

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ms. WAI Siu Kee (*Chairman*)
Ms. POON Lai Ming
Ms. LEE Marina Man Wai
Ms. LEE Lai Chu
Mr. WAN Chi Keung, Aaron*
Mr. HENG Kwo Seng*

** Independent non-executive director*

COMPANY SECRETARY

Mr. CHEUNG Kwok Keung

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman
British West Indies

PRINCIPAL OFFICE

8th Floor, Liven House
61-63 King Yip Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

PRINCIPAL SHARE REGISTRARS

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS

Secretaries Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

WEBSITE

<http://www.leeman.com.hk>

INTERIM RESULTS

The board of directors 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 September 2003 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2003

		Six months ended 30 September	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (As restated)
	<i>Notes</i>		
Turnover	2	520,237	489,603
Cost of sales		(323,442)	(309,636)
Gross profit		196,795	179,967
Other operating income		8,305	6,805
Distribution costs		(60,632)	(40,302)
Administrative expenses		(65,920)	(64,397)
Profit from operations	3	78,548	82,073
Finance costs	4	(523)	(279)
Gain on partial disposal of interest in a subsidiary	5	1,548	–
Profit before taxation		79,573	81,794
Taxation	6	(7,745)	(7,962)
Profit before minority interests		71,828	73,832
Minority interests		(1,719)	–
Profit attributable to shareholders		70,109	73,832
Interim dividend		24,750	24,750
Earnings per share (HK cents)	7	8.5	8.9

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2003

	<i>Notes</i>	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	128,960	128,932
Deposits paid on acquisition of property, plant and equipment		5,094	5,094
		134,054	134,026
CURRENT ASSETS			
Inventories	9	104,376	100,860
Trade and other receivables	10	100,296	113,060
Bills receivable		35,931	18,760
Defined benefit assets		4,452	4,452
Amount due from a related company		27	77
Bank balances and cash		121,470	65,679
		366,552	302,888
CURRENT LIABILITIES			
Trade and other payables	11	98,534	90,398
Bills payable		–	149
Amounts due to related companies		1,030	1,127
Taxation payable		13,708	7,618
Land and buildings costs payable – due within one year		6,390	2,932
Short-term bank borrowings		2,520	228
		122,182	102,452
NET CURRENT ASSETS		244,370	200,436
TOTAL ASSETS LESS CURRENT LIABILITIES		378,424	334,462
NON-CURRENT LIABILITIES			
Land and buildings costs payable – due after one year		3,458	6,916
MINORITY INTERESTS		17,312	–
		357,654	327,546
CAPITAL AND RESERVES			
Share capital	12	82,500	82,500
Reserves		275,154	245,046
		357,654	327,546

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		<i>(As restated)</i>
Net cash from operating activities	81,667	43,484
Net cash from (used in) investing activities	13,082	(1,330)
Net cash used in financing activities	(41,250)	(936)
Net increase in cash and cash equivalents	53,499	41,218
Cash and cash equivalents at beginning of the period	65,451	13,892
Cash and cash equivalents at end of the period	118,950	55,110
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	121,470	64,224
Bank overdrafts	(2,520)	(9,114)
	118,950	55,110

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Share capital (Unaudited) HK\$'000	Share Premium (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2003	82,500	20,307	13,255	(752)	(67,990)	280,226	327,546
Realised on depreciation of property, plant and equipment	–	–	(304)	–	–	304	–
Realised on disposal of property, plant and equipment	–	–	(243)	–	–	243	–
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	1,249	–	–	1,249
Profit attributable to shareholders	–	–	–	–	–	70,109	70,109
Final dividend paid	–	–	–	–	–	(41,250)	(41,250)
At 30 September 2003	82,500	20,307	12,708	497	(67,990)	309,632	357,654
	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2002	82,500	20,307	12,152	(974)	(67,990)	184,555	230,550
Recognised retirement benefit assets	–	–	–	–	–	4,241	4,241
As restated	82,500	20,307	12,152	(974)	(67,990)	188,796	234,791
Realised on depreciation of property, plant and equipment	–	–	(228)	–	–	177	(51)
Exchange difference arising from translation of financial statements of overseas operations	–	–	–	(21)	–	–	(21)
Profit attributable to shareholders	–	–	–	–	–	73,832	73,832
At 30 September 2002	82,500	20,307	11,924	(995)	(67,990)	262,805	308,551

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

1. Basis of preparation and principal accounting policies

The condensed consolidated 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 with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”.

