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 2015

FINANCIAL HIGHLIGHTS

- Revenue decreased by 15.2% to HK$327 million.
- Net profit decreased by 70.7% to HK$6.17 million.
- Net profit margin decreased from 5.5% to 1.9%.
- Earnings per share decreased from HK2.6 cents to HK0.7cents.

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 2015 together with comparative figures for the last corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
	Notes	**2015**	2014
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
Revenue	*3*	**327,481**	386,040
Cost of sales		**(234,671)**	(310,931)
Gross profit		**92,810**	75,109
Other income		**1,953**	2,745
Selling and distribution costs		**(24,313)**	(13,839)
General and administrative expenses		**(60,683)**	(40,501)
Finance costs		**(221)**	(160)
Profit before taxation		**9,546**	23,354
Income tax expense	*4*	**(3,374)**	(2,257)
Profit for the period	*5*	**6,172**	21,097
Other comprehensive income (expense) :			
Item that may be subsequently reclassified to profit or loss :			
Exchange differences arising from translation		**25**	(577)
Total comprehensive income for the period		**6,197**	20,520
Earnings per share (HK cents)	*7*	**0.7**	2.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	30.06.2015 (Unaudited) HK$'000	31.12.2014 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	**58,794**	60,349
Prepaid lease payments		**22,433**	22,947
Investment properties		**32,103**	32,103
Other asset		**395**	395
Deposits paid for the acquisition of property, plant and equipment		**-**	1,663
Defined benefit assets		**4,365**	4,365
Deferred tax asset		**2,512**	2,120
		120,602	123,942
CURRENT ASSETS			
Inventories	9	**69,850**	70,902
Prepaid lease payments		**625**	629
Trade and other receivables	10	**140,971**	140,739
Tax recoverable		**1,559**	4,967
Bank balances and cash		**44,897**	53,436
		257,902	270,673
CURRENT LIABILITIES			
Trade and other payables	11	**70,254**	83,874
Amount due to a related company		**114**	213
Derivative financial instrument		**-**	3
Tax payable		**211**	728
Bank borrowings		**25,900**	25,719
		96,479	110,537
NET CURRENT ASSETS		**161,423**	160,136
TOTAL ASSETS LESS CURRENT LIABILITIES		**282,025**	284,078
NET ASSETS		**282,025**	284,078
CAPITAL AND RESERVES			
Share capital	12	**82,500**	82,500
Reserves		**199,525**	201,578
		282,025	284,078

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2015 (Unaudited)

	Share capital	Asset revaluation reserve	Translation reserve	Special reserve	Accumulated profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note i)		*(note ii)*		
At 1 January 2014 (audited)	82,500	6,641	4,928	(38,562)	216,159	271,666
Profit for the period	-	-	-	-	21,097	21,097
Other comprehensive (expense) income for the period	-	-	(577)	-	-	(577)
Total comprehensive (expense) income for the period	-	-	(577)	-	21,097	20,520
Dividends recognised as distributions	-	-	-	-	(12,375)	(12,375)
At 30 June 2014 (unaudited)	82,500	6,641	4,351	(38,562)	224,881	279,811
At 1 January 2015 (audited)	82,500	6,641	4,121	(38,562)	229,378	284,078
Profit for the period	-	-	-	-	6,172	6,172
Other comprehensive (expense) income for the period	-	-	25	-	-	25
Total comprehensive (expense) income for the period	-	-	25	-	6,172	6,197
Dividend recognised as distributions	-	-	-	-	(8,250)	(8,250)
At 30 June 2015 (unaudited)	**82,500**	**6,641**	**4,146**	**(38,562)**	**227,300**	**282,025**

notes:

(i) The asset revaluation reserve represented increase in revaluation arising from the owner-occupied properties becoming to investment properties prior to 1 January 2008.

(ii) The special reserve of the Group represents:

1. the difference between the nominal value of the share capital issued by Lee & Man Development Limited ("LM Development") and the nominal value of the share capital of subsidiaries acquired by it pursuant to a group reorganization in 1993.

2. the difference between the nominal value of the share capital of a subsidiary, LM Development, acquired pursuant to a group reorganization in June 2011 and the nominal value of the share capital issued by the Company; and

3. the expenses borne by shareholder for the listing of the Company.

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments that are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statement for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs and Interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 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 results and financial position 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 and resources allocation. 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 17.7% (2014: 12.2%) 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 is as follows:

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Customer A	**58,008**	N/A*
Customer B	**36,042**	N/A*
Customer C	**35,070**	46,990
Customer D	**N/A***	43,184

** 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, 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	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**15,753**	19,157
PRC	**19,495**	21,785
USA	**132,516**	144,242
Canada	**19,429**	15,016
The Netherlands	**26,530**	19,153
Italy	**29,527**	64,759
The United Kingdom	**6,983**	9,871
Germany	**6,934**	8,768
Other European countries	**22,746**	26,005
South American countries	**41**	481
Other Asian countries	**47,527**	56,803
	327,481	386,040

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**3,429**	2,285
PRC Enterprise Income Tax ("EIT")	**337**	355
	3,766	2,640
Deferred tax – current period	**(392)**	(383)
	3,374	2,257

