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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 FOR THE SIX MONTHS ENDED 30 JUNE 2009

FINANCIAL HIGHLIGHTS

	2009	2008	Variance
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>553,826</u>	<u>464,309</u>	+19.3%
Profit for the period	<u>71,383</u>	<u>53,601</u>	+33.2%
Interim dividend per share	HK 3.0 cents	HK 2.5 cents	
Earnings per share	HK 8.7 cents	HK 6.5 cents	

INTERIM RESULTS

The board of directors (the “Board”) of Lee & Man Holding Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 together with the comparative figures for the corresponding period in 2008 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

		2009	2008
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2	553,826	464,309
Cost of sales		<u>(395,247)</u>	<u>(352,558)</u>
Gross profit		158,579	111,751
Other income		3,133	4,453
Distribution and selling costs		(25,217)	(18,604)
Administrative expenses		(53,018)	(37,275)
Finance costs		<u>(7,373)</u>	<u>(1,518)</u>
Profit before taxation		76,104	58,807
Income tax expenses	3	<u>(4,721)</u>	<u>(5,206)</u>
Profit for the period	4	<u>71,383</u>	<u>53,601</u>
Profit for the period attributable to owners of the Company		<u>71,383</u>	<u>53,601</u>
Dividend paid during the period	5	<u>12,375</u>	<u>20,625</u>
Interim dividend of HK3.0 cents (2008 : HK2.5 cents) per share declared after the balance date	5	<u>24,750</u>	<u>20,625</u>
Earnings per share (HK cents)	6	<u>8.7</u>	<u>6.5</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	<i>Notes</i>	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Profit for the period	4	<u>71,383</u>	<u>53,601</u>
Other comprehensive income			
Deferred tax liability arising on revaluation of property, plant and equipment		640	(422)
Exchange differences arising on translation of foreign operations		<u>2,047</u>	<u>20,776</u>
Total comprehensive income for the period		<u><u>74,070</u></u>	<u><u>73,955</u></u>
Total comprehensive income for the period attributable to owners of the Company		<u><u>74,070</u></u>	<u><u>73,955</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2009**

	<i>Notes</i>	30.06.2009 (Unaudited) HK\$'000	31.12.2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,154,349	984,725
Prepaid lease payments		49,532	49,438
Investment properties		22,213	21,785
Intangible asset		8,963	5,292
Deposit paid for acquisition of property, plant and equipment		13,204	72,636
Defined benefit assets		3,852	3,852
		<u>1,252,113</u>	<u>1,137,728</u>
CURRENT ASSETS			
Inventories	8	131,257	126,120
Prepaid lease payments		490	1,036
Trade and other receivables	9	127,382	138,137
Derivative financial instruments		3	-
Bank balances and cash		93,996	63,469
		<u>353,128</u>	<u>328,762</u>
CURRENT LIABILITIES			
Trade and other payables	10	293,089	263,218
Derivative financial instruments		-	508
Amounts due to related companies		8,918	4,131
Taxation payable		5,180	1,487
Bank borrowings - due within 1 year		273,322	302,303
Bank overdrafts		1,385	-
		<u>581,894</u>	<u>571,647</u>
NET CURRENT (LIABILITIES)		<u>(228,766)</u>	<u>(242,885)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,023,347</u>	<u>894,843</u>
NON-CURRENT LIABILITIES			
Bank borrowings - due after 1 year		204,800	124,800
Other long term payables		33,080	45,631
Deferred taxation		5,528	6,168
		<u>243,408</u>	<u>176,599</u>
NET ASSETS		<u>779,939</u>	<u>718,244</u>
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		697,439	635,744
TOTAL EQUITY		<u>779,939</u>	<u>718,244</u>

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 2008 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 2008 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 2009. 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. Segment information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker for making strategic decisions. The operations in each of the Group’s reportable segments is summarized as follows :

- (1) Handbags - Manufacture and sales of handbags
- (2) Chemical products - Manufacture and sales of chloromethane products and caustic soda

2. Segment information - continued

(a) Segment revenue and profit

An analysis of the Group's revenue and profit by operating segment for the periods under review is as follows :

