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 ANNOUCEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHTLIGHTS

- Revenue of HK$933 million for current year, increased by 6.8% as compared to last year.
- Net profit of HK$110 million for current year, increased by 3.0% as compared to last year
- Gross profit margin of 25.2% for current year.
- Net profit margin of 11.8% for current year.
- Earnings per share of HK13.4 cents for current year.
- Proposed final dividend of HK5 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 2012 together with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*3*	**932,916**	873,815
Cost of sales		**(698,164)**	(646,120)
Gross profit		**234,752**	227,695
Other income		**5,958**	11,390
Other gains and losses	*4*	**(12,649)**	(8,731)
Selling and distribution costs		**(32,326)**	(27,690)
General and administrative expenses		**(73,997)**	(68,618)
Listing expenses		**-**	(14,565)
Finance costs		**(1,430)**	(1,509)
Profit before taxation		**120,308**	117,972
Income tax expense	*5*	**(10,045)**	(10,925)
Profit for the year	*6*	**110,263**	107,047
Other comprehensive income (expense)			
Exchange differences arising from translation		**837**	(758)
Total comprehensive income for the year		**111,100**	106,289
Earnings per share (HK cents)	*8*	**13.4**	13.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	Notes	2012	2011
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**57,149**	56,522
Prepaid lease payments		**23,935**	24,573
Investment properties		**25,729**	25,082
Deposits paid for the acquisition of property, plant and equipment		**-**	1,738
Defined benefit assets		**5,093**	4,816
Deferred tax asset		**9**	503
		111,915	113,234
CURRENT ASSETS			
Inventories	*9*	**106,656**	117,411
Prepaid lease payments		**617**	394
Trade and other receivables	*10*	**113,736**	180,490
Derivative financial instruments		**434**	-
Tax recoverable		**2,602**	-
Bank balances and cash		**80,038**	54,763
		304,083	353,058
CURRENT LIABILITIES			
Trade and other payables	*11*	**91,812**	107,323
Amount due to a related company		**311**	629
Tax payable		**1,236**	8,213
Bank borrowings		**50,000**	106,305
		143,359	222,470
NET CURRENT ASSETS		**160,724**	130,588
TOTAL ASSETS LESS CURRENT LIABILITIES		**272,639**	243,822
NON-CURRENT LIABILITIES			
Derivative financial instruments		**455**	-
Deferred tax liability		**281**	519
		736	519
NET ASSETS		**271,903**	243,303
CAPITAL AND RESERVES			
Share capital		**82,500**	82,500
Reserves		**189,403**	160,803
		271,903	243,303

Notes:

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands on 4 January 2011 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 2012, 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 Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets.

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.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The Group measures its investment properties using the fair value model. The directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted. Accordingly, the application of the amendments to HKAS 12 has no impact to the consolidated financial statements.

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 2009-2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures - 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 amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made in the future.

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

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change 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. The amendments require all actuarial gains and losses to be 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, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for the Group for annual period beginning on 1 January 2013 and require retrospective application. The application of the amendments to HKAS 19 will have impact on amounts reported in respect of the Group's defined benefit plans as the Group will change its accounting policies on the recognition of actuarial gains and losses and past service costs and the defined benefit asset will decrease by approximately HK$1,822,000 when the amendments to HKAS 19 is applied with a corresponding decrease in equity. In addition, net interest will be calculated by applying the discount rate to the net defined benefit asset.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be 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 to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

The directors of the Company 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 22.6% (2011: 13.1%) 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:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**210,415**	N/A*
Customer B	**129,154**	114,414
Customer C	**99,091**	N/A*

** 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:

	Revenue from external customers	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**34,394**	28,132
PRC	**24,219**	32,084
USA	**336,568**	368,867
Canada	**9,701**	46,122
The Netherlands	**41,246**	53,969
Italy	**248,913**	97,238
The United Kingdom	**39,149**	43,566
Germany	**27,474**	27,036
Other European countries	**47,669**	52,438
South American countries	**32,762**	40,933
Other Asian countries	**90,821**	83,430
	932,916	873,815

4. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Net exchange loss	**(13,225)**	(7,993)
Reversal of impairment (loss) recognised in respect of trade receivables	**175**	(430)
Gain (loss) on fair value changes on derivative financial instruments	**123**	(494)
Gain on disposal of property, plant and equipment	**278**	186
	(12,649)	(8,731)

5. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
The charge comprises :		
Current tax :		
Hong Kong Profits Tax	**9,430**	10,822
PRC Enterprise Income Tax	**24**	718
Other jurisdictions Income Tax	**2**	13
	9,456	11,553
Under (over)provision in prior year :		
Hong Kong Profits Tax	**333**	(686)
Deferred tax :		
Current year	**256**	58
	10,045	10,925

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 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 subsidiary 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

	2012	2011
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments	**2,856**	1,532
Other staff costs	**232,175**	217,762
Retirement benefit schemes contributions (excluding directors)	**1,028**	986
Total staff costs	**236,059**	220,280
Release of prepaid lease payments	**620**	543
Auditors' remuneration	**1,010**	992
Cost of inventories recognised as expenses (including (reversal)write-down of inventories of HK$(621,000) (2011 : HK$3,229,000))	**698,164**	646,120
Depreciation of property, plant and equipment	**12,166**	9,907
Interest income on bank balances	**(168)**	(231)

7. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
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**	-
Interim dividend of HK3 cents per share for the year ended 31 December 2011	**-**	24,750
	82,500	24,750

A final dividend of HK5 cents per share for the year ended 31 December 2012 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$110,263,000 (2011: HK$107,047,000) and 825,000,000 (2011: 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

	2012	2011
	HK$'000	*HK$'000*
Raw materials	**42,033**	45,265
Work in progress	**35,329**	52,075
Finished goods	**29,294**	20,071
	106,656	117,411

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$109,469,000 (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:

	2012	2011
	HK$'000	*HK$'000*
Less than 30 days	**59,138**	89,902
31 – 60 days	**32,261**	49,037
61 – 90 days	**17,471**	31,341
Over 90 days	**599**	6,891
	109,469	177,171
Prepayment and deposits	**3,145**	2,260
Other receivables	**1,122**	1,059
	113,736	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$56,941,000 (2011: HK$70,494,000). The aged analysis of trade and bills payables at the end of the reporting period is as follows:

	2012	2011
	HK$'000	*HK$'000*
Less than 30 days	**34,517**	43,187
31 – 60 days	**17,692**	22,764
61 – 90 days	**2,693**	2,125
Over 90 days	**2,039**	2,418
	56,941	70,494
Other payable	**2,205**	237
Accrued salary	**14,914**	16,668
Accrued bonus	**6,528**	6,650
Other accrued expenses	**11,224**	13,274
	91,812	107,323

FINAL DIVIDEND

The Directors have proposed a final dividend of HK5 cents per share for the year ended 31 December 2012 to shareholders whose names appear on the Register of Members on 23 May 2013. 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 2013.

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 13 May 2013. For ascertaining shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from 9 May 2013 to 13 May 2013, 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 8 May 2013.

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 HK5 cents per share in cash for the year ended 31 December 2012 to shareholders whose names appear on the register of members of the Company on 23 May 2013 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 2013 to 23 May 2013, 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 20 May 2013.

BUSINESS REVIEW

For the year ended 31 December 2012, the Group recorded a revenue of HK$933 million, increased by 6.8% as compared to last year; and a net profit of HK$110 million for the year, increased by 3.0% over last year. Gross profit margin and net profit margin were 25.2% and 11.8%, representing a decrease of 0.9 and 0.5 percentage point as compared to last year.

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 an increase in revenue for the year. As to the production costs, even in the face of a significant increase in the labour costs in the PRC, the Group has optimized a stable net profit through effective and stringent cost control, the implementation of production process optimization project and the improvement of product designs.

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 coming 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 costs in order to generate stable profit for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2012 was HK$272 million (31.12.2011 : HK$243million). As at 31 December 2012, the Group had current assets of HK$304 million (31.12.2011 : HK$353 million) and current liabilities of HK$143 million (31.12.2011: HK$222 million). The current ratio was 2.12 as at 31 December 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 31 December 2012, the Group had outstanding bank borrowings of HK$50 million (31.12.2011: HK$106 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 31 December 2012, the Group maintained bank balances and cash of HK$80 million (31.12.2011: HK$55 million). The Group's net cash-to-equity ratio (total borrowings net of cash and cash equivalents over shareholders' equity) was 0.11 as at 31 December 2012.

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

CAPITAL COMMITMENTS

As at 31 December 2012, the Group had no capital expenditure contracted for in respect of the acquisition of property, plant and equipment.

HUMAN RESOURCES

At 31 December 2012, the Group had a workforce of more than 5,000 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 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 year ended 31 December 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, comprising all the independent non-executive directors of the Company, has reviewed the result of the Group for the year ended 31 December 2012 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 13 May 2013. 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, 18 March 2013

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.