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of property, plant and equipment.

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31 March 2003 except as described below:

Income Taxes

In the current interim period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) represents a change in accounting policy. However, the accumulated deferred taxation in relation to prior years has not been restated as the effect of this change is not material to the retained earnings brought forward from prior years.

2. Segmental information

Business 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 and luggage.

Geographical segments

	Sales revenue by geographical market		Contribution to profit from operations	
	Six months ended 30 September		Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
United States of America	412,809	368,785	60,828	61,589
Europe	84,551	103,623	15,559	17,306
Hong Kong	11,755	4,125	1,815	731
Japan	6,562	3,383	1,201	565
South America	1,601	6,450	308	1,077
Others	2,959	3,237	48	540
	520,237	489,603	79,759	81,808
Interest income			337	265
Finance costs			(523)	(279)
Profit before taxation			79,573	81,794
Taxation			(7,745)	(7,962)
Profit before minority interests			71,828	73,832
Minority interests			(1,719)	–
Profit attributable to shareholders			70,109	73,832

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. Profit from operations

	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs (including directors' remuneration)	74,763	74,504
Bad debts written off	–	2
Depreciation and amortisation of property, plant and equipment	5,610	5,252
Loss on disposal of property, plant and equipment	–	2
and after crediting:		
Interest income	337	265
Surplus arising on revaluation of property, plant and equipment	–	51

4. Finance costs

	Six months ended 30 September	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on		
– bank borrowings wholly repayable within five years	112	279
– advance from factoring agreements	411	–
	523	279

5. Gain on partial disposal of interest in a subsidiary

During the period, the Group disposed of 49% interest in Cititower Pacific Limited (“Cititower”) for a cash consideration of HK\$17,141,000. After the disposal, Cititower remains a 51% owned subsidiary of the Group. The disposal resulted in a gain of HK\$1,548,000 to the Group.

6. Taxation

The charge represents Hong Kong Profits Tax calculated at 17.5% (six months ended 30 September 2002 : 16.0%) on the estimated assessable profit for the period.

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

7. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit attributable to shareholders of HK\$70,109,000 (six months ended 30 September 2002: HK\$73,832,000) and 825,000,000 (six months ended 30 September 2002: 825,000,000) shares in issue during the period.

8. Additions to property, plant and equipment

During the period, the Group spent HK\$4,639,000 (six months ended 30 September 2002:HK\$1,604,000) on property, plant and equipment to expand its operations.

9. Inventories

	30 September 2003 <i>HK\$'000</i>	31 March 2003 <i>HK\$'000</i>
	Raw materials	48,891
Work in progress	20,127	29,239
Finished goods	35,358	26,234
	104,376	100,860

10. Trade and other receivables

The Group allows an average credit period of 30 to 60 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK\$85,276,000 (31 March 2003: HK\$94,947,000). The aged analysis of trade receivables at the balance sheet date is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Less than 30 days	44,839	44,685
31-60 days	24,334	16,787
61-90 days	12,289	10,317
Over 90 days	3,814	23,158
	85,276	94,947

11. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$50,725,000 (31 March 2003: HK\$49,399,000). The aged analysis of trade payables at the balance sheet date is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Less than 30 days	36,423	37,791
31-60 days	13,179	11,083
61-90 days	739	14
Over 90 days	384	511
	50,725	49,399

12. Share capital

	Number of Ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each:		
Authorised:		
At 30 September 2003 and 31 March 2003	5,000,000,000	500,000
Issued and fully paid:		
At 30 September 2003 and 31 March 2003	825,000,000	82,500

13. Contingent liabilities

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Export bills discounted with recourse	135	22,778

14. Capital commitments

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of the acquisition of property, plant and equipment	2,386	794

15. Connected party transactions

During the period, the Group entered into the following transactions with connected parties:

