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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 2010

FINANCIAL HIGHLIGHTS

- Revenue increased by 72% to HK\$953 million as compared to the last corresponding period.
- Net profit increased by 188% to HK\$206 million as compared to the last corresponding period.
- Net profit margin increased from 12.9% to 21.6%.
- Earnings per share increased by 186% to HK24.9 cents as compared to the last corresponding period.
- Proposed interim dividend of HK9 cents per share.

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 2010 together with comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	<i>Notes</i>	Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	2	952,533	553,826
Cost of sales		(628,595)	(395,247)
Gross profit		323,938	158,579
Other income		4,555	3,133
Selling and distribution costs		(32,594)	(25,217)
General and administrative expenses		(58,034)	(53,018)
Finance costs	3	(4,943)	(7,373)
Profit before taxation		232,922	76,104
Income tax expense	4	(27,362)	(4,721)
Profit for the period	5	205,560	71,383
Other comprehensive income			
(Recognition) reversal of deferred tax liability arising on revaluation of property, plant and equipment		(67)	640
Exchange differences arising from translation		(2,802)	2,047
Other comprehensive income for the period		(2,869)	2,687
Total comprehensive income for the period		202,691	74,070
Earnings per share (HK cents)	7	24.9	8.7

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010**

	<i>Notes</i>	30.06.2010 (Unaudited) <i>HK\$'000</i>	31.12.2009 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,142,775	1,147,156
Prepaid lease payments		55,161	55,766
Investment properties		22,887	22,408
Intangible assets		8,551	8,480
Deposit paid for acquisition of property, plant and equipment		28,548	12,841
Interest in a jointly controlled entity		4,546	-
Defined benefit assets		4,250	4,250
		<u>1,266,718</u>	<u>1,250,901</u>
CURRENT ASSETS			
Inventories		167,481	108,375
Prepaid lease payments		1,210	1,210
Trade and other receivables	8	247,692	178,387
Derivative financial instruments		878	704
Restricted bank balances		3,801	1,705
Bank balances and cash		102,213	70,638
		<u>523,275</u>	<u>361,019</u>
CURRENT LIABILITIES			
Trade and other payables	9	244,229	293,991
Amounts due to related companies		5,467	8,911
Taxation payable		20,023	3,631
Bank borrowings - due within 1 year		214,245	218,598
		<u>483,964</u>	<u>525,131</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>39,311</u>	<u>(164,112)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,306,029</u>	<u>1,086,789</u>
NON-CURRENT LIABILITIES			
Bank borrowings - due after 1 year		223,638	153,850
Other long term payables		6,120	1,676
Deferred taxation		6,075	6,008
		<u>235,833</u>	<u>161,534</u>
NET ASSETS		<u>1,070,196</u>	<u>925,255</u>
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		987,696	842,755
TOTAL EQUITY		<u>1,070,196</u>	<u>925,255</u>

Notes:

1. Basis of preparation

The unaudited 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 2009 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 2009 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 2010. 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

(a) Operating Segments

The Group’s operating and reportable segments under HKFRS 8 are Handbags and Chemical products.

Principal activities are as follows :

Handbags - Manufacture and sales of handbags

Chemical products - Manufacture and sales of chloromethane products, caustic soda and hydrogen peroxide

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenues and results

	<u>Handbags</u> <i>HK\$'000</i>	<u>Chemical</u> <u>products</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
<u>For the six months ended 30 June 2010</u>			
REVENUE - External sales	<u>395,412</u>	<u>557,121</u>	<u>952,533</u>
Segment profit	<u>59,556</u>	<u>179,432</u>	238,988
Central administration costs			(1,123)
Finance costs			<u>(4,943)</u>
Profit before tax			<u>232,922</u>

2. Segment information - continued

(a) Operating Segments – continued

Segment revenues and results

<u>For the six months ended 30 June 2009</u>	<u>Handbags</u> <i>HK\$'000</i>	<u>Chemical</u> <u>products</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
REVENUE - External sales	<u>342,008</u>	<u>211,818</u>	<u>553,826</u>
Segment profit	<u>55,597</u>	<u>28,112</u>	83,709
Central administration costs			(232)
Finance costs			<u>(7,373)</u>
Profit before tax			<u>76,104</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents profit before taxation earned by each segment without allocation of central administration costs and finance costs. This is the measure reported to the Chairman for the purposes of resource allocation and performance assessment.

