

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2014

FINANCIAL HIGHLIGHTS

- Revenue of HK\$818 million for the year, increased by 0.04% as compared to last year.
- Net profit of HK\$33 million for the year, decreased by 53.9% as compared to last year.
- Gross profit margin of 19.2% for the year.
- Net profit margin of 4.1% for the year.
- Earnings per share of HK4.0 cents for the year.
- Proposed final dividend of HK1.0 cent 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 2014 together with comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>Notes</i>	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Revenue	3	817,708	817,344
Cost of sales		<u>(661,015)</u>	<u>(641,428)</u>
Gross profit		156,693	175,916
Other income		5,314	5,065
Other gains and losses	4	3,143	(1,862)
Selling and distribution costs		(36,202)	(24,944)
General and administrative expenses		(94,727)	(74,572)
Interest expense on bank borrowings wholly repayable within five years		<u>(587)</u>	<u>(447)</u>
Profit before taxation		33,634	79,156
Income tax expense	5	<u>(241)</u>	<u>(6,775)</u>
Profit for the year	6	<u>33,393</u>	<u>72,381</u>
Other comprehensive (expense) income			
<i>Item that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit assets		451	609
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation		<u>(807)</u>	<u>(1,280)</u>
Other comprehensive expense for the year		<u>(356)</u>	<u>(671)</u>
Total comprehensive income for the year		<u>33,037</u>	<u>71,710</u>
Earnings per share (HK cents)	8	<u>4.0</u>	<u>8.8</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014**

	<u>Notes</u>	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		60,349	54,668
Prepaid lease payments		22,947	23,577
Investment properties		32,103	27,641
Other asset		395	-
Deposits paid for the acquisition of property, plant and equipment		1,663	686
Defined benefit assets		4,365	3,886
Deferred tax asset		2,120	-
		123,942	110,458
CURRENT ASSETS			
Inventories	9	70,902	110,280
Prepaid lease payments		629	629
Trade and other receivables	10	140,739	126,367
Derivative financial instrument		-	405
Tax recoverable		4,967	2,996
Bank balances and cash		53,436	42,683
		270,673	283,360
CURRENT LIABILITIES			
Trade and other payables	11	83,874	104,047
Amount due to a related company		213	263
Derivative financial instrument		3	-
Tax payable		728	2
Bank borrowings		25,719	17,329
		110,537	121,641
NET CURRENT ASSETS		160,136	161,719
TOTAL ASSETS LESS CURRENT LIABILITIES			
		284,078	272,177
NON-CURRENT LIABILITY			
Deferred tax liability		-	511
NET ASSETS		284,078	271,666
CAPITAL AND RESERVES			
Share capital		82,500	82,500
Reserves		201,578	189,166
		284,078	271,666

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" of the annual report.

As at 31 December 2014, 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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as described below, the application of the new and revised 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.

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 of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have significant financial assets and financial liabilities for offset.

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 ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle ³
HKFRS 9	Financial Instruments ⁶
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014., with limited exception.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for annual periods beginning on or after 1 January 2018.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

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"), Europe, Hong Kong and the People's Republic of China (the "PRC"). Sales to the largest customer contributed to 11.3% (2013: 12.5%) 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>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	92,417	89,070
Customer B	83,975	101,813
Customer C	N/A (Note)	89,935

Note: The corresponding revenue did not contribute over 10% of the total sales of the Group.

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 customers</u>	
	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
USA	315,536	326,429
Italy	120,268	170,720
PRC	67,633	17,692
The Netherlands	52,132	49,565
Hong Kong	45,638	37,012
Canada	34,858	16,752
Other European countries	34,317	50,529
Germany	18,141	11,457
South American countries	17,617	682
The United Kingdom	16,712	19,602
Other Asian countries	94,856	116,904
	817,708	817,344

4. OTHER GAINS AND LOSSES

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Net exchange loss	(1,428)	(7,379)
Gain on fair value changes on derivative financial instruments	27	1,761
Gain on disposal of property, plant and equipment	60	118
Gain on fair value changes of investment properties	4,484	3,638
	<u>3,143</u>	<u>(1,862)</u>

5. INCOME TAX EXPENSE

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	1,492	6,435
PRC Enterprise Income Tax	1,335	69
	<u>2,827</u>	<u>6,504</u>
Underprovision in prior year:		
Hong Kong Profits Tax	45	32
Deferred tax:		
Current year	(2,631)	239
	<u>241</u>	<u>6,775</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 agreed 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.

