

Je saunoda

interim report 2007/2008



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In this respect, all monetary values are expressed in Hong Kong Dollars unless stated otherwise.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces <i>(Chairman and Chief Executive Officer)</i>	(appointed as Chief Executive Officer on 1 October 2007)
Wan Tat Wah <i>(Chief Executive Officer)</i>	(resigned on 1 October 2007)
Chui Kwan Ho, Jacky <i>(Managing Director)</i>	
Tsui Oi Kuen	
Lau Shun Wai	

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon	
Law King Wan	(resigned on 26 November 2007)
Leung Wai Ki, George	
Hui Chi Kwan	(appointed on 26 November 2007)

AUDIT COMMITTEE

Lam Siu Lun, Simon <i>(Chairman)</i>	
Law King Wan	(resigned on 26 November 2007)
Leung Wai Ki, George	
Hui Chi Kwan	(appointed on 26 November 2007)

REMUNERATION COMMITTEE

Lam Siu Lun, Simon <i>(Chairman)</i>	
Law King Wan	(resigned on 26 November 2007)
Leung Wai Ki, George	
Lee Tze Bun, Marces	
Wan Tat Wah	(resigned on 1 October 2007)
Hui Chi Kwan	(appointed on 26 November 2007)

COMPANY SECRETARY

Kenneth T.C. Wong	(appointed on 2 October 2007)
Lau Yin Wan	(resigned on 2 October 2007)

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited
Standard Chartered Bank (HK) Ltd.

AUDITORS

PricewaterhouseCoopers
21 Prince's Building
Central
Hong Kong

LEGAL ADVISERS

Wilkinson & Grist
6th Floor Prince's Building
Chater Road
Hong Kong

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

30th Floor, Hing Wai Centre
7 Tin Wan Praya Road
Aberdeen
Hong Kong

REGISTRAR (IN BERMUDA)

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

REGISTRAR (IN HONG KONG)

Computershare Hong Kong Investor Services Ltd.
46th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LISTING INFORMATION

Listing : The Stock Exchange of Hong Kong Limited
Stock Code : 738
Board Size : 2,000 Shares

INVESTOR RELATIONS

Email address : cust@lesaunda.com.hk

WEBSITE ADDRESS

<http://www.lesaunda.com.hk>



INTERIM RESULTS

The board of Directors (the “Board”) of *Le Saunda* Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2007. The unaudited condensed consolidated financial statements for the six months ended 31 August 2007 has not been reviewed by the Company’s auditor, but was reviewed by the Company’s audit committee.

The Group’s performance for the first half of the year saw challenges as well as opportunities that propelled the Group to implement various strategies to maintain strong market presence in the footwear industry, while creating new avenues of development for the Group’s future business growth. During the six months ended 31 August 2007, the Group embarked on an aggressive stock clearance and business restructuring plans in order to boost its operational efficiency and profitability. In addition, the Group also rationalized its product range and rolled out a brand revamping program as well as a strategic network consolidation and expansion plan in order to better position itself to capture the ever growing market demand for premium footwear products and leather goods in Hong Kong and Mainland China.

For the six months ended 31 August 2007, the Group’s consolidated turnover amounted to HK\$353.7 million, an increase of 13% as compared to the corresponding period last year. The modest turnover growth was mainly a direct result of the strong growth of export sales generated from the footwear business in Mainland China. The Group’s sales effort to clear inventory has significantly reduced the stock turn day from 159 as at 28 February 2007 to 116 as at 31 August 2007. This, however, resulted in a reduction of the Group’s gross profit margin from 53% to 49% during the six months ended 31 August 2007. Consolidated profit attributable to equity holders reached HK\$20.7 million, representing a decrease of 50% over the previous corresponding period. The decrease in net profit was mainly due to the inclusion of the loss of the discontinued business operations, and discounted sales from stock clearance during such period. By disregarding the losses from the discontinued business operations, consolidated profit for the six months ended 31 August 2007 would have been HK\$35.5 million as compared to the profit of HK\$39.9 million in the corresponding period of last year. The Group discontinued its apparel brand, Antinori, and successfully disposed of its entire interest in 佛山市順德區信達房地產開發有限公司 (Fo Shan City Shun De District Xin Da Property Development Company Limited) with a net gain of HK\$3.5 million.

The Board resolved to declare an interim dividend of HK3.0 cents (2006: HK3.0 cents) per share.

BUSINESS REVIEW

Footwear

During the six months period ended 31 August 2007, footwear business remained the major contributor to the Group’s turnover. As the China retail market continues to grow at a rapid pace, coupled with climbing purchasing power in Mainland China, customers are willing to pay for luxury goods. The Group has thus put more focus in developing high added value products to capitalize on the market opportunities to achieve further expansion and profitability.

The Group started to reallocate its resources to become more customer focused for the purpose of expanding its footwear business to target a broader market segments. During the six months period ended 31 August 2007, the Group reinvigorated *Le Saunda* and *CnE*’s brand positioning as premium, modern European style footwear brands. Emphasis was put on product development to broaden the product range and enhance the product mix. A new product development team has been formed to provide greater focus on development of younger and trendier footwear products. In addition, the Group also strengthened marketing activities in both Hong Kong and Mainland China and in this connection, a new line of luxurious footwear was launched during the period.

Hong Kong

Due to the impact of increased rental costs and discounted sales stemming from intensified market competition, total revenue in Hong Kong recorded a decrease of 8% from the last corresponding period.

During the period under review, the Group owned and operated a total of 23 retail outlets in Hong Kong. The Group has rolled out the stores consolidation plan for our *Le Saunda* and *CnE* outlets, in order to achieve higher sales as well as to offset higher rental and operational costs. Other stores will be consolidated gradually in the near future.