(b) Geographical information

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC"), the United States of America ("USA") and Thailand.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below :

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>Six months ended 30 June</u>			
	<u>2010</u> HK\$'000	<u>2009</u> HK\$'000	<u>30.06.2010</u> HK\$'000	<u>31.12.2009</u> HK\$'000
Hong Kong	8,341	13,551	1,576	1,779
PRC	559,329	202,547	1,237,950	1,222,403
USA	220,095	185,665	55	61
Canada	13,092	6,285	-	-
The Netherlands	36,757	39,491	-	-
Italy	25,743	22,977	-	-
The United Kingdom	24,823	31,834	-	-
Germany	4,255	5,567	-	-
Other European countries	14,347	15,976	-	-
South American countries	13,181	12,215	-	-
Other Asian countries	32,570	17,718	22,887	22,408
	<u>952,533</u>	<u>553,826</u>	<u>1,262,468</u>	<u>1,246,651</u>

note : Non-current assets excluded defined benefit assets .

3. Finance costs

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Interest on :		
Bank borrowings wholly repayable within five years	4,943	7,050
Bank borrowings not wholly repayable within five years	-	323
	<u>4,943</u>	<u>7,373</u>

4. Income tax expense

	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
The charge comprises :		
Current tax :		
Hong Kong Profits Tax	5,259	4,708
PRC Enterprise Income Tax	22,101	-
Other jurisdictions Income Tax	2	13
	<u>27,362</u>	<u>4,721</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The subsidiaries in the PRC are entitled to exemption from PRC Enterprise Income Tax ("EIT") for two years starting from their respective first profit-making year, followed by a 50% relief for the three years thereafter ("Tax Holiday").

The tax exemption period of a subsidiary, Jiangsu Lee & Man Chemical Limited expired on 31 December 2009 and its applicable preferential tax rate is 12.5% for the period from 1 January 2010 to 31 December 2012.

Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

5. Profit for the period

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Directors' emoluments	1,941	1,577
Other staff costs	104,629	83,721
Retirement benefit schemes contributions (excluding directors)	496	483
Total staff costs	<u>107,066</u>	<u>85,781</u>
Amortisation of prepaid lease payments	605	519
Amortisation of intangible assets	497	317
Cost of inventories recognised as expenses	421,724	252,749
Depreciation of property, plant and equipment	47,639	26,233
Loss on disposal of property, plant and equipment	26	241
Net exchange loss	779	1,728
and after crediting:		
Interest income	170	120
Gain on fair value on derivative financial instruments	<u>1,751</u>	<u>3</u>

6. Dividends

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend paid during the period :		
2009 final dividend HK 7.0 cents per share (2008 : HK 1.5 cents)	<u>57,750</u>	<u>12,375</u>
Interim dividend declared subsequent to period end		
2010 interim dividend HK 9.0 cents per share (2009 : HK 3.0 cents)	<u>74,250</u>	<u>24,750</u>

The Board has declared that an interim dividend of HK9.0 cents (2009: HK3.0 cents) per share for the six months ended 30 June 2010 to shareholders whose names appear in the Register of Members on 27 August 2010.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the period of HK\$205,560,000 (2009: HK\$71,383,000) and 825,000,000 (2009: 825,000,000) shares in issue during the period.

8. Trade and other receivables

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

Included in the balance are trade and bills receivables of HK\$205,291,000 (31.12.2009: HK\$153,943,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	<u>30.06.2010</u>	<u>31.12.2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	182,333	101,216
31 – 60 days	19,621	38,313
61 – 90 days	2,123	12,970
Over 90 days	1,214	1,444
	<hr/>	<hr/>
	205,291	153,943
Prepayment and deposits	32,115	14,922
Other receivables	10,286	9,522
	<hr/>	<hr/>
	247,692	178,387
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9. 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 and bills payables of HK\$124,340,000 (31.12.2009: HK\$138,074,000). The aged analysis of trade and bills payables at the end of the reporting period is as follows:

	<u>30.06.2010</u>	<u>31.12.2009</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	62,906	88,508
31 – 60 days	38,946	22,905
61 – 90 days	14,791	21,843
Over 90 days	7,697	4,818
	<hr/>	<hr/>
	124,340	138,074
Other payables and accruals	119,889	155,917
	<hr/>	<hr/>
	244,229	293,991
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INTERIM DIVIDEND

The Board has declared an interim dividend of HK9.0 cents per share for the six months ended 30 June 2010 to shareholders whose names appear on the Register of Members on 27 August 2010. It is expected that the interim dividend will be paid around 9 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 August 2010 to 27 August 2010, 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 23 August 2010.

BUSINESS REVIEW

For the six months ended 30 June 2010, the Group recorded a revenue of HK\$953 million, increased by 72% over the same period last year; and a net profit of HK\$206 million, representing a substantial increase of 188% as compared to the last corresponding period. The handbag business contributed a net profit of HK\$53 million while the chemical business generated a net profit of HK\$153 million.

As to the handbag business, though the European and US market remained weak, the revenue from handbag business for the period has increased by 15.6% over the same period last year, due to the Group's continuous efforts in effective cost controls, enhancement of product design, diversification of product styles and development of new customers as main directions, coupled with many years of experience in the market. This has brought stable revenue to the Group.

As to the chemical business, with the second phase production line being fully operated in last year, as well as a strong recovery in the PRC domestic market, chemical business recorded a turnover of HK\$557 million for the period ended 30 June 2010, representing 163% increase over the last corresponding period whereas net profit for the period rose by 595% to HK\$153 million. The main reasons for a significant increase in net profit were increased productivity with relevant operating costs being fixed in the first production phase and also the management's effective monitoring on production cost control. It resulted in a substantial increase in gross profit margin from 25% for the same period last year to 37% for the period. Such excellent performance not only generated considerable profit contribution to the Group, but also laid a good foundation for future business expansion.

PROSPECTS

The present market recovery of handbags is slow. With the severe shortage of labour in China and the pressure of Reminbi currency appreciation, the handbag business will face significant challenges. Nevertheless, the Group will strive to design various styles of products to meet market needs, develop new customers, and strengthen internal cost controls so as to maintain a stable profit for the Group.

Chemical business will continue to expand and to focus on the PRC domestic market. Approximately HK\$180 million from internal capital will be utilized to construct the third phase of the production facilities, where the output is expected to increase by 40,000 tons of chloromethane products and 60,000 tons of caustic soda. The total production capacity after completion will be enhanced by one-third of the existing level, and the production will commence in March 2011. Due to the continuous growth in chemical investment projects, its share of the profit contribution to the Group will be on a rising trend, and will create a more favourable return for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2010, the total equity of the Group was HK\$1,070 million (31.12.2009: HK \$925 million), the Group's current assets were HK\$523 million (31.12.2009: HK\$361 million) and current liabilities were HK\$484 million (31.12.2009: HK\$525 million). The current ratio was 1.08 as at 30 June 2010 and 0.69 at 31 December 2009.

As at 30 June 2010, the Group had bank balances of HK\$102 million which was placed as short term deposits with major leading banks in Hong Kong and the 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 2010, the Group had outstanding bank borrowings of HK\$438 million (31.12.2009: HK\$372 million). Due to the completion of chemical production facilities and decrease in capital expenditure, the Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) has decreased gradually from 0.33 as at 31 December 2009 to 0.31 as at 30 June 2010.

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 operating activities and also sufficient unutilized bank facilities, the Group's financial position is strong enough to meet its capital commitments and working capital requirements.

Capital Commitments

As at 30 June 2010, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment and acquisition of land use rights in amount of approximately HK\$87 million and HK\$22 million respectively.

PLEDGE OF ASSETS

As at 30 June 2010, the Group did not have any assets pledged for general facilities.

HUMAN RESOURCES

At 30 June 2010, 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 2010, 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 2010 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 2010.

On behalf of the Board

Wai Siu Kee

Chairman

Hong Kong, 9 August 2010

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. Wong Kai Tung, Tony, Mr. Wan Chi Keung, Aaron BBS JP and Mr. Heng Victor Ja Wei .