	Six months ended 30 September		
	2003 HK\$'000		2002 HK\$'000
		<i>Notes</i>	
Wisdom Venture Holdings Limited ("Wisdom Venture") & its subsidiaries ("Wisdom Venture Group")			
Corrugated cardboard and carton boxes purchased	3,742	<i>a</i>	3,805
Management fee income received	384	<i>b</i>	524
Licence fee paid	–	<i>c</i>	314
Subsidiaries of Fortune Star Tradings Ltd.			
Management fee income received	–	<i>b</i>	196
Licence fee paid	–	<i>c</i>	627
Lee And Man Manufacturing Company Limited ("Lee & Man Manufacturing")			
Management fee income received	141	<i>b</i>	–
Lee & Man Realty Investment Limited ("Lee & Man Realty")			
Licence fee paid	770	<i>c</i>	–
Lee & Man Paper Manufacturing Limited ("Lee & Man Paper")			
Management fee income received	72	<i>d</i>	–

Notes:

- a. The Group has agreed to purchase corrugated cardboard and carton boxes from time to time from the Wisdom Venture Group, which are associates of Fortune Star Tradings Ltd. ("Fortune Star"), the ultimate controlling shareholder of the Company. The purchase prices are negotiated on a case by case basis in the ordinary course of business by reference to the prevailing market conditions.
- b. The Group has agreed to procure its subsidiaries to provide (i) use of office facilities and equipment, (ii) use of transportation facilities, and (iii) management service including administrative and financial services to Lee & Man Paper Products Company Limited, a subsidiary of Wisdom Venture, and Lee & Man Manufacturing, a former subsidiary of Wisdom Venture, for a monthly management fee on a cost basis.

Lee & Man Manufacturing was disposed of to a subsidiary of Fortune Star in June 2002 and it was subsequently disposed of to Mr. Lee Wan Keung, a director of certain subsidiaries of the Company, in early March 2003.

- c. Pursuant to two licence agreements entered into between Lee & Management Company Limited ("Lee & Man Management"), a wholly-owned subsidiary of the Company, and Lee & Man Realty, a former subsidiary of Wisdom Venture, on 14 December 2001, Lee & Man Realty has agreed to grant licences to Lee & Man Management and subsidiaries of the Company to enter into possession of and occupy certain office space of Lee & Man Realty for a term of three years commencing 1 January 2002 for a total monthly licence fee of HK\$156,750.00. The total monthly licence fee has been decreased to HK\$114,000.00 effective from 1 June 2003 as mutual agreed.

Lee & Man Realty was disposed of to a subsidiary of Fortune Star in June 2002 and it was subsequently disposed of to Mr. Lee Wan Keung in early March 2003.

- d. Pursuant to the management services agreement entered into between Lee & Man Management and Lee & Man Paper, which is an associate of Fortune Star, on 8 September 2003 for a term of one year from 1 September 2003, Lee & Man Management will provide administrative and secretarial services to Lee & Man Paper and the right to use Lee & Man Management's office as registered office at monthly services fee of HK\$72,076.94 subject to an additional monthly fee for administrative and secretarial services up to HK\$11,000.00.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

17. Review of Interim Accounts

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK3.0 cents (2002 : HK3.0 cents) per share for the six months ended 30 September 2003 to shareholders whose names appear on the Register of Members on 19 December 2003. It is expected that the interim dividend will be paid around 24 December 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 17 December 2003 to 19 December 2003, 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, Secretaries Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 16 December 2003.

BUSINESS REVIEW

For the six months ended 30 September 2003, the Group's profit attributable to shareholders amounted to HK\$70 million, representing a decrease of approximately 5.0% as compared to HK\$74 million in the corresponding period last year. Turnover for the Group increased from HK\$490 million to HK\$520 million, representing an increase of 6.3% over the corresponding period last year.

The Group manufactures a wide range of handbag products that mainly sells to United States and Europe. The U.S. market accounted for 79.4% of the turnover of the Group and recorded an increase of 11.9% of sales compared to the same period last year. The European market recorded a decrease of 18.4% of sales and it accounted for 16.3% of the turnover of the Group. Due to the continued increasing demand from our customers in the U.S., the Group continued to achieve a steady growth in turnover. The decrease in European market was mainly affected by the SARS outbreak. After the SARS, the orders from European customers became strong and the expected turnover of the European market for the whole year is comparable to last year.