Riding on the success of the Group’s in-house brand, the Group launched a new premium brand, *Savina C.*, in October 2007. This new brand offers trendy, elegant and sophisticated luxury footwear and has been positioned by the Group to target the luxurious footwear market, and has gained wide acceptance from the market since its launch, which is in line with the Group’s expectation, helping facilitate the Group’s planning for future development of the premium footwear market in Hong Kong.



BUSINESS REVIEW (continued)

Mainland China

Leveraging China's huge market and fast growing economy, China continued to be the Group's largest market for its footwear business with continuous robust growth in terms of sales volume and operation profit. The Group set to enhance its market share in China through network expansion and proactive retail branding supported by a growing number of marketing activities and promotions. These included advertising in well known magazines, outdoor advertising and joint promotion with shopping malls. These marketing initiatives have received good market responses and effectively helped promoting the brand image and market awareness of the Group.

For the six months ended 31 August 2007, total revenue generated from China indicated an increase of 9% as compared to the corresponding period last year. As at 31 August 2007, the Group had 155 self owned outlets and 109 franchised outlets in Mainland China. During the same period, the Group opened 8 self owned outlets and 20 franchised outlets, and closed down 17 self owned outlets and 19 franchised outlets, which were underperformed and strategically relocated to more desirable locations.

In addition, the Group has begun searching for new outlet locations in shopping malls in residential and commercial areas with high traffic. The Group has strengthened the foothold in the first tier cities, enabling the Group to enjoy a deeper market penetration and higher brand visibility. All new outlets adopted an unified construction standard nationwide with shop design in strict compliance with the Group's internal codes and manuals - a deliberate measure to enhance brand value and influence that the Group considered important to its sustainable success.

Apparel & Handbag products

To further streamline the business operations, the Group decided to discontinue the apparel products business, and will focus on the footwear and handbag business in the future.

OEM Expansion

The Group has been able to capitalise on business opportunities with its key customers. During the period under review, the Group's manufacturing facilities in China continued to operate at full capacity. Operationally, the Group continued optimising production capacity and took on a number of initiatives to further increase operational efficiency and save costs, such as optimising the Group's production scheduling and strengthening floor controls, yield and waste management.

Leveraging the existing long term clientele, the Group has achieved outstanding results in its OEM operation. Turnover from footwear operations outside Hong Kong and Mainland China rose by 49% as compared to the corresponding period last year. The satisfactory result was mainly attributable to the increase in the number of orders from overseas customers.



BUSINESS REVIEW (continued)**OEM Expansion** (continued)

The OEM customers of the Group include renowned high-end market brands and the biggest department stores in Europe as well as other parts of the world, covering Russia, Spain, Italy, Germany, Japan, Australia and New Zealand. During the reporting period, we have developed a new OEM/export premium market in the Middle East and Eastern Europe. The Group will continue to enhance its strategic partnership with its customers through design support and product development.

PROSPECTS

The fiscal year 2007/08 will be a year of “Innovation and Change” for the Group. A series of innovative measures and restructuring plan will be carried out with an aim to further enhance market recognition and penetration of the Group’s *Le Saunda* and *CnE* brands. The Group strives to strengthen internal management, enrich product design and offering, and to provide an enjoyable shopping experience for its customers.

As opportunities arise from the rapid economy growth in Mainland China as well as the improved local economy, the Group will consolidate its retail space to optimise the performance of existing outlets in both Hong Kong and Mainland China, and the Group strives to gain market share in Mainland China. In view of the challenges facing in the retail operating environment, the Group will adopt a pragmatic expansion approach by adding more factory outlets in Hong Kong and Mainland China. The Group will also expand its retail network in Mainland China by strengthening its presence in first tier cities and further expand into the second tier cities by opening self-owned outlets as well as franchised outlets. The Group is optimistic about the growth of its retail business, especially given the rapid growth of the footwear sector in Mainland China.

The strategic initiatives of the Group aim to strengthen its product competitiveness and further enhance its *Le Saunda* and *CnE* brand images and market awareness as a premium, fashionable and trendy footwear brand through a variety of marketing activities, campaigns and events. The Group has also decided to gradually phase out the remaining *CnE* outlets in Hong Kong while re-directing the focus of the *CnE* brand in Mainland China market through opening more self-owned and franchised outlets. The Group is currently exploring the possibility of having franchising arrangement for *CnE* outlet in 2008 and anticipates that substantial results will be recorded within the next 3 years.

In addition, the Group will roll out a comprehensive brand revamp program by offering a higher-end product line and launching of more in-house luxurious brands to capture the opportunities in the mid to upper market segment in Mainland China, and the improving local economy in general. The Group will invest HK\$10.0 million to upgrade and refurbish all *Le Saunda* and *CnE* outlets in Mainland China by the end of 2008. In addition, the Group will also consider expanding its men’s shoes counters and lady’s handbag products to further capture the target segments.

Improvements in the Group’s operational efficiency throughout Hong Kong and Mainland China are progressing. The Group will implement a more efficient and effective way of inventory management, and target at 80% sell through for newly launched products yearly managing its retail stocks.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

To maintain and ensure the long-term growth of the footwear business, the Group will also spend HK\$80.0 million to expand the production facilities for the Group's OEM business segment. The Group anticipates that its production capacity will increase by 50% upon the completion of the new production facilities and production bases in 2009.

Apart from building a close and long-term relationship with its existing customers, the Group will continue to develop its export business in the Middle Eastern and European markets. The Group will continue its prudent cost control measures and focus on targeting high networth overseas customers in order to achieve higher wholesale prices, which will help to increase overall operational efficiency and profitability. To further enrich the Group's product portfolio in order to fulfill the customers' demand, the Group will extend and rationalize its product offerings with new and innovative product designs, thereby building customer loyalty and stimulate purchasing desire.

