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)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue increased by 30.8% to HK$485 million.

- Net profit increased by 45.1% to HK$54 million.

- Gross profit margin decreased from 26.8% to 23.9%.

- Net profit margin increased from 10.0% to 11.0%.

- Earnings per share increased from HK4.5 cents to HK6.5 cents.

- Declared interim dividend of HK 5.0 cents per share.

INTERIM RESULTS

The board of directors (the "Board") of Lee & Man Handbags Holding Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
	Notes	**2012**	2011
		(Unaudited)	(Unaudited) (Restated)
		HK$'000	*HK$'000*
Revenue	*3*	**484,884**	370,645
Cost of sales		**(368,822)**	(271,313)
Gross profit		**116,062**	99,332
Other income		**3,574**	2,574
Selling and distribution costs		**(15,879)**	(5,812)
General and administrative expenses		**(44,865)**	(39,150)
Listing expenses		**-**	(14,565)
Finance costs		**(765)**	(782)
Profit before taxation		**58,127**	41,597
Income tax expense	*4*	**(4,558)**	(4,688)
Profit for the period	*5*	**53,569**	36,909
Other comprehensive income			
Exchange differences arising from translation		**(362)**	(39)
Total comprehensive income for the period		**53,207**	36,870
Earnings per share (HK cents)	*7*	**6.5**	4.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	Notes	**30.06.2012**	31.12.2011
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**58,332**	56,522
Prepaid lease payments		**24,263**	24,573
Investment properties		**24,824**	25,082
Deposit paid for acquisition of property, plant and equipment		**1,206**	1,738
Defined benefit assets		**4,816**	4,816
Deferred tax assets		**-**	503
		113,441	113,234
CURRENT ASSETS			
Inventories	*9*	**118,389**	117,411
Prepaid lease payments		**394**	394
Trade and other receivables	*10*	**241,868**	180,490
Bank balances and cash		**40,701**	54,763
		401,352	353,058
CURRENT LIABILITIES			
Trade and other payables	*11*	**122,183**	107,323
Derivative financial instruments		**462**	-
Amounts due to a related company		**395**	629
Taxation payable		**4,999**	8,213
Bank borrowings		**131,208**	106,305
		259,247	222,470
NET CURRENT ASSETS		**142,105**	130,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**255,546**	243,822
NON-CURRENT LIABILITIES			
Deferred taxation		**286**	519
NET ASSETS		**255,260**	243,303
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**172,760**	160,803
TOTAL EQUITY		**255,260**	243,303

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

(Unaudited)

	Share Capital	Asset revaluation reserve	Special reserve	Translation reserve	Retained Profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note)			
At 1 January 2011 (originally stated)	1	73,449	29,372	6,129	103,017	211,968
-Effects of a change in accounting policy	-	(66,808)	-	-	2,039	(64,769)
At 1 January 2011 (restated)	1	6,641	29,372	6,129	105,056	147,199
Profit for the period (originally stated)	-	-	-	-	47,289	47,289
-Effect of a change in accounting policy					4,185	4,185
-Listing expenses					(14,565)	(14,565)
Profit for the period (restated)					36,909	36,909
Other comprehensive income for the period	-	-	-	(39)	-	(39)
Total comprehensive income for the period	-	-	-	(39)	36,909	36,870
Issue of shares upon the group reorganisation	82,499	-	(82,499)	-	-	-
Deemed contribution from shareholder	-	-	14,565	-	-	14,565
At 30 June 2011	**82,500**	**6,641**	**(38,562)**	**6,090**	**141,965**	**198,634**
At 1 January 2012 (audited)	82,500	6,641	(38,562)	5,371	187,353	243,303
Profit for the period	-	-	-	-	53,569	53,569
Other comprehensive income for the period	-	-	-	(362)	-	(362)
Total comprehensive income for the period	-	-	-	(362)	53,569	53,207
Dividend paid	-	-	-	-	(41,250)	(41,250)
At 30 June 2012	**82,500**	**6,641**	**(38,562)**	**5,009**	**199,672**	**255,260**

note:

The special reserve of the Group represents:

(i) the difference between the nominal value of the share capital issued by LM Development and the nominal amount of the share capital of subsidiaries acquired by it pursuant to a group organization in 1993;

(ii) the difference between the nominal value of the share capital of a subsidiary, Lee & Man Development Limited ("LM Development") acquired pursuant to a group reorganization in June 2011 and the nominal value of the share capital issued by the Company; and

(iii) the expenses borne by shareholder for the listing of the Company.