During the period under review, the gross profit margin of the Group was increased to 37.8% due to the increased sales of originally designed products. This increase in gross profit margin was mainly the result of our strategic expenditure in the area of marketing. On the other hand, the distribution costs were increased by 50.4% to HK\$60.6 million.

Outlook

The Group's production is based in China where it has emerged the low cost location for the global production of the handbag products. With the Group's substantial experience in the handbag industry and the committed spirit of all our staff, we continue to increase our strength in the product design and product development capabilities in order to design and produce more originally designed fashionable handbag products. Therefore, we are confident that the Company will be able to maintain its good performance in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

Turnover and net profit attributable to shareholders for the six months ended 30 September 2003 was HK\$520 million and HK\$70 million, as compared to HK\$490 million and HK\$74 million for the corresponding period last year. The earnings per share for the period was HK8.5 cents when compared with HK8.9 cents for the corresponding period last year.

Capital structure and liquidity

The total shareholders' fund of the Group as at 30 September 2003 was HK\$358 million (31 March 2003: HK\$328 million).

The Group maintains a very strong financial position with a very low level of debts and a high liquidity. As at 30 September 2003, the Group had a current ratio of 3.0 (31 March 2003: 2.96) and zero (31 March 2003: zero) gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings).

The Group had a net cash surplus of HK\$119 million (31 March 2003: HK\$65 million) and most of the cash balance was deposited in the leading banks in Hong Kong.

Net cash inflow provided by operating activities totaled HK\$82 million (six months ended 30 September 2002: HK\$43 million). The consistent strong cash flow from operating activities reflects the Group's strength in the working capital management to support the business operations. The Group's future cash flow and its available banking facilities will provide sufficient funds to the Group to meet its operation requirements.

Funding policy

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars or United States dollars. As a result, the Group has a minimal exposure to foreign exchange risk.

Pledge of assets

As at 30 September 2003, the Group did not have any assets pledged for general facilities.

Employees

The Group had a workforce of more than 6,000 people. Salaries of employees are maintained at competitive level. Staff performance is reviewed at least annually and remuneration is performance driven. The Group maintains a good relationship with its employees.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND SHARE OPTIONS

At 30 September 2003, the interests of directors and chief executives of the Company in the shares of the Company, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital of the Company
Wai Siu Kee	Discretionary object	554,750,000	67.24%
		<i>(Note)</i>	
Poon Lai Ming	Beneficial owner	1,000,000	0.12%
Lee Lai Chu	Beneficial owner	1,000,000	0.12%

Note: These shares were held by Fortune Star Tradings Ltd., a company wholly-owned by Newcourt Trustees Limited as trustee for The Fortune Star 1992 Trust, a discretionary trust the discretionary objects of which include Ms. Wai Siu Kee.

A share option scheme was adopted by the Company on 14 December 2001, under which the directors of the Company and employees of the Group may be granted options to subscribe for shares in the Company. No option was granted by the Company under the scheme since its adoption.

Other than as disclosed above, and nominee shares in certain subsidiaries held by Mr. Lee Wan Keung, a director of certain subsidiaries of the Company, in trust for the Group, none of the directors or the chief executives, or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2003.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that the following shareholders, other than the interests disclosed under the heading “Directors’ and chief executives’ interests in shares and share options”, had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of shares held	Percentage of issued share capital of the Company
Value Partners Limited	Investment Manager	49,292,000	5.97%
Mr. Cheah Cheng Hye	Interest of controlled corporation	49,292,000	5.97%
		(Note)	

Note: Mr. Cheah Cheng Hye is deemed to be interested in the shares through his 32.53% interest in Value Partners Limited.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2003.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2003.

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 September 2003.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part, in compliance with the Code of Best Practice as set out in the Rules Governing the Listing Securities on the Stock Exchange at any time during the six months ended 30 September 2003.

On behalf of the Board
Wai Siu Kee
 Chairman

Hong Kong, 1 December 2003