For the six months ended 30 June

	2009 (Unaudited)			2008 (Unaudited)		
	<u>Handbags</u> <i>HK\$'000</i>	<u>Chemical products</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>	<u>Handbags</u> <i>HK\$'000</i>	<u>Chemical Products</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Segment revenue						
Revenue from external customers	342,008	211,818	553,826	456,586	7,723	464,309
Other Revenue	<u>2,721</u>	<u>292</u>	<u>3,013</u>	<u>4,072</u>	<u>15</u>	<u>4,087</u>
Total	<u>344,729</u>	<u>212,110</u>	<u>556,839</u>	<u>460,658</u>	<u>7,738</u>	<u>468,396</u>
Segment profit	<u>55,597</u>	<u>28,333</u>	<u>83,930</u>	<u>58,782</u>	<u>2,118</u>	60,900
Interest income			120			366
Finance costs			(7,373)			(1,518)
Unallocated corporate expenses			<u>(573)</u>			<u>(941)</u>
Profit before taxation			76,104			58,807
Income tax expenses			<u>(4,721)</u>			<u>(5,206)</u>
Profit after taxation			<u>71,383</u>			<u>53,601</u>

All of the segment revenue reported above is from external customers.

Segment profit represents profit attributable to each segment without allocation of interest income, central administration costs and finance costs

(b) Geographical information

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales by geographical market Six months ended 30 June	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
North America	191,151	245,528
Europe	113,528	168,226
South America	12,782	18,418
The People's Republic of China ("PRC")	216,035	18,109
Others	<u>20,330</u>	<u>14,028</u>
	<u>553,826</u>	<u>464,309</u>

3. Income tax expenses

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

4. Profit for the period

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging :		
Staff costs (including directors' remuneration)	85,781	90,123
Amortisation of prepaid lease payments	519	514
Amortisation of intangible asset	317	-
Depreciation of property, plant and equipment	26,233	11,076
Write-down of inventories (included in cost of sales)	2,400	-
Loss on disposal of property, plant and equipment	241	75
and after crediting:		
Interest income	120	366
Change in fair value of financial instruments	3	-
	<u>3</u>	<u>-</u>

5. Dividends

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Final dividend paid during the period :		
2008 final dividend HK 1.5 cents per share (2007 : HK 2.5 cents)	<u>12,375</u>	<u>20,625</u>
Interim dividend declared subsequent to period end		
2009 interim dividend HK 3.0 cents per share (2008 : HK 2.5 cents)	<u>24,750</u>	<u>20,625</u>

The Board has declared that an interim dividend of HK3.0 cents (2008: HK2.5 cents) per share for the six months ended 30 June 2009 to shareholders whose names appear in the Register of Members on 18 September 2009.

6. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$71,383,000 (2008: HK\$53,601,000) and 825,000,000 (2008: 825,000,000) shares in issue during the period.

7. Additions to property, plant and equipment

During the period, the Group spent HK\$194 million (2008 : HK\$201 million) on property, plant and equipment to expand the chemical business.

8. Inventories

	30.6.2009	31.12.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	58,514	52,867
Work in progress	46,575	41,372
Finished goods	26,168	31,881
	<u>131,257</u>	<u>126,120</u>

All inventories were carried at cost at the balance date.

9. Trade and other receivables

The Group generally allows an average credit period ranged from 0 to 90 days to its trade customers.

Included in the balance are trade and bills receivables of HK\$119,284,000 (31.12.2008: HK\$125,156,000). The aged analysis of trade and bills receivables at the balance sheet date is as follows:

	30.06.2009	31.12.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 31 days	107,772	77,696
31 – 60 days	7,727	32,162
61 – 90 days	1,700	11,278
Over 90 days	2,085	4,020
	<u>119,284</u>	<u>125,156</u>
Prepayment and deposits	4,926	11,151
Other receivables	3,172	1,830
	<u>127,382</u>	<u>138,137</u>

10. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 30 to 90 days.