The Group endeavors to capture the immense business opportunities in Mainland China and create value to its customers. The Group are confident that it will be able to generate encouraging performance in the near future and create solid and consistent returns to its shareholders.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

The Group's cash position remains strong and healthy. Net cash balances as at 31 August 2007 increased to HK\$ 234.8 million as compared with HK\$144.4 million as at 28 February 2007. Total equity is maintained at HK\$736.0 million, along with a low gearing ratio of 0.01 and quick ratio of 3.0 times.

Pledge of Assets

As at 31 August 2007, the Group has pledged certain of its properties and leasehold land with net book value amounting to HK\$26.1 million (28 February 2007: HK\$ 26.4 million) to secure bank loan facilities of HK\$50.0 million (28 February 2007: HK\$50.0 million), which has been or will be granted to certain

subsidiaries of the Group.

Capital Structure and Financial Resources

During the six months ended 31 August 2007, the Group's cash and bank balances were in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity dates falling within one year. Bank loans and overdrafts of the Group were taken out in Hong Kong dollars, US dollars and Euro. Forward contracts will be used, if necessary, for hedging of purchases from overseas, related debts and bank borrowings. The Group was not exposed to material foreign exchange risk regarding Renminbi currency exposures on revenues generated or asset located in Mainland China. In addition, working capital requirements for business operations in Mainland China will be financed, if necessary, by local bank loans, denominated in Renminbi to the extent possible for hedging purpose.

Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.



EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2007, the Group had a staff force of 2,998 people. Of this, 221 were based in Hong Kong and 2,777 in Mainland China. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees comprises basic salaries, bonuses and long-term incentives. Total staff costs for the six months ended 31 August 2007, including directors' emoluments and net pension contributions, amounted to HK\$63.9 million (2006: HK\$53.0 million). The Group has all along organized structured and diversified training programmes for staff of different levels. Outside consultants would be invited to broaden the content of the programmes.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group at the balance sheet date are set out in note 13 to the condensed financial statement.



CONDENSED CONSOLIDATED INCOME STATEMENT

(Expressed in Hong Kong dollar thousands)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 August 2007

		Unaudited	
		Six months ended 31 August	
	Note	2007	2006
Continuing operations:			
Turnover	2	353,706	313,054
Cost of sales		(180,802)	(145,647)
Gross profit		172,904	167,407
Other gains	3	12,392	21,242
Selling and distribution costs		(114,196)	(108,913)
General and administrative expenses		(44,484)	(39,967)
Operating profit		26,616	39,769
Bank interest income		2,009	808
Finance costs		(172)	(168)
Share of profit of a jointly controlled entity		11,720	829
Profit before taxation		40,173	41,238
Taxation charge	5	(4,712)	(1,334)
Profit for the period from continuing operations		35,461	39,904
(Loss)/profit for the period from discontinued operations		(14,801)	1,629
Profit attributable to equity holders of the Company		20,660	41,533
Profit for the period earned by:			
Company and subsidiaries		8,940	40,704
Jointly controlled equity		11,720	829
		20,660	41,533
Interim dividend	6	19,016	18,709

CONDENSED CONSOLIDATED INCOME STATEMENT*(Expressed in Hong Kong dollar thousands)***CONDENSED CONSOLIDATED INCOME STATEMENT** (continued)

For the six months ended 31 August 2007

	<i>Note</i>	Unaudited Six months ended 31 August 2007	2006
<hr/>			
Basic earnings/(loss) per share attributable to the equity holders of the Company (expressed in Hong Kong cents per share)			
– continuing operations	7	5.6	7.3
– discontinued operations	7	(2.3)	0.3
		<hr/> 3.3 <hr/>	<hr/> 7.6 <hr/>
Diluted earnings/(loss) per share attributable to the equity holders of the Company (expressed in Hong Kong cents per share)			
– continuing operations	7	5.6	7.2
– discontinued operations	7	(2.3)	0.3
		<hr/> 3.3 <hr/>	<hr/> 7.5 <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in Hong Kong dollar thousands)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2007

	<i>Note</i>	Unaudited 31 August 2007	Audited 28 February 2007
ASSETS			
Non-current assets			
Investment properties	8	56,132	56,132
Property, plant and equipment	8	77,892	83,330
Leasehold land and land use rights	8	40,190	40,697
Long term deposits and prepayments		16,772	16,734
Interests in a jointly controlled entity		60,718	57,829
Available-for-sale financial asset		7,357	7,189
Deferred tax assets		34,313	36,339
		293,374	298,250
Current assets			
Inventories		177,554	188,871
Trade and other receivables	9	69,463	81,494
Deposits and prepayments		23,315	24,903
Dividend receivable from a jointly controlled entity		20,653	10,090
Dividend receivable from available-for-sale financial asset		15,489	15,135
Amount due from a jointly controlled entity		—	10,311
Cash and cash equivalents		242,663	147,853
		549,137	478,657
Non-current assets classified as held for sale		—	39,718
		549,137	518,375
Total assets		842,511	816,625

CONDENSED CONSOLIDATED BALANCE SHEET*(Expressed in Hong Kong dollar thousands)***CONDENSED CONSOLIDATED BALANCE SHEET** (continued)

As at 31 August 2007

	<i>Note</i>	Unaudited 31 August 2007	Audited 28 February 2007
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	63,386	62,406
Reserves			
Proposed dividend		19,016	28,083
Others		653,603	645,174
Total equity		736,005	735,663
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,450	3,450
Current liabilities			
Creditors and accruals	10	93,633	68,561
Amount due to a jointly controlled entity		496	—
Taxation payable		1,042	2,097
Short term bank loans, secured		7,885	3,409
		103,056	74,067
Liabilities directly associated with non-current assets classified as held for sale		—	3,445
		103,056	77,512
Total liabilities		106,506	80,962
Total equity and liabilities		842,511	816,625
Net current assets		446,081	440,863
Total assets less current liabilities		739,455	739,113

