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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

	2007	2006
	HK$'000	*HK$'000*
Revenue	**784,721**	689,247
Profit for the year	**106,436**	101,865
Dividends		
Interim	**HK2.5 cents**	HK2.5 cents
Proposed final	**HK 2.5 cents**	HK 3.5 cents
Earnings per share	**HK12.9 cents**	HK12.3cents

FINANCIAL RESULTS

The board of directors (the "Directors") of Lee & Man Holding Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007 together with comparative figures for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**2007** ***HK$'000*** ***(Note 1)***	2006 *HK$'000* *(Note 1)*
Revenue	*3*	**784,721**	689,247
Cost of sales		**(563,467)**	(480,813)
Gross profit		**221,254**	208,434
Other income		**12,808**	10,401
Selling and distribution costs		**(28,016)**	(26,795)
Administrative expenses		**(86,750)**	(79,666)
Interest on bank borrowings wholly repayable within five years		**(897)**	(67)
Profit before taxation		**118,399**	112,307
Income tax expenses	*4*	**(11,963)**	(10,442)
Profit for the year	*5*	**106,436**	101,865
Dividends recognised as distributions during the year	*6*	**49,500**	39,600
Proposed final dividend of HK$0.025 (2006: HK$0.035) per share	*6*	**20,625**	28,875
Earnings per share	*7*	**HK12.9 cents**	HK12.3 cents

CONSOLIDATED BALANCE SHEET
At 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**646,308**	143,272
Prepaid lease payments		**48,234**	27,520
Deposit paid for acquisition of property, plant and equipment		**20,900**	51,500
Defined benefit assets		**3,455**	3,277
		718,897	225,569
CURRENT ASSETS			
Inventories		**106,315**	89,611
Prepaid lease payments		**997**	490
Trade and other receivables	*8*	**136,131**	128,975
Derivative financial instruments		**–**	163
Restricted bank balance		**4,737**	29,451
Bank balances and cash		**49,012**	176,663
		297,192	425,353
CURRENT LIABILITIES			
Trade and other payables	*9*	**205,750**	95,101
Amounts due to related companies		**1,487**	1,023
Taxation payable		**4,104**	2,501
Bank borrowings-due within one year		**67,054**	119
Bank overdrafts		**2,154**	865
		280,549	99,609
NET CURRENT ASSETS		**16,643**	325,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**735,540**	551,313
NON-CURRENT LIABILITIES			
Bank borrowings-due after one year		**85,800**	–
Deferred taxation		**6,868**	1,938
		92,668	1,938
		642,872	549,375
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**560,372**	466,875
		642,872	549,375

Notes:

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. Application of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has no material effect on how the results and the financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustments has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirement of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2(Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3(Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Services Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 March 2007
[4] Effective for annual periods beginning on or after 1 January 2008
[5] Effective for annual periods beginning on or after 1 July 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The application of the new standards will affect the Group's results and financial position.

Other than as disclosed above, the directors of the Group anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Business and geographical segments

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

Geographical segments

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

	Sales revenue by geographical market		**Contribution to profit before taxation**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**380,611**	440,395	**56,220**	69,173
Europe	**326,192**	224,312	**61,396**	42,266
South America	**30,985**	10,922	**4,491**	1,723
Others	**46,933**	13,618	**6,981**	1,509
	784,721	689,247	**129,088**	114,671
Surplus/(deficit) arising on revaluation of property, plant and equipment			**6**	(6)
Unallocated corporate expenses			**(11,885)**	(8,273)
Interest income			**2,087**	5,982
Interest on bank borrowings wholly repayable within five years			**(897)**	(67)
Profit before taxation			**118,399**	112,307
Income tax expenses			**(11,963)**	(10,442)
Profit for the year			**106,436**	101,865

4. Income tax expense

	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**11,924**	10,459
Under/(Over) provision of profits tax in other jurisdictions in prior year	**39**	(17)
	11,963	10,442

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.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

5. Profit for the year

	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Staff costs (including directors' remuneration)	**150,869**	129,403
Amortisation of prepaid lease payments	**986**	490
Auditors' remuneration	**984**	773
Cost of inventories recognised as expenses	**563,467**	480,813
Deficit arising on revaluation of property, plant and equipment	**–**	6
Depreciation of property, plant and equipment	**12,756**	12,361
Loss on disposal of property, plant and equipment	**919**	2,532
Net exchange loss	**–**	4,954
Fair value changes on derivative financial instruments	**163**	–
and after crediting:		
Interest income	**2,087**	5,982
Fair value changes on derivative financial instruments	**–**	163
Net exchange gain	**5,601**	–
Surplus arising on revaluation of property plant and equipment	**6**	–

6. Dividends

	2007	2006
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
Final dividend of HK$0.023 per share for the 9 months ended 31.12.2005	**–**	18,975
Interim dividend of HK$0.025 per share for the year ended 31.12.2006	**–**	20,625
Final dividend of HK$0.035 per share for the year ended 31.12.2006	**28,875**	–
Interim dividend of HK$0.025 per share for the year ended 31.12.2007	**20,625**	–
	49,500	39,600

A final dividend of HK$0.025 (2006: HK$0.035) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

7. Earnings per share

The calculation of the basic earnings per share is based on the profit for the year of HK$106,436,000 (2006: HK$101,865,000) and 825,000,000 (2006: 825,000,000) shares in issue during the year.