6. PROFIT FOR THE YEAR

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	2,676	2,859
Other staff costs	268,282	250,276
Retirement benefit schemes contributions (excluding directors)	1,384	1,125
Total staff costs	<u>272,342</u>	<u>254,260</u>
Release of prepaid lease payments	628	626
Auditors' remuneration	1,031	1,036
Cost of inventories recognised as expenses (including write-down of inventories of HK\$14,790,000 (2013: reversal of write-down of inventories of HK\$4,571,000))	661,015	641,428
Depreciation of property, plant and equipment	11,847	10,678
Interest income on bank balances	<u>(177)</u>	<u>(138)</u>

7. DIVIDENDS

	<u>2014</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>
Dividends recognised as distributions during the year:		
Final dividend of HK1.5 cents per share for the year ended 31 December 2013	12,375	-
Interim dividend of HK1.0 cent per share for the year ended 31 December 2014	8,250	-
Final dividend of HK5.0 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
	<u>20,625</u>	<u>70,125</u>

A final dividend of HK1.0 cent per share in respect of the year ended 31 December 2014 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\$33,393,000 (2013: HK\$72,381,000) and 825,000,000 (2013: 825,000,000) shares.

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

9. INVENTORIES

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	21,518	43,249
Work in progress	35,839	45,244
Finished goods	13,545	21,787
	<u>70,902</u>	<u>110,280</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\$126,705,000 (2013: HK\$117,929,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not exceeding 30 days	75,968	58,155
31 – 60 days	30,363	39,598
61 – 90 days	18,786	19,950
Over 90 days	1,588	226
	<u>126,705</u>	<u>117,929</u>
Prepayments and deposits	8,329	7,987
Other receivables	5,705	451
	<u>140,739</u>	<u>126,367</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\$43,373,000 (2013: HK\$67,701,000). The aged analysis of trade and bills payables at the end of the reporting period is as follows:

	<u>2014</u>	<u>2013</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not exceeding 30 days	28,011	31,763
31 – 60 days	9,673	26,233
61 – 90 days	1,543	3,489
Over 90 days	4,146	6,216
	43,373	67,701
Other payables	6,810	400
Accrued salary	20,463	19,336
Accrued bonus	5,344	8,085
Other accrued expenses	7,884	8,525
	83,874	104,047

FINAL DIVIDEND

The Directors have proposed a final dividend of HK1.0 cent per share for the year ended 31 December 2014 to shareholders whose names appear on the Register of Members on 1 June 2015. 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 10 June 2015.

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 21 May 2015. For ascertaining shareholders’ right to attend and vote at the AGM, the register of members of the Company will be closed from 19 May 2015 to 21 May 2015, 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 18 May 2015.

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 HK1.0 cent per share in cash for the year ended 31 December 2014 to shareholders whose names appear on the register of members of the Company on 1 June 2015 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 28 May 2015 to 1 June 2015, 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 27 May 2015.

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded revenue of HK\$818 million, increased by 0.04% as compared to last year; and a net profit of HK\$33 million for the year, 53.9% below last year. Gross profit margin and net profit margin were 19.2% and 4.1% respectively, representing a decrease of 2.3 and 4.8 percentage points respectively as compared to last year.

Net profit for the year significantly decreased mainly attributable to cheaper goods exported by the manufacturers from Philippines, Vietnam and other countries which imposed serious pressure on our selling prices. In addition, rising labour costs in China lowered our Group's operating margin.

PROSPECTS

It is anticipated that the year of 2015 will be full of challenges. The uncertainties of the pace of USD interest rate rises, the increasing risks of deflation in Europe & Japan and the geopolitical tensions, which resulted in slow growth of global economy and hindered the foreign trade of Hong Kong. The above factors coupled with the surging labour costs will weaken the profitability of handbag business. Nevertheless, the Group will strive to diversify its product designs, strengthen the development of high-end products with high profit margin, explore new customers, enhance the production processes, reinforce internal controls and implement tight control over the costs in order to provide profit for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2014 was HK\$284 million (31.12.2013: HK\$272 million). As at 31 December 2014, the Group had current assets of HK\$271 million (31.12.2013: HK\$283 million) and current liabilities of HK\$111 million (31.12.2013: HK\$122 million). The current ratio was 2.45 as at 31 December 2014 as compared to 2.33 as at 31 December 2013.

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 2014, the Group had outstanding bank borrowings of HK\$26 million (31.12.2013: HK\$17 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 31 December 2014, the Group maintained bank balances and cash of HK\$53 million (31.12.2013: HK\$43 million). The Group's net cash-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) was 0.10 as at 31 December 2014 (31.12.2013: 0.09).

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

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the property, plant and equipment improvement in amount of HK\$1.07 million.

HUMAN RESOURCES

At 31 December 2014, the Group had a workforce of more than 3,800 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 2014, 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 2014 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 2014 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 21 May 2015. 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, 12 March 2015

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