interim dividend per share	HK 2.5 cents	HK2.5 cents	
Earnings per share	HK 6.5 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 2008 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	Notes 2	464,309	387,766
Cost of sales		(352,558)	(276,699)
Gross profit		111,751	111,067
Other income		4,453	4,255
Distribution costs		(18,604)	(13,290)
Administrative expenses		(37,275)	(42,778)
Interest on bank borrowings wholly repayable within five years		(1,518)	(162)
Profit before taxation		58,807	59,092
Income tax expenses	3	(5,206)	(5,959)
Profit for the period	4	53,601	53,133
Interim dividend	5	20,625	20,625
Earnings per share	6	HK 6.5cents	HK 6.4cents

CONDENSED CONSOLIDATED BALANCE SHEET

		30.6.2008 (Unaudited) HK\$'000	31.12.2007 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	7	746,398	646,308
Prepaid lease payments		50,022	48,234
Deposit paid for acquisition of property, plant and equipment		100,566	20,900
Defined benefit assets		3,455	3,455
		<u>900,441</u>	<u>718,897</u>
CURRENT ASSETS			
Inventories	8	128,943	106,315
Prepaid lease payments		1,037	997
Trade and other receivables	9	158,693	136,131
Restricted bank balance		5,114	4,737
Bank balances and cash		32,256	49,012
		<u>326,043</u>	<u>297,192</u>
CURRENT LIABILITIES			
Trade and other payables	10	207,010	205,750
Amounts due to a related companies		5,404	1,487
Taxation payable		6,680	4,104
Bank borrowings due within 1 year		92,755	67,054
Bank overdrafts		5,144	2,154
		<u>316,993</u>	<u>280,549</u>
NET CURRENT ASSETS		<u>9,050</u>	<u>16,643</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>909,491</u>	<u>735,540</u>
NON-CURRENT LIABILITY			
Bank borrowings due after 1 year	7	206,000	85,800
Deferred taxation		7,290	6,868
		<u>213,290</u>	<u>92,668</u>
NET ASSETS		<u>696,201</u>	<u>642,872</u>
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		613,701	560,372
		<u>696,201</u>	<u>642,872</u>

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 2007 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 2007 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 2008. 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 over 90% 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		Contribution to profit before taxation	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
North America	245,528	227,407	30,118	33,858
Europe	168,226	137,552	24,101	25,789
Asia	26,258	10,247	4,242	1,861
South America	18,418	9,233	2,245	1,492
Others	5,879	3,327	895	214
	<u>464,309</u>	<u>387,766</u>	<u>61,601</u>	<u>63,214</u>
Surplus on revaluation of property, plant and equipment			-	196
Unallocated corporate expenses			(1,643)	(5,019)
Interest income			366	863
Interest on bank borrowings wholly repayable within five years			(1,517)	(162)
Profit before taxation			<u>58,807</u>	<u>59,092</u>
Income tax expenses			<u>(5,206)</u>	<u>(5,959)</u>
Profit for the period			<u>53,601</u>	<u>53,133</u>

Since the goods sold to various geographical markets were mainly 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 16.5% 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	
	2008	2007
	HK\$'000	HK\$'000
Profit for period has been arrived at after charging:		
Staff costs (including directors' remuneration)	90,123	72,154
Amortisation of prepaid lease payments	514	488
Depreciation of property, plant and equipment	11,076	6,634
Loss on disposal of property, plant and equipment	75	651
and after crediting:		
Interest income	366	863
Surplus arising on revaluation of property, plant and equipment	-	196

5. Interim dividend

The Board has declared that an interim dividend of HK 2.5 cents (2007: HK2.5 cents) per share amounting to HK\$20,625,000 (2007: HK\$20,625,000) be paid to shareholders for the six months ended 30 June 2008.

6. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$53,601,000 (2007: HK\$53,133,000) and 825,000,000 (2007: 825,000,000) shares in issue during the period.

7. Additions to property, plant and equipment

During the period, the Group spent HK\$201 million (2007: HK\$198 million) on property, plant and equipment for chemical business.

8. Inventories

	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Raw materials and consumables	55,124	57,467
Work in progress	48,874	41,167
Finished goods	24,945	7,681
	<u>128,943</u>	<u>106,315</u>

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 90 days to its trade customers.