8. 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$123,893,000 (2006: HK$122,272,000). The aged analysis of trade and bills receivables at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
Less than 30 days	**85,843**	59,778
31 – 60 days	**22,756**	35,663
61 – 90 days	**8,530**	13,028
Over 90 days	**6,764**	13,803
	123,893	122,272
Prepayment and deposits	**6,233**	3,338
Other receivables	**6,005**	3,365
	136,131	128,975

The fair value of the Group's trade and other receivables as at 31 December 2007 approximates to the corresponding carrying amount.

9. 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 from 30 days to 90 days.

Included in trade and other payables are trade and bills payables of HK$94,048,000 (2006: HK$69,942,000). The aged analysis of trade and bills payables at the balance sheet date is as follows:

	2007	2006
	HK$'000	*HK$'000*
Less than 30 days	**53,621**	40,822
31 – 60 days	**33,425**	25,316
61 – 90 days	**5,781**	2,549
Over 90 days	**1,221**	1,255
	94,048	69,942
Other payables and accruals	**111,702**	25,159
	205,750	95,101

The fair value of the Group's trade and other payables as at 31 December 2007 approximates to the corresponding carrying amount.

FINAL DIVIDEND

The Directors have proposed a final dividend of HK2.5cents per share for the year ended 31 December 2007 to shareholders whose names appear on the Register of Members on 26 May 2008. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting. It is expected that the final dividend will be paid around 20 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 May 2008 to 26 May 2008, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the final 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 20 May 2008.

BUSINESS REVIEW

For the year ended 31 December 2007, the Group recorded a revenue of HK$785million and a net profit of HK$106 million, representing an increase of 13.9% and 4.5% respectively as compared with that of the last year. The rise in revenue was mainly due to the significant increase of 45.4 % being obtained in European market over the last year. Our major handbag markets located in the United States and Europe continue to be the first and the second largest markets for the Group's products, sales to the United States and Europe accounted for 48.5% and 41.6% respectively of the Group's turnover.

As the Group strengthened the product design and development capabilities, in particular to focus on exploring the European market in recent years, the sales gap between the United States and European market has been successfully narrowed down during the year. Also, the Group has developed numerous international well-known branded customers as our business partners. With implementation of effective cost controls, despite the severe price competition, Renminbi appreciation, increased costs of wages and raw materials in Mainland China, the Group was still able to maintain its steady growth for the year.

PROSPECTS

The first phase of chemical production plant being invested and established by the Group in Changshu City of Jiangsu Province was smoothly completed. Trial production will be started at the end of May 2008. For the second phase construction, it is now in progress and is planned to commence its production in about the first quarter of 2009. It is expected that the chemical sector will generate revenue to the Group in 2008.

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 31 December 2007 was HK$643 million (2006: HK$549 million). As at 31 December 2007, the Group had current assets of HK$297 million (2006: HK$425 million) and current liabilities of HK$281 million (2006: HK$100 million). The current ratio was 1.06 as at 31 December 2007 as compared to 4.27 at 31 December 2006.

The Group generally finances its operations with internally generated cash flows while partial capital expenditure was financed with credit facilities provided by its principal bankers in Hong Kong and the PRC. As at 31 December 2007, the Group had outstanding bank borrowings of HK$155 million (2006: HK$1 million). These bank loans were secured by corporate guarantees provided by the Company. The Group's debt-to-equity ratio (total borrowings over shareholders' equity) increased from nearly zero as at 31 December 2006 to 0.24 as at 31 December 2007.

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

Capital Commitments

As at 31 December 2007, 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 right in amount of HK$101,595,000 and HK$26,462,000 respectively.

Pledge of assets

As at 31 December 2007, the Group did not have any assets pledged for general facilities except for certain bills receivables of HK$3,557,000 pledged as security for discounted bills.

HUMAN RESOURCES

At 31 December 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 year ended 31 December 2007, 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 year ended 31 December 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 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 and the Group's external auditors, Messrs. Deloitte Touche Tohmatsu, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of connected transactions and the consolidated financial statements.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 26 May 2008. The Notice of the Annual General Meeting will be published in the company's website and sent to the shareholders of the Company in due course.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 15 April 2008

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.