Notes:

1. GENERAL

The Company was incorporated on 4 January 2011 and registered as an exempted company with limited liability in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its place of business in Hong Kong is located at 8/F. Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

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

The Company's ultimate holding company is Full Gold Trading Limited ("Full Gold"), a company incorporated in BVI.

The functional currency of the Company is United States dollars ("US$"). The condensed consolidated financial statements is presented in Hong Kong dollars ("HK$") because the Company's shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PRESENTATION

The unaudited condensed consolidated interim 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the 2011 annual report.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements contained in the 2011 annual report except for the adoption of the new standards, amendments or interpretations issued by the HKICPA which are mandatory for the annual periods beginning 1 January 2012. The adoption of these standards, amendments or interpretations has no material effect on the Group's financial position or results of operations.

The Group has not early adopted the new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and 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 ("PRC"). Sales to the largest customer contributed to 18.6% (2011: 14.5%) of the Group's total turnover.

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

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Customer A	**90,186**	N/A*
Customer B	**75,906**	53,875
Customer C	**N/A***	46,933

** 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 period is as follows:

	Revenue from external customers	
	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**12,950**	9,939
PRC	**15,481**	8,884
USA	**175,838**	157,829
Canada	**17,153**	20,649
The Netherlands	**30,196**	26,294
Italy	**107,420**	24,785
The United Kingdom	**16,765**	25,159
Germany	**13,438**	7,660
Other European countries	**34,947**	30,261
South American countries	**16,753**	21,663
Other Asian countries	**43,943**	37,522
	484,884	370,645

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
The charge comprises :		
Current tax :		
Hong Kong Profits Tax	**4,281**	4,486
PRC Enterprise Income Tax	**-**	215
Other jurisdictions Income Tax	**6**	13
	4,287	4,714
Underprovision in prior years		
PRC Enterprise Income Tax	**1**	4
Deferred tax		
Current period	**270**	(30)
	4,558	4,688

Hong Kong

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

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 tax.

PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation. Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Other jurisdiction

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit for the period has been arrived at after charging:		
Directors' emoluments	**1,426**	348
Other staff costs	**115,391**	104,371
Retirement benefit schemes contributions (excluding directors)	**480**	501
Total staff costs	**117,297**	105,220
Amortisation of prepaid lease payments	**310**	245
Cost of inventories recognised as expenses	**368,822**	271,313
Depreciation of property, plant and equipment	**6,847**	5,125
Net exchange loss	**6,467**	2,161
Loss on fair value changes on derivative financial instruments	**462**	494
and after crediting:		
Interest income	**138**	31
Gain on disposal of property, plant and equipment	**194**	17

6. DIVIDENDS

The Board has declared that an interim dividend of HK5.0 cents (2011: HK3.0 cents) per share for the six months ended 30 June 2012 to shareholders whose names appear in the Register of Members on 7 September 2012.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the periods is based on the following data:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Profit for the period for the purpose of basic earnings per share	**53,569**	36,909
Number of ordinary shares for the purpose of basic earnings per share	**825,000,000**	825,000,000

The number of shares for calculating basic earnings per share for both periods is determined on the assumption that the Reorganisation has been effective during the periods. No diluted earnings per share are presented as there were no dilutive ordinary shares in issue during the periods.

8. ADDITIONS TO PROPERTY , PLANT & EQUIPMENT

During the period, the Group spent HK$8.1million (2011 : HK$2.5million) on property, plant and equipment to expand its operation.

