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**LEE & MAN HANDBAGS HOLDING LIMITED**

理文手袋集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

Website: <http://www.leemanhandbags.com>

(Stock Code: 1488)

**ANNUAL RESULTS ANNOUNCEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

**FINANCIAL HIGHLIGHTS**

- Revenue of HK\$817 million for current year, dropped by 12.4% as compared to last year.
- Net profit of HK\$72 million for current year, decreased by 34.2% as compared to last year
- Gross profit margin of 21.5% for current year.
- Net profit margin of 8.9% for current year.
- Earnings per share of HK8.8 cents for current year.
- Proposed final dividend of HK1.5 cents per share.

## FINANCIAL RESULTS

The board of directors (the “Directors”) of Lee & Man Handbags Holding Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 together with comparative figures for the year ended 31 December 2012 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i> <i>(Restated)</i>
Revenue	3	<b>817,344</b>	932,916
Cost of sales		<b>(641,428)</b>	(698,164)
Gross profit		<b>175,916</b>	234,752
Other income		<b>5,065</b>	5,681
Other gains and losses	4	<b>(1,862)</b>	(12,649)
Selling and distribution costs		<b>(24,944)</b>	(32,326)
General and administrative expenses		<b>(74,572)</b>	(73,997)
Interest expense on bank borrowings wholly repayable within five years		<b>(447)</b>	(1,430)
Profit before taxation		<b>79,156</b>	120,031
Income tax expense	5	<b>(6,775)</b>	(10,045)
Profit for the year	6	<b>72,381</b>	109,986
<b>Other comprehensive (expense) income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit assets		<b>609</b>	462
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation		<b>(1,280)</b>	837
Other comprehensive (expense) income for the year		<b>(671)</b>	1,299
Total comprehensive income for the year		<b>71,710</b>	111,285
Earnings per share (HK cents)	8	<b>8.8</b>	13.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2013

	<i>Notes</i>	<b>31.12.2013</b>	31.12.2012	1.1.2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(restated)	(restated)
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		<b>54,668</b>	57,149	56,522
Prepaid lease payments		<b>23,577</b>	23,935	24,573
Investment properties		<b>27,641</b>	25,729	25,082
Deposits paid for the acquisition of property, plant and equipment		<b>686</b>	-	1,738
Defined benefit assets		<b>3,886</b>	3,271	2,809
Deferred tax asset		-	9	503
		<b>110,458</b>	110,093	111,227
<b>CURRENT ASSETS</b>				
Inventories	9	<b>110,280</b>	106,656	117,411
Prepaid lease payments		<b>629</b>	617	394
Trade and other receivables	10	<b>126,367</b>	113,736	180,490
Derivative financial instruments		<b>405</b>	434	-
Tax recoverable		<b>2,996</b>	2,602	-
Bank balances and cash		<b>42,683</b>	80,038	54,763
		<b>283,360</b>	304,083	353,058
<b>CURRENT LIABILITIES</b>				
Trade and other payables	11	<b>104,047</b>	91,812	107,323
Amount due to a related company		<b>263</b>	311	629
Tax payable		<b>2</b>	1,236	8,213
Bank borrowings		<b>17,329</b>	50,000	106,305
		<b>121,641</b>	143,359	222,470
<b>NET CURRENT ASSETS</b>		<b>161,719</b>	160,724	130,588
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
		<b>272,177</b>	270,817	241,815
<b>NON-CURRENT LIABILITIES</b>				
Derivative financial instruments		-	455	-
Deferred tax liability		<b>511</b>	281	519
		<b>511</b>	736	519
<b>NET ASSETS</b>		<b>271,666</b>	270,081	241,296
<b>CAPITAL AND RESERVES</b>				
Share capital		<b>82,500</b>	82,500	82,500
Reserves		<b>189,166</b>	187,581	158,796
		<b>271,666</b>	270,081	241,296

Notes:

## 1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law (Revised) Chapter 22 of the Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" to the annual report.

As at 31 December 2013, the Company's parent and ultimate holding company is Full Gold Trading Limited, a company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Lee Wan Keung.