Included in trade and other payables are trade payables of HK\$94,523,000 (31.12.2008: HK\$87,592,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30.06.2009	31.12.2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 31 days	56,717	40,170
31 – 60 days	21,342	26,007
61 – 90 days	14,919	17,491
Over 90 days	1,545	3,924
	<u>94,523</u>	<u>87,592</u>
Other payables and accruals	198,566	175,626
	<u>293,089</u>	<u>263,218</u>

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.0 cents per share for the six months ended 30 June 2009 to shareholders whose names appear on the Register of Members on 18 September 2009. It is expected that the interim dividend will be paid around 30 September 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 15 September 2009 to 18 September 2009, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the interim dividend, all transfers accompanied 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 14 September 2009.

BUSINESS REVIEW

For the six months ended 30 June 2009, the Group recorded a revenue of HK\$554 million, representing an increase of 19.3% over the same period last year, and a net profit of HK\$71 million, with HK49 million from handbag business and HK\$ 22 million from chemical business, representing a growth of 33.2% in total net profit of the Group as compared to the corresponding period last year.

Since the Group has always emphasized the enhancement of its products design, the development of various product styles and new clients, together with effective controls on its operating costs, the handbag sector only resulted in a slight decrease in profit of 5% below the corresponding period last year despite the slow down of world economy in 2008.

Moreover, the Group's first phase of chemical production plant commenced production in May of last year, representing one third of the total production capacity, and the second phase production line, representing two third of the total production capacity, commenced smooth production in June 2009. During the period under review, the chemical business contributed HK\$ 22 million profit to the group.

PROSPECTS

The current handbag market is still influenced by the sluggish economic environment. The Group will double its effort in handbag business, particularly in the design of various product styles to meet market needs and in developing new clients. In addition, the Group will explore the local sales market in China at this year end to broaden its revenue source.

The second phase of the chemical production plant has commenced smooth production since June 2009 which overall production capacity tripled last year's production level. Due to sufficient

preparation for the second phase production last year and that major portion of its operation costs has been paid since last year, there is only a slight increase in the operation costs of the second phase upon its commencement of production. The chemical sector will bring higher profits for the Group in the second half of 2009. We anticipate such sector will make favourable returns for our shareholders in the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2009, the total equity of the Group was HK\$780 million (31.12.2008: HK\$718 million), the Group's current assets were HK\$353 million (31.12.2008: HK\$329 million) and current liabilities were HK\$582 million (31.12.2008: HK\$572 million). As at 30 June 2009, the Group had bank balances of HK\$93 million (31.12.2008: HK\$63 million) which was placed as short term deposits with major leading banks in Hong Kong and PRC.

The Group generally finances its operations with internally generated cash flows while part of the capital expenditure of the chemical business was financed with credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2009, the Group had outstanding bank borrowings of HK\$480 million (31.12.2008: HK\$427 million), the Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) decreased from 0.51 as at 31 December 2008 to 0.49 as at 30 June 2009.

As per our company policy, the Group only provided corporate guarantee instead of assets as collaterals for all bank borrowings. Hence, the Group chose to finance part of its chemical business's expenditure in the form of one year short term revolving loans. Since these loans could be utilized continuously, with steady and strong cash flows generated from handbag and chemical businesses and also with unutilized bank facilities of 370 million, the Group's financial position is strong enough to meet its capital commitments and working capital requirements.

CAPITAL COMMITMENTS

As at 30 June 2009, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of plant and equipment and acquisition of land use right in amount of HK\$19,001,000 and HK\$28,567,000 (31.12.2008 : HK\$110,331,000 and HK\$28,506,000) respectively.

PLEDGE OF ASSETS

As at 30 June 2009, the Group did not have any assets pledged for general facilities.

HUMAN RESOURCES

As at 30 June 2009, the Group had a workforce of more than 5,000 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 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, 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 2009 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 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 Directors has considered this matter carefully and decided not to adopt the provision. The Directors believe 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 Directors do not envisage the Group should change its current management structure. However, the Directors 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 controls and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2009.

On behalf of the Board

Wai Siu Kee

Chairman

Hong Kong, 31 August 2009

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, and 3 independent non-executive directors, namely, Mr. Heng Kwo Seng, Mr. Wan Chi Keung, Aaron JP and , Mr. Wong Kai Tung, Tony .