

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present to the shareholders the annual report for Lee & Man Holding Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2004.

RESULTS AND DIVIDENDS

The Group's audited consolidated turnover for the year was HK\$955,750,000 and the audited consolidated profit attributable to shareholders was HK\$102,161,000.

An interim dividend of HK\$0.03 per share was paid during the year.

The directors resolved to recommend the payment of a final dividend of HK\$0.05 per share for the year under review.

BUSINESS REVIEW

For the year ended 31 March 2004, the Group achieved an increase of 4.0% in turnover to HK\$956 million and the profit attributable to shareholders decreased by 11.7% to HK\$102 million.

The Group manufactures a wide range of handbag products and sales to a broad and diversified customer base mainly located in the United States and Europe. The United States market continued to be the largest market of the Group, accounting for 78.1% of turnover and recorded an increase of 8.1% of sales compared to last year. The European market recorded a moderate decrease of 2.0% of sales and it accounted for 18.1% of the turnover of the Group.

During the year under review, the Group continued to invest resources in the area of product design and product development in order to produce more originally designed fashionable handbag products. The Group can therefore maintain a moderate increase in turnover despite the increased pricing pressure. As a result of the continued increasing in the raw material costs and the increased expenditure spent in the area of product design and marketing promotion, the Group's operating profit has been decreased.

Prospects

Being one of the largest key manufacturers in the global handbag industry, the Group performed well in product design and in exploring new markets. The orders from our customers so far appear quite encouraging. The Group will continue to process a strong competitive position in the market place and the business is expected to achieve a steady result.

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APPRECIATION

We thank all our customers, suppliers and all members of our management team and staff for their loyalty, dedication, and contribution during the year under review.

On behalf of the Board

Wai Siu Kee

Chairman

Hong Kong, 6 July 2004