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Hong Kong dollar thousands)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2007

	Unaudited						Total
	Share capital	Share premium	Exchange translation reserve	Retained earnings	Capital reserve	Employee share-based compensation reserve	
At 1 March 2007	62,406	408,192	15,090	243,212	4,261	2,502	735,663
Share option scheme:							
- value of service provided	—	—	—	—	—	271	271
- exercise of share options	980	5,704	—	—	—	(1,893)	4,791
Profit for the period	—	—	—	20,660	—	—	20,660
Dividends	—	—	—	(28,522)	—	—	(28,522)
Currency translation differences	—	—	3,142	—	—	—	3,142
At 31 August 2007	<u>63,386</u>	<u>413,896</u>	<u>18,232</u>	<u>235,350</u>	<u>4,261</u>	<u>880</u>	<u>736,005</u>

	Unaudited						Total
	Share capital	Share premium	Exchange translation reserve	Retained earnings	Capital reserve	Employee share-based compensation reserve	
At 1 March 2006	51,015	304,673	9,397	184,217	4,261	3,533	557,096
Share option scheme:							
- value of service provided	—	—	—	—	—	918	918
- exercise of share options	1,349	6,138	—	—	—	(1,697)	5,790
- deferred tax effect on exercise of share options	—	—	—	—	—	(360)	(360)
Profit for the period	—	—	—	41,533	—	—	41,533
Dividends	—	—	—	(28,014)	—	—	(28,014)
Currency translation differences	—	—	1,285	—	—	—	1,285
Issue of shares net of issuing expenses	10,000	96,847	—	—	—	—	106,847
At 31 August 2006	<u>62,364</u>	<u>407,658</u>	<u>10,682</u>	<u>197,736</u>	<u>4,261</u>	<u>2,394</u>	<u>685,095</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(Expressed in Hong Kong dollar thousands)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 August 2007

	Unaudited	
	Six months ended 31 August	
	2007	2006
Net cash inflow/(outflow) from operating activities	78,934	(5,667)
Net cash inflow/(outflow) from investing activities	33,276	(38,984)
Net cash (outflow)/inflow from financing activities	(19,254)	85,843
Increase in cash and cash equivalents	92,956	41,192
Cash and cash equivalents at 1 March	147,853	108,114
Effect of foreign exchange rate changes	1,854	(607)
Cash and cash equivalents at 31 August	242,663	148,699
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	242,663	148,699

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements for the six months ended 31 August 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, and the applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 28 February 2007.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 28 February 2007 except for the adoption of new standards, amendments to standards and interpretations which are effective for accounting periods beginning on or after 1 March 2007 as set out below:

- HK(IFRIC) — Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies;
- HK (IFRIC) — Int 8, Scope of HKFRS 2;
- HK (IFRIC) — Int 9, Reassessment of embedded derivatives;
- HK (IFRIC) — Int 10, Interim Financial Reporting and Impairment;
- HK (IFRIC) — Int 11, HKFRS2 — Group and Treasury Share Transactions;
- HKFRS 7, Financial instruments: Disclosure; and
- HKAS 1 (Amendment), Amendment to capital disclosures

The adoption of the above has no material impact to the Group’s condensed consolidated interim balance sheet and income statement.

The following new standards and amendments to standards have been issued but are not yet effective in 2007 and have not been early adopted:

- HKFRS 8, Operating Segments
- HKAS 23 (Revised), Borrowing Costs

The directors anticipate that the adoption of these standards and amendments in future periods will have no material impact on the financial position and the results of the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*(Expressed in Hong Kong dollar thousands unless otherwise indicated)***2 TURNOVER AND SEGMENT INFORMATION**

The Group is principally engaged in manufacturing and sales of shoes and property development.

(i) Primary reporting format - business segments:

	Unaudited			
	Six months ended 31 August 2007			
	Manufacture and sales of shoes	Property development	Sales of apparel products	Total
Turnover	<u>353,706</u>	<u>—</u>	<u>—</u>	<u>353,706</u>
Segment results	23,101	3,515	—	26,616
Bank interest income	2,009	—	—	2,009
Finance costs	(172)	—	—	(172)
Share of profit of a jointly controlled entity	—	11,720	—	11,720
Profit before taxation	24,938	15,235	—	40,173
Taxation charge	(4,712)	—	—	(4,712)
Profit/(loss) for the period from				
– continuing operations	20,226	15,235	—	35,461
– discontinued operations	—	(724)	(14,077)	(14,801)
	<u>20,226</u>	<u>14,511</u>	<u>(14,077)</u>	<u>20,660</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

2 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format - business segments: (continued)

	Unaudited			Total
	Six months ended 31 August 2006			
	Manufacture and sales of shoes	Property development	Sales of apparel products	
Turnover	313,054	—	—	313,054
Segment results	25,120	14,649	—	39,769
Bank interest income	808	—	—	808
Finance costs	(168)	—	—	(168)
Share of profit of a jointly controlled entity	—	829	—	829
Profit before taxation	25,760	15,478	—	41,238
Taxation (charge)/credit	(1,339)	5	—	(1,334)
Profit/(loss) for the period from				
- continuing operations	24,421	15,483	—	39,904
- discontinued operations	—	7,618	(5,989)	1,629
	24,421	23,101	(5,989)	41,533

(ii) Secondary reporting format - geographical segments:

	Unaudited			
	Six months ended 31 August			
	2007		2006	
	Turnover	Segment results	Turnover	Segment results
Hong Kong	77,870	(3,514)	84,809	3,975
Mainland China	174,614	6,043	160,518	22,582
Others	101,222	24,087	67,727	13,212
	353,706	26,616	313,054	39,769