Hong Kong

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

PRC

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Directors' emoluments	**1,583**	1,430
Other staff costs	**114,856**	123,483
Retirement benefit schemes contributions (excluding directors)	**5,031**	5,531
Total staff costs	**121,470**	130,444
Amortisation of prepaid lease payments	**312**	315
Cost of inventories recognised as expenses	**234,671**	310,931
Depreciation of property, plant and equipment	**7,047**	5,587
Net exchange loss	**353**	-
and after crediting:		
Interest income	**47**	52
Gain on disposal of property, plant and equipment	**65**	15
Net gain on fair value changes on derivative financial instruments	**-**	13
Net exchange gain	**-**	54

6. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Final dividend paid during the period:		
2014 final dividend HK1 cent per share (2013: HK1.5 cents)	**8,250**	12,375
Interim dividend declared subsequent to period end:		
No interim dividend was declared for 2015 (2014: HK1 cent)	**-**	8,250

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	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period for the purpose of basic earnings per share	**6,172**	21,097
	Number of Shares	*Number of shares*
Number of ordinary shares for the purpose of basic earnings per share	**825,000,000**	825,000,000

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

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$5.7 million (2014: HK$6.8 million) on property, plant and equipment to expand its operation.

9. INVENTORIES

	At 30.06.2015	At 31.12.2014
	HK$'000	*HK$'000*
Raw materials	**29,963**	21,518
Work in progress	**32,911**	35,839
Finished goods	**6,976**	13,545
	69,850	70,902

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 approximately HK$119,072,000 (31.12.2014: HK$126,705,000). The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	At 30.06.2015 *HK$'000*	At 31.12.2014 *HK$'000*
Not exceeding 30 days	**59,397**	75,968
31 to 60 days	**44,820**	30,363
61 to 90 days	**13,114**	18,786
Over 90 days	**1,741**	1,588
	119,072	126,705
Prepayment and deposits	**14,933**	8,329
Other receivables	**6,966**	5,705
	140,971	140,739

11. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchase and ongoing costs. The average credit period obtained for trade purchase is 7 to 60 days.

Included in trade and other payables are trade and bills payables of approximately HK$37,872,000 (31.12.2014: HK$43,373,000). The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	At 30.06.2015 *HK$'000*	At 31.12.2014 *HK$'000*
Not exceeding 30 days	**23,581**	28,011
31 to 60 days	**6,344**	9,673
61 to 90 days	**3,033**	1,543
Over 90 days	**4,914**	4,146
	37,872	43,373
Other payables and accruals	**32,382**	40,501
	70,254	83,874

12. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each:		
Authorized:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	**5,000,000,000**	500,000
Issued and fully paid:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	**825,000,000**	82,500

13. CAPITAL COMMITMENTS

	At 30.06.2015	At 31.12.2014
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**2,648**	1,069

14. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group had significant transactions with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules, during the period as follows:

			Six months ended 30 June	
			2015	2014
Connected parties	**Relationship**	**Nature of transactions**	***HK$'000***	*HK$'000*
Capital Nation Investments Limited	A company beneficially owned and controlled by Ms. Lee Rosanna Man Lai, a daughter of Mr. Lee Wan Keung	Corrugated cardboard and carton boxes purchased	**537**	720
Lee & Man Realty Investment Limited	A company beneficially owned and controlled by Mr. Lee Wan Keung	Licence fee paid		
			1,268	1,268

15. REVIEW OF INTERIM ACCOUNTS

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Audit Committee.

INTERIM DIVIDEND

The Board has determined not to declare interim dividend for the six months ended 30 June 2015.

BUSINESS REVIEW

For the six months ended 30 June 2015, the Group recorded a revenue of approximately HK$327 million, decreased by 15.2% as compared to the last corresponding period; and a net profit for the period of approximately HK$6.17 million, 70.7% below the same period last year. Net profit margin was 1.9%, representing a decrease of 3.6 percentage points as compared to the same period last year.

The directors of the Company believed that the significant decrease in the amount of net profit for the period was mainly attributable to the rising labour costs in China and the continuous serious pressure on our selling price due to the keen price competition from other manufacturers outside China including those in Philippines and Vietnam.

PROSPECTS

It is anticipated that the second half of this year will be full of challenges. The rise of USD interest rate, the economic slowdown in Europe 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, enhance the production processes, reinforce internal controls and implement tight control over the cost in order to provide profit for the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 30 June 2015 was approximately HK$282 million (31.12.2014: HK$284 million). As at 30 June 2015, the Group had current assets of approximately HK$258 million (31.12.2014: HK$271 million) and current liabilities of approximately HK$96 million (31.12.2014: HK$111 million). The current ratio was 2.67 and 2.45 as at 30 June 2015 and 31 December 2014 respectively.

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 2015, the Group had outstanding bank borrowings of approximately HK$26 million (31.12.2014: HK$26 million). These bank loans were secured by corporate guarantees provided by the Company and its certain subsidiaries. As at 30 June 2015, the Group maintained bank balances and cash of approximately HK$45 million (31.12.2014: HK$53 million). The Group's net cash-to-equity ratio (total bank borrowings net of cash and cash equivalents over shareholders' equity) was 0.07 and 0.10 as at 30 June 2015 and 31 December 2014 respectively.

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

EMPLOYEES

As at 30 June 2015, the Group had a workforce of around 3,000 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 six months ended 30 June 2015, 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 Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015 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 2015.

On behalf of the Board
Wai Siu Kee
Chairman

Hong Kong, 31 August 2015

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