The functional currency of the Company is United States dollars, while the consolidated financial statements are presented in Hong Kong dollars as the Company is listed in Hong Kong.

The Company acts as an investment holding company. The Group is principally engaged in the manufacture and sale of handbags.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA")

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements. HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

## **2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS("HKFRSs") – continued**

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's 'consolidated statement of comprehensive income' is renamed as the 'consolidated statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### **HKAS 19 Employee Benefits (as revised in 2011)**

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables below for details).

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS("HKFRSs") – continued

### The effect on the Group's results for the current year and prior year

	<b><u>2013</u></b> <b>HK\$'000</b>	<u>2012</u> HK\$'000
Decrease in other income	<b>(182)</b>	(277)
Decrease in profit for the year	<b>(182)</b>	(277)
Increase in remeasurement of defined benefit asset	<b>182</b>	462
Increase in other comprehensive income for the year	<b>182</b>	462
Increase in total comprehensive income for the year	<b>-</b>	185

### Impact on basis earnings per share

	<b><u>2013</u></b> <b>HK cents</b>	<u>2012</u> HK cents
Figures before adjustments	<b>8.8</b>	13.4
Adjustments	<b>-</b>	(0.1)
Figures after adjustments	<b>8.8</b>	13.3

### The effect on the Group's financial position as at 1 January 2012 and 31 December 2012

	As at <u>1.1.2012</u> HK\$'000 (originally stated)	<u>Adjustments</u> HK\$'000	As at <u>1.1.2012</u> HK\$'000 (restated)	As at <u>31.12.2012</u> HK\$'000 (originally stated)	<u>Adjustments</u> HK\$'000	As at <u>31.12.2012</u> HK\$'000 (restated)
Defined benefit Assets	4,816	(2,007)	2,809	5,093	(1,822)	3,271
Total effects on net assets	4,816	(2,007)	2,809	5,093	(1,822)	3,271
Accumulated profits	187,353	(2,007)	185,346	215,116	(1,822)	213,294
Total effects on equity	187,353	(2,007)	185,346	215,116	(1,822)	213,294

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS("HKFRSs") – continued

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.

<sup>3</sup> Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016.

### Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the Group is required to attribute them to the employees' periods of service.

The directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any employee contributions to the defined benefit plans.

### Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made in the future.

The directors anticipate that the application of other new and revised standards will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

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 makers ("CODMs"), being the executive directors of the Company, in order to allocate resources to segments and to assess their performance. The CODMs review the Group's profit as a whole, which is generated solely from the manufacture and sale of handbags and determined in accordance with the Group's accounting policies, for performance assessment. Therefore no separate segment information is prepared by the Group.

The Group's operations are located in the United States of America ("USA"), the Europe, Hong Kong, and the People's Republic of China (the "PRC"). Sales to the largest customer contributed to 12.5% (2012: 22.6%) of the Group's total turnover.

Revenue from customers from sales of handbags of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	<b>101,813</b>	129,154
Customer B	<b>89,935</b>	210,415
Customer C	<b>89,070</b>	70,798
	<b><u>          </u></b>	<b><u>          </u></b>

The Group's investment properties are located in Thailand. The rest of the Group's non-current assets, other than defined benefit assets and deferred tax assets, are located in the PRC.

The Group's revenue from external customers by geographical location during the year is as follows:

	<u>Revenue from external</u> <u>customers</u>	
	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
USA	<b>326,429</b>	336,568
Italy	<b>170,720</b>	248,913
Other European countries	<b>50,529</b>	47,669
The Netherlands	<b>49,565</b>	41,246
Hong Kong	<b>37,012</b>	34,394
The United Kingdom	<b>19,602</b>	39,149
PRC	<b>17,692</b>	24,219
Canada	<b>16,752</b>	9,701
Germany	<b>11,457</b>	27,474
South American countries	<b>682</b>	32,762
Other Asian countries	<b>116,904</b>	90,821
	<b><u>817,344</u></b>	<b><u>932,916</u></b>