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Expressed in Hong Kong dollar thousands unless otherwise indicated)

3. OTHER GAINS

	Unaudited	
	Six months ended 31 August	
	2007	2006
Dividend income from available-for-sale financial asset	—	14,528
Gross rental income from investment properties	1,012	1,155
Net exchange gain	7,925	5,559
Net gain on disposal of a subsidiary	3,455	—
	12,392	21,242

4. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs and general and administrative expenses and the discontinued operations are analysed as follows:

	Unaudited	
	Six months ended 31 August	
	2007	2006
Auditors' remuneration	1,041	747
Amortization of leasehold land and land use rights	507	506
Depreciation of property, plant and equipment	11,842	10,051
Loss on disposal of property, plant and equipment	201	319
Operating lease rentals in respect of land and buildings		
- minimum lease payments	44,514	36,979
- contingent rent	620	415
Direct operating expenses arising from investment properties that generated rental income	327	333
Staff costs (including directors' emoluments)	63,947	53,021

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

5. TAXATION CHARGE

The amount of taxation (charged)/credited to the condensed consolidated income statements represents:

	Unaudited	
	Six months ended 31 August	
	2007	2006
Current taxation		
Mainland China enterprise income tax	(2,686)	(2,692)
Deferred taxation relating to the origination and reversal of temporary differences	(2,026)	1,358
	<u>(4,712)</u>	<u>(1,334)</u>

Hong Kong profits tax has not been provided as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the period (six months ended 31 August 2006: Nil).

Taxation on profits in Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in Mainland China in which certain Group companies operate.

6. INTERIM DIVIDEND

	Unaudited	
	Six months ended 31 August	
	2007	2006
Interim dividend of HK3.0 cents (six months ended 31 August 2006: HK3.0 cents) per share	<u>19,016</u>	<u>18,709</u>

At the board meeting held on 23 November 2007, the board of Directors has resolved to declare an interim dividend of HK3.0 cents per share. This interim dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 29 February 2008.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Expressed in Hong Kong dollar thousands unless otherwise indicated)

7. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended 31 August	
	2007	2006
Profit/(loss) attributable to equity holders		
- continuing operations	35,461	39,904
- discontinued operations	(14,801)	1,629
	20,660	41,533
	20,660	41,533
Weighted average number of ordinary shares in issue ('000)	629,562	544,029
	629,562	544,029
Basic earnings/(loss) per share		
(expressed in Hong Kong cents per share)		
- continuing operations	5.6	7.3
- discontinued operations	(2.3)	0.3
	3.3	7.6
	3.3	7.6

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

7. EARNINGS PER SHARE (continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had share options outstanding during the period which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 31 August	
	2007	2006
Profit/(loss) attributable to equity holders		
– continuing operations	35,461	39,904
– discontinued operations	(14,801)	1,629
	<u>20,660</u>	<u>41,533</u>
Weighted average number of ordinary shares in issue ('000)	629,562	544,029
Adjustments for share options ('000)	7,827	13,026
	<u>637,389</u>	<u>557,055</u>
Diluted earnings/(loss) per share (expressed in Hong Kong cents per share)		
- continuing operations	5.6	7.2
- discontinued operations	(2.3)	0.3
	<u>3.3</u>	<u>7.5</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Expressed in Hong Kong dollar thousands unless otherwise indicated)

8. FIXED ASSETS

	Investment properties	Property, plant and equipment	Leasehold land and land use rights	Total
Unaudited six months ended 31 August 2007				
At 1 March 2007	56,132	83,330	40,697	180,159
Additions	—	6,749	—	6,749
Disposals	—	(1,453)	—	(1,453)
Exchange differences	—	1,108	—	1,108
Depreciation and amortization	—	(11,842)	(507)	(12,349)
At 31 August 2007	<u>56,132</u>	<u>77,892</u>	<u>40,190</u>	<u>174,214</u>

9. TRADE AND OTHER RECEIVABLES

The Group's credit terms on credit sales range from 30 to 60 days. The ageing analysis of trade receivables was as follows:

	Unaudited 31 August 2007	Audited 28 February 2007
Trade receivables		
Current to 30 days	41,448	69,924
31 to 60 days	15,799	6,793
61 to 90 days	9,616	1,130
Over 90 days	1,895	2,094
	68,758	79,941
Less: provision	(868)	(847)
	67,890	79,094
Other receivables	1,573	2,400
Total	69,463	81,494

The above amounts approximated their fair values at 31 August 2007.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

10. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors and their ageing analysis was as follows:

	Unaudited 31 August 2007	Audited 28 February 2007
Trade creditors		
Current to 30 days	28,897	18,913
31 to 60 days	6,754	11,978
61 to 90 days	4,318	2,628
91 to 120 days	3,460	740
Over 120 days	871	529
	44,300	34,788
Accruals	49,333	33,773
Total	93,633	68,561

11. SHARE CAPITAL

	Unaudited 31 August 2007		Audited 28 February 2007	
	Number of ordinary shares	HK\$	Number of ordinary shares	HK\$
Authorised:				
Shares of HK\$0.10 each	800,000,000	80,000	800,000,000	80,000
Issued and fully paid:				
At beginning of period/year	624,056,600	62,406	510,149,600	51,015
Exercise of share options (Note 12)	9,805,000	980	13,907,000	1,391
Placement of new shares (Note a)	—	—	100,000,000	10,000
At end of period/year	633,861,600	63,386	624,056,600	62,406

Note :

- (a) On 11 July 2006, 100,000,000 ordinary shares of HK\$0.10 each were issued at a subscription price of HK\$1.10 for cash for general working capital purposes of the Group and facilitating future expansion in Mainland China. These shares rank pari passu with the existing shares.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

12. SHARE OPTIONS

- (a) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows :

	Unaudited for the six months ended 31 August 2007		Audited for the year ended 28 February 2007	
	Average exercise price per share (HK\$)	Number of share options (thousands)	Average exercise price per share (HK\$)	Number of share options (thousands)
At beginning of period/year	0.54	16,433	0.50	30,940
Forfeited	0.87	(72)	0.79	(600)
Exercised	0.49	(9,805)	0.44	(13,907)
At end of period/year	0.63	<u>6,556</u>	0.54	<u>16,433</u>
Options exercisable at end of period/year		<u>4,000</u>		<u>7,914</u>

The Group has no legal or constructive obligation to repurchase or settle the options in cash. Option exercised during the period resulted in 9,805,000 shares (for the year ended 28 February 2007: 13,907,000 shares) being issued at an average exercise price at HK\$0.49 each (for the year ended 28 February 2007: HK\$0.44 each). The related weighted average share price at the time of exercise was HK\$2.18 per share (for the year ended 28 February 2007: HK\$1.18 per share).

- (b) Share options outstanding at the end of the period/year have the following expiry dates and exercise prices:

Expiry date at	Exercise price per share (HK\$)	Number of share options as at	
		31 August 2007 (thousands)	28 February 2007 (thousands)
12 April 2014 (Note i)	0.38	4,000	11,630
6 March 2015 (Note ii)	1.24	1,000	1,000
15 January 2016 (Note iii)	0.87	1,556	3,803
		<u>6,556</u>	<u>16,433</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

12. SHARE OPTIONS (continued)

Note:

- (i) Exercisable on a range of dates between 26 July 2004 and 13 April 2007 and expiring on the 10th anniversary from date of grants.
- (ii) Exercisable on a range of dates between 1 September 2007 and expiring on the 10th anniversary from date of grants.
- (iii) Exercisable on a range of dates between 16 January 2006 and 7 March 2008 and expiring on the 10th anniversary from date of grants.

13. CONTINGENT LIABILITIES

The Company and several subsidiaries have jointly given guarantees in favour of banks for banking facilities granted to certain subsidiaries to the extent of HK\$50.0 million (28 February 2007: HK\$50.0 million) of which HK\$25.5 million (28 February 2007: HK\$14.8 million) was utilised as at 31 August 2007.

14. COMMITMENTS

(a) Capital commitments

	Unaudited 31 August 2007	Audited 28 February 2007
Contracted but not provided for, in respect of interests in jointly controlled entity	<u>1,601</u>	<u>1,564</u>

(b) Commitments under operating leases

- (i) At the period end, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 31 August 2007	Audited 28 February 2007
Land and buildings :		
Not later than one year	73,645	76,727
Later than one year and not later than five years	59,032	60,321
	<u>132,677</u>	<u>137,048</u>

The above operating lease commitments include commitments for fixed rent only. Rentals payable in some cases include additional rent, calculated according to gross revenue, in excess of the fixed rent.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(Expressed in Hong Kong dollar thousands unless otherwise indicated)

14. COMMITMENTS (continued)

(b) Commitments under operating lease (continued)

- (ii) At the period end, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Unaudited	Audited
	31 August	28 February
	2007	2007
<hr/>		
Land and buildings :		
Not later than one year	2,011	1,369
Later than one year and not later than five years	861	932
	<hr/> 2,872 <hr/>	<hr/> 2,301 <hr/>

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Significant transactions with related parties and companies, which were carried out in the normal course of the Group's business, are summarised as follows:

	Unaudited	
	Six months ended 31 August	
	2007	2006
<hr/>		
Rental expenses charged by:		
– a related party (<i>note i</i>)	660	660
– a related company (<i>note ii</i>)	586	556
	<hr/> 1,246 <hr/>	<hr/> 1,216 <hr/>

Notes:

- (i) During the period, the Group rented a shop located in Macau from Mr. Lee Tze Bun, Marces ("Mr Lee"), a substantial shareholder and Director of the Company, as retail outlet in Macau.
- (ii) During the period, the Group rented office premises located in Mainland China from Genda Investment Limited, a company controlled by Mr. Lee.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollar thousands unless otherwise indicated)

15. RELATED PARTY TRANSACTIONS (continued)

(b) Year-end balances with related parties

	Unaudited 31 August 2007	Audited 28 February 2007
Payable to a related company	450	193
Dividend receivable from a jointly controlled entity	20,653	10,090
Amount due (to)/from a jointly controlled entity	(496)	10,311

(c) Key management compensation

	Unaudited Six months ended 31 August	
	2007	2006
Salaries and other employee benefits	3,270	2,670
Contributions to retirement scheme	24	18
Share-based payments	—	116
	3,294	2,804

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 August 2007, the interests and short positions of the Directors and chief executives of the Company in the shares of HK\$0.10 each in the capital of the Company (the "Shares"), underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows :

Long positions in Shares of the Company

Name of Directors	Number of Shares			Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee")	22,870,000	31,384,000 <i>(Notes 1 & 2)</i>	205,000,000 <i>(Note 3)</i>	259,254,000	40.90%
Mr. Wan Tat Wah ("Mr. Wan")	6,000,000	—	—	6,000,000	0.95% <i>(Note 4)</i>
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	3,880,000	—	50,000,000 <i>(Note 5)</i>	53,880,000	8.50% <i>(Note 6)</i>
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,000,000	—	50,000,000 <i>(Note 5)</i>	51,000,000	8.05% <i>(Note 7)</i>
Ms. Lau Shun Wai ("Ms. Lau")	350,000	—	—	350,000	0.06%

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in Shares in associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares (Note 8)	100% (in respect of non-voting deferred shares)

Notes :