9. INVENTORIES

	At 30.06.2012	At 31.12.2011
	HK$'000	*HK$'000*
Raw materials	**51,203**	45,265
Work in progress	**47,225**	52,075
Finished goods	**19,961**	20,071
	118,389	117,411

10. TRADE AND OTHER RECEIVABLES

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

Included in the balance are trade and bills receivables of HK$236,792,000 (31.12.2011: HK$177,171,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	At 30.06.2012	At 31.12.2011
	HK$'000	*HK$'000*
Less than 30 days	**76,231**	89,902
31 to 60 days	**100,955**	49,037
61 to 90 days	**55,695**	31,341
Over 90 days	**3,911**	6,891
	236,792	177,171
Prepayment and deposits	**2,397**	2,260
Other receivables	**2,679**	1,059
	241,868	180,490

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$85,438,000 (31.12.2011: HK$70,494,000). The aged analysis of trade and bills payables at the end of the reporting period is as follows:

	At 30.06.2012	At 31.12.2011
	HK$'000	*HK$'000*
Less than 30 days	**45,345**	43,187
31 to 60 days	**26,573**	22,764
61 to 90 days	**4,746**	2,125
Over 90 days	**8,774**	2,418
	85,438	70,494
Other payables and accruals	**36,745**	36,829
	122,183	107,323

INTERIM DIVIDEND

The Board has declared an interim dividend of HK5.0 cents per share for the six months ended 30 June 2012 to shareholders whose names appear on the Register of Members on 7 September 2012. It is expected that the interim dividend will be paid around 17 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 September 2012 to 7 September 2012, both days inclusive, during which period no transfer of shares in the Company can be registered. In order to qualify for the interim 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 4 September 2012.

BUSINESS REVIEW

For the six months ended 30 June 2012, the Group recorded a revenue of HK$485 million, increased substantially by 30.8% over the last corresponding period; and a net profit for the period of approximately HK$54 million, increased by 45.1% over the same period last year. Gross profit margin and net profit margin were 23.9% and 11.0%, representing a decrease of 2.9 percentage points and an increase of 1 percentage point respectively as compared to the last corresponding period.

Although the external economy as a whole was seriously affected by the factors of the sluggish performance of the European and USA market and the lingering European sovereign debt crisis, the Group, leveraging on the unrelenting efforts made by the management to strengthen the development of mid-high end products, recorded a significant increase in revenue for the period. As to the production cost, even in the face of a significant increase in the labour costs in the PRC, the Group has achieved a growth in net profit through effective and stringent cost control, the implementation of production process optimization project and the improvement of product design.

PROSPECTS

It is expected that the external economy 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 costs, it will be full of challenge for the handbag business in the second half of the year. Nevertheless, the Group will strive to diversify its product designs, strengthen the development of high-end products, enhance the production processes, reinforce internal controls and implement tight control over the cost in order to generate stable profit for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2012 was HK$255 million (31.12.2011 : HK$243 million). As at 30 June 2012, the Group had current assets of HK$401 million (31.12.2011 : HK$353 million) and current liabilities of HK$259 million (31.12.2011: HK$222 million). The current ratio was 1.55 as at 30 June 2012 as compared to 1.59 as at 31 December 2011.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong. As at 30 June 2012, the Group had outstanding bank borrowings of HK$131 million (31.12.2011: HK$106 million). These bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. As at 30 June 2012, the Group maintained bank balances and cash of HK$41 million (31.12.2011: HK$55 million). The Group's net debt-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) was 0.35 as at 30 June 2012 and 0.21 as at 31 December 2011.

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

CAPITAL COMMITMENTS

As at 30 June 2012, 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 in amount of approximately HK$1 million.

EMPLOYEES

As at 30 June 2012, the Group had a workforce of about 5,000 people. Salaries of employees are maintained at competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group. The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

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

During the six months ended 30 June 2012, 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 six months ended 30 June 2012 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 has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the Group's unaudited interim results for the six months ended 30 June 2012.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 13 August 2012

As at the date of this announcement, the Board 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 Heng Victor Ja Wei, Mr So Wing Keung, and Mr Tsang Hin Man Terence.