#### 4. OTHER GAINS AND LOSSES

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Net exchange loss	(7,379)	(13,225)
Reversal of impairment loss recognised in respect of trade receivables	-	175
Gain on fair value changes on derivative financial instruments	1,761	123
Gain on disposal of property, plant and equipment	118	278
Gain from fair value changes of investment property	3,638	-
	<u>(1,862)</u>	<u>(12,649)</u>

#### 5. INCOME TAX EXPENSE

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
The charge comprises :		
Current tax :		
Hong Kong Profits Tax	6,435	9,430
PRC Enterprise Income Tax	69	24
Other jurisdictions Income Tax	-	2
	<u>6,504</u>	<u>9,456</u>
Under provision in prior year :		
Hong Kong Profits Tax	32	333
Deferred tax :		
Current year	239	256
	<u>6,775</u>	<u>10,045</u>

##### Hong Kong

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

According to the 50:50 onshore/offshore arrangement between the Group and the Inland Revenue Department in Hong Kong, certain profit of the Group is not subject to Hong Kong Profits Tax.

##### PRC

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

##### Other jurisdictions

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

## 6. PROFIT FOR THE YEAR

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	2,859	2,856
Other staff costs	250,276	232,175
Retirement benefit schemes contributions (excluding directors)	1,125	1,028
Total staff costs	<u>254,260</u>	<u>236,059</u>
Release of prepaid lease payments	626	620
Auditors' remuneration	1,036	1,010
Cost of inventories recognised as expenses (including reversal of write-down of inventories of HK\$4,571,000 (2012 : HK\$621,000))	641,428	698,164
Depreciation of property, plant and equipment	10,678	12,166
Interest income on bank balances	(138)	(168)
	<u><u>641,428</u></u>	<u><u>698,164</u></u>

## 7. DIVIDENDS

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Dividends recognised as distributions during the year:		
Final dividend of HK5 cents per share for the year ended 31 December 2012	41,250	-
Interim dividend of HK3.5 cents per share for the year ended 31 December 2013	28,875	-
Final dividend of HK5 cents per share for the year ended 31 December 2011	-	41,250
Interim dividend of HK5 cents per share for the year ended 31 December 2012	-	41,250
	<u><u>70,125</u></u>	<u><u>82,500</u></u>

A final dividend of HK1.5 cents per share for the year ended 31 December 2013 has been proposed by the directors and is subject to approval by the Company's shareholders in annual general meeting.

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year of HK\$72,381,000 (2012 (Restated): HK\$109,986,000) and 825,000,000 (2012: 825,000,000) shares.

Diluted earnings per share is not presented because there were no dilutive ordinary shares in issue during the years.

## 9. INVENTORIES

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	43,249	42,033
Work in progress	45,244	35,329
Finished goods	21,787	29,294
	<u>110,280</u>	<u>106,656</u>

## 10. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers an average credit period ranging from 7 to 90 days.

Included in the balance are trade and bills receivables of HK\$117,929,000 (2012: HK\$109,469,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not exceeding 30 days	58,155	59,138
31 – 60 days	39,598	32,261
61 – 90 days	19,950	17,471
Over 90 days	226	599
	<u>117,929</u>	<u>109,469</u>
Prepayment and deposits	7,987	3,145
Other receivables	451	1,122
	<u>126,367</u>	<u>113,736</u>

## 11. 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 7 to 60 days.

Included in trade and other payables are trade and bills payables of HK\$67,701,000 (2012: HK\$56,941,000). The aged analysis of trade and bills payables at the end of the reporting period is as follows:

	<u>2013</u>	<u>2012</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not exceeding 30 days	31,763	34,517
31 – 60 days	26,233	17,692
61 – 90 days	3,489	2,693
Over 90 days	<u>6,216</u>	<u>2,039</u>
	67,701	56,941
Other payable	400	2,205
Accrued salary	19,336	14,914
Accrued bonus	8,085	6,528
Other accrued expenses	<u>8,525</u>	<u>11,224</u>
	<u>104,047</u>	<u>91,812</u>

## FINAL DIVIDEND

The Directors have proposed a final dividend of HK1.5 cents per share for the year ended 31 December 2013 to shareholders whose names appear on the Register of Members on 23 May 2014. 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 30 May 2014.