- 30,000,000 Shares are held by Succex Limited, which is wholly owned by Mr. Lee. Therefore, Mr. Lee is deemed to be interested in those Shares.
- 1,384,000 Shares are held by Xin Chuan Middle School Foundation Limited ("Xin Chuan"), of which Mr. Lee is a governor. Therefore, Mr. Lee is deemed to be interested in those Shares.
- Stable Gain Holdings Limited ("Stable Gain") holds 205,000,000 Shares, representing approximately 32.34% of the issued share capital of the Company. Those Shares were transferred from Lee Tze Bun Trustee Holding Corporation, being the trustee of a unit trust called The Lee Tze Bun Unit Trust ("LTB Trust"), as to 155,000,000 Shares, and from Lee Keung Trustee Holding Corporation, being the trustee of a unit trust called The Lee Keung Unit Trust ("LK Trust"), as to 50,000,000 Shares, upon termination of both the LTB Trust and the LK Trust on 28 July 2006. The entire issued share capital of Stable Gain is registered in the name of LGT Trustees Ltd. ("LGT") as trustee of The Lee Keung Family Trust ("Lee Family Trust"), a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder. Therefore, Mr. Lee is deemed to be interested in those Shares.
- Mr. Wan personally holds 6,000,000 Shares and is also entitled to 4,000,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Mr. Wan's interests in the Company will be increased from the existing 0.95% to 1.58% of the issued share capital of the Company including number of Shares in relation to such exercise. Subsequently, Mr. Wan exercised 4,000,000 share options on 12 September 2007 and resigned as Director with effect from 1 October 2007.
- Ms. Chui, Ms. Tsui and Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee"), the daughter of Mr. Lee, being the trustees of The Lee Keung Charitable Foundation ("the Charitable Foundation") jointly hold 50,000,000 Shares, representing approximately 7.89% of the issued share capital of the Company. Therefore, Ms. Chui, Ms. Tsui and Ms. Lee are deemed to be interested in those Shares.
- Ms. Chui personally holds 3,880,000 Shares. Together with the Shares mentioned in (5) above, Ms. Chui holds an aggregate of 53,880,000 Shares, representing approximately 8.50% of the issued share capital of the Company.
- Ms. Tsui personally holds 1,000,000 Shares. Together with the Shares mentioned in (5) above, Ms. Tsui holds an aggregate of 51,000,000 Shares, representing approximately 8.05% of the issued share capital of the Company.
- Mr. Lee beneficially owns 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company

Share Option Scheme

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") pursuant to Chapter 17 of the Listing Rules.

Pursuant to the Scheme, the Company has granted share options to certain Directors and employees of the Company to subscribe for the Shares. The movements of the outstanding share options under the Scheme during the six months ended 31 August 2007 are set out below :

Name or Category of Participant	Date of share options granted (Notes 1 & 2)	Number of Shares			Outstanding as at 31 August 2007	Exercise price per Share	Exercise period
		Outstanding as at 1 March 2007	Exercised during the period (Note 3)	Cancelled during the period			
Directors							
Mr. Wan (Note 4)	13 April 2004	4,000,000	—	—	4,000,000	HK\$0.38	26 July 2006 – 12 April 2014
Sub-total		4,000,000	—	—	4,000,000		
Employees							
Other employees in aggregate	13 April 2004	600,000	600,000	—	—	HK\$0.38	13 April 2005 – 12 April 2014
	13 April 2004	600,000	600,000	—	—	HK\$0.38	26 July 2005 – 12 April 2014
	13 April 2004	810,000	810,000	—	—	HK\$0.38	13 April 2006 – 12 April 2014
	13 April 2004	800,000	800,000	—	—	HK\$0.38	26 July 2006 – 12 April 2014
	13 April 2004	4,820,000	4,820,000	—	—	HK\$0.38	13 April 2007 – 12 April 2014
	7 March 2005	1,000,000	—	—	1,000,000	HK\$1.24	1 September 2007 – 6 March 2015
	16 January 2006	204,000	204,000	—	—	HK\$0.87	7 March 2006 – 15 January 2016
	16 January 2006	900,000	900,000	—	—	HK\$0.87	1 September 2006 – 15 January 2016
	16 January 2006	1,071,000	1,071,000	—	—	HK\$0.87	7 March 2007 – 15 January 2016
	16 January 2006	200,000	—	—	200,000	HK\$0.87	1 September 2007 – 15 January 2016
	16 January 2006	1,428,000	—	72,000	1,356,000	HK\$0.87	7 March 2008 – 15 January 2016
Sub-total		12,433,000	9,805,000	72,000	2,556,000		
Total		16,433,000	9,805,000	72,000	6,556,000		

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

Notes:

1. *The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.*
2. *The closing price of the Shares immediately before 13 April 2004, 7 March 2005 and 16 January 2006 on which the share options were granted was HK\$0.40, HK\$1.26 and HK\$0.87 per Share respectively.*
3. *The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK\$2.18 per Share.*
4. *On 13 April 2004, 10,000,000 share options were granted to Mr. Wan, which were in excess of the specified limit of 4,486,196 Shares, and being 1% of the issued Shares as at 25 June 2004. At the annual general meeting of the Company held on 26 July 2004, the shareholders of the Company approved the granting of such share options to Mr. Wan.*

Save as disclosed above, as at 31 August 2007, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the interests disclosed under the heading "Disclosure of Interests" above, (a) at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and (b) none of the Directors or any of their spouses or children under 18 years of age had any right to subscribe for Shares or debt securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 August 2007, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the Company had been notified of the following entities/persons who are interested in 5% or more of the issued share capital of the Company which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Long positions in Shares

Name	Note	Number of Shares			Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests		
Mr. Lee	1, 2, 3 & 4	22,870,000	31,384,000	205,000,000	259,254,000	40.90%
LGT	3	—	205,000,000	—	205,000,000	32.34%
Stable Gain	3	205,000,000	—	—	205,000,000	32.34%
Ms. Chui	5	3,880,000	—	50,000,000	53,880,000	8.50%
Ms. Tsui	6	1,000,000	—	50,000,000	51,000,000	8.05%
Ms. Lee	7	4,000,000	—	50,000,000	54,000,000	8.52%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	5, 6 & 7	—	—	50,000,000	50,000,000	7.89%
Value Partners Limited ("VPL")	8	—	—	42,082,000	42,082,000	6.64%
Mr. Cheah Cheng Hye ("Mr. Cheah")	8 & 9	—	42,082,000	—	42,082,000	6.64%

Notes:

1. Mr. Lee personally holds 22,870,000 Shares.
2. Succex Limited, in which Mr. Lee is a 100% controlling shareholder, holds 30,000,000 Shares; and Xin Chuan, in which Mr. Lee is a governor, holds 1,384,000 Shares. Therefore, Mr. Lee is deemed to be interested in those Shares.
3. Stable Gain holds 205,000,000 Shares, representing approximately 32.34% of the issued share capital of the Company. Those Shares were transferred from Lee Tze Bun Trustee Holding Corporation, being the trustee of the LTB Trust, as to 155,000,000 Shares, and from Lee Keung Trustee Holding Corporation, being the trustee of the LK Trust, as to 50,000,000 Shares, upon termination of both the LTB Trust and the LK Trust on 28 July 2006. The entire issued share capital of Stable Gain is registered in the name of LGT as trustee of the Lee Family Trust, a discretionary trust, to which Mr. Lee is the founder and an eligible beneficiary thereunder. Therefore, Mr. Lee is deemed to be interested in those Shares.
4. Mr. Lee is interested in an aggregate of 259,254,000 Shares as a result of (1), (2) and (3) above, being approximately 40.90% of the issued share capital of the Company.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in Shares (continued)

Notes: (continued)

5. Ms. Chui holds an aggregate of 53,880,000 Shares (comprising 3,880,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation), representing approximately 8.50% of the issued share capital of the Company.
6. Ms. Tsui holds an aggregate of 51,000,000 Shares (comprising 1,000,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Chui and Ms. Lee as trustees of the Charitable Foundation), representing approximately 8.05% of the issued share capital of the Company.
7. Ms. Lee holds an aggregate of 54,000,000 Shares (comprising 4,000,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Chui and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.52% of the issued share capital of the Company.
8. 42,082,000 Shares representing approximately 6.64% of the issued share capital of the Company are held by various funds under the management of VPL, being the fund manager. Therefore, VPL is deemed to be interested in these Shares.
9. Mr. Cheah is a controlling shareholder of VPL. By virtue of Mr. Cheah's interests in VPL, Mr. Cheah is deemed to be interested in 42,082,000 Shares.

Save as disclosed above, as at 31 August 2007, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest directly or indirectly and/or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the six months ended 31 August 2007, save for the deviation from the Code Provision A2.1 set out below:

The Code Provision A2.1 stipulates that the role of chairman and CEO should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

Upon the resignation of Mr. Wan Tat Wah as the CEO of the Company effective on 1 October 2007, Mr. Lee Tze Bun, Marces, the chairman of the Company, has been appointed as the CEO of the Company. The Board considers that, given the current state of development of the Group, vesting the roles of chairman and CEO in the same person would facilitate the execution of the Group's business strategies and maximize effectiveness of the Group's operations. The Board will nevertheless review the structure from time to time and take any appropriate action should circumstance require.

AUDIT COMMITTEE

During the six months ended 31 August 2007, the audit committee was constituted by three independent non-executive Directors, Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Law King Wan and Mr. Leung Wai Ki, George. No member of the audit committee is a member of the former or external auditors of the Company. One of the members possesses recognized professional qualifications in accounting and has wide experience in audit, accounting and financial management. Mr. Hui Chi Kwan was appointed as a member of the audit committee vice Mr. Law upon his resignation to be effective on 26 November 2007.

The primary responsibilities of the audit committee include overseeing the relationship with the Company's external auditors, review of financial information of the Group, oversight of the Group's financial reporting system, internal control procedures and risk management and making relevant recommendations to the Board.

The role and authorities of the audit committee were clearly set out in its terms of reference which are available on request to shareholders of the Company and are posted on the Company's website: <http://www.lesaunda.com.hk>.

REMUNERATION COMMITTEE

During the six months ended 31 August 2007, the remuneration committee was constituted by three independent non-executive Directors, Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Law King Wan and Mr. Leung Wai Ki, George, and two executive Directors, Mr. Lee Tze Bun, Marces and Mr. Wan Tat Wah. Mr. Hui Chi Kwan was appointed as a member of the remuneration committee vice Mr. Law upon his resignation to be effective on 26 November 2007.

The role and authorities of the remuneration committee were clearly set out in its terms of reference which are available on request to shareholders of the Company and are posted on the Company's website: <http://www.lesaunda.com.hk>.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct (the “Code of Conduct”) regarding securities transactions by the Directors. The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company, who, by reason of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 31 August 2007.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 31 August 2007.

INTERIM DIVIDEND

The Board of Directors has resolved to declare the payment of an interim dividend of HK3.0 cents per share for the six months ended 31 August 2007 (2006: HK3.0 cents) payable on Monday, 24 December 2007 to all shareholders of the Company whose names appear on the Register of Members of the Company on Friday, 14 December 2007.

CLOSURE OF REGISTER OF MEMBERS – INTERIM DIVIDEND PAYMENT

For the payment of interim dividend, the Register of Members of the Company will be closed from Friday, 14 December 2007 to Tuesday, 18 December 2007, both days inclusive, during such period no transfer of shares will be effected. In order to qualify for the interim dividend which will be payable on Monday, 24 December 