Included in trade and other receivables are trade and bills receivables of HK\$139,683,000 (31.12.2007: HK\$123,893,000). The aged analysis of trade and bills receivables at the balance sheet date is as follows:

	30.6.2008	31.12.2007
	HK\$'000	HK\$'000
Less than 30 days	79,227	85,843
31 – 60 days	48,197	22,756
61 – 90 days	5,682	8,530
Over 90 days	6,577	6,764
	<u>139,683</u>	<u>123,893</u>
Prepayment and deposits	11,236	6,233
Other receivables	7,774	6,005
	<u>158,693</u>	<u>136,131</u>

The fair value of the Group's trade and other receivables as at 30 June 2008 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 ranged from 30 to 90 days .

Included in trade and other payables are trade and bills payables of HK\$96,063,000 (31.12.2007: HK\$94,048,000). The aged analysis of trade and bills payables at the balance sheet date is as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Less than 30 days	63,995	53,621
31 – 60 days	17,763	33,425
61 – 90 days	12,307	5,781
Over 90 days	1,998	1,221
	96,063	94,048
Other payables	110,947	111,702
	207,010	205,750

The fair value of the Group's trade and other payables as at 30 June 2008 approximates to the corresponding carrying amount.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2.5cents per share for the six months ended 30 June 2008 to shareholders whose names appear on the Register of Members on 19 September 2008. It is expected that the interim dividend will be paid around 26 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 16 September 2008 to 19 September 2008, 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 12 September 2008.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 June 2008, turnover of the Group and profit attributable to shareholders amounted to HK\$464 million and HK\$53.6 million respectively, representing an increase of 19.7% and 0.9% respectively over the corresponding period last year.

The United States market continued to be the largest market for the Group's products. Sales to North America, Europe and other market constituted 52.9%, 36.2% and 10.9% of the Group turnover whereas 58.6%, 35.5% and 5.9% 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 successfully 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 first phase of the chemical production plant in Changshu City of Jiangsu Province has smoothly commenced its trial production during June 2008. For the second phase construction, plant facilities are under installation and is planned to start trial production in about the first quarter of 2009. It is expected that the chemical sector will generate profit to the Group in 2009. It is anticipated that handbag business will maintain a steady growth in the coming year and will continue to generate steady source of revenue for the Group. Without significant influence on core operation of handbag business, the Group plans to devote more resources in developing the chemical business. The Group will be fully confident in the prospect of diversifying businesses and will try to enhance the shareholders' value in future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 30 June 2008 was HK\$696 million (31.12.2007: HK\$643 million). As at 30 June 2008, the Group had current assets of HK\$326 million (31.12.2007: HK\$297 million) and current liabilities of HK\$317 million (31.12.2007: HK\$281 million). The current ratio was 1.03 as at 30 June 2008 as compared to 1.06 at 31 December 2007.

The Group generally finances its operation with internally generated cash flows and credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2008, the Group had outstanding bank borrowings of HK\$304million (31.12. 2007: HK\$155 million). These bank loans were secured by corporate guarantees provided by the Company. The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) increased from 0.16 as at 31 December 2007 to 0.39 as at 30 June 2008 as a result of the capital expenditure spent for chemical business during the period.

As at 30 June 2008, the Group had a net cash surplus of HK\$27 million (31.12.2007: HK\$47 million) and most of the cash balance was deposited in the leading banks in Hong Kong and the PRC.

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 2008, 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\$186 million and HK\$26 million respectively.

Pledge of assets

As at 30 June 2008 the Group did not have any assets pledged for general facilities.

HUMAN RESOURCES

At 30 June 2008, 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 2008, 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 2008. The Model Code also applies to other specified senior management of the Group.

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 2008 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 2008.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 25 August 2008

As at the date of this announcement, the Board comprises of 4 executive directors, namely, Ms. Wai Siu Kee, Ms. Poon Lai Ming, Mr. Lee Man Yan and Mr. Kung Phong, David and 2 independent non-executive directors, namely, Mr. Wan Chi Keung, Aaron JP and Mr. Wong Kai Tung, Tony.

** For identification purposes only*