## CLOSURE OF REGISTER OF MEMBERS

### In relation to the AGM

The annual general meeting (the “AGM”) of the Company is scheduled to be held on 14 May 2014. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 12 May 2014 to 14 May 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 9 May 2014.

### **In relation to the proposed final dividend**

The board of directors of the Company has resolved to recommend the payment of a final dividend of HK1.5cents per share in cash for the year ended 31 December 2013 to shareholders whose names appear on the register of members of the Company on 23 May 2014 subject to the approval of the shareholders of the Company at the AGM. For ascertaining shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 21 May 2014 to 23 May 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 20 May 2014.

### **BUSINESS REVIEW**

For the year ended 31 December 2013, the Group recorded a revenue of HK\$817 million, dropped by 12.4% as compared to last year; and a net profit of HK\$72 million for the year, decreased by 34.2% over last year. Gross profit margin and net profit margin were 21.5% and 8.9%, representing a decrease of 3.7 and 2.9 percentage point as compared to last year.

Due to the consumption intention strongly influenced by the torment of whole external economy suffered and keen competition of global handbag industry, the Group's revenue and profit for the year declined respectively. The Group, leveraging on the unrelenting efforts made by the management, improved the product design and strengthened the development of mid-high end products. As to the production cost, even in the face of appreciation in Renminbi and escalating labour and raw material costs in the PRC, the Group maintained its market share and competitiveness in the handbag industry through effective and stringent cost control and the implementation of production process optimisation project. Moreover, the Group management insist on the provision of excellent quality of products to the customer, in order to maintain our long term cooperation relationship. Even though facing the adverse business environment and uncertain economy, the Group will stand shoulder to shoulder with the customers to ride out the current difficult times.

### **PROSPECTS**

It is expected that the external economy & fierce industry competition would continue to be affected by the above factors. Also, in view of the severe shortage of labour in the PRC and the surging labour and raw material costs, it will be full of challenge for the handbag business in the coming year. Nevertheless, the Group will strive to diversify its product designs, strengthen the development of high-end products with high profit margin, obtain engagements from new customers, enhance the production processes, reinforce internal controls and implement tight control over the cost in order to provide stable profit for the Group.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The total shareholders' equity of the Group as at 31 December 2013 was HK\$272 million (31.12.2012 restated: HK\$270 million). As at 31 December 2013, the Group had current assets of HK\$283 million (31.12.2012 restated: HK\$304 million) and current liabilities of HK\$122 million (31.12.2012 restated: HK\$143 million). The current ratio was 2.33 as at 31 December 2013 as compared to 2.12 as at 31 December 2012 (restated).

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong. As at 31 December 2013, the Group had outstanding bank borrowings of HK\$17 million (31.12.2012 restated: HK\$50 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 31 December 2013, the Group maintained bank balances and cash of HK\$43 million (31.12.2012 restated: HK\$80 million). The Group's net cash-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) was 0.09 as at 31 December 2013 (31.12.2012 restated: 0.11).

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

## **CAPITAL COMMITMENTS**

As at 31 December 2013, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the plant and equipment improvement in amount of HK\$0.25 million.

## **HUMAN RESOURCES**

At 31 December 2013, the Group had a workforce of more than 4,000 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 2013, 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 2013 except where stated and explained below.

The Group has an Executive Chairman who also acts as the 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, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the year ended 31 December 2013 and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

## ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting of the Company will be held on 14 May 2014. 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, 17 March 2014

*As at the date of this announcement, the Board of the Company comprises 4 executive directors, namely, Ms. Wai Siu Kee, Mr. Kung Phong, Ms Lee Man Ching and Ms Poon Lai Ming and 3 independent non-executive directors, namely, Mr. So Wing Keung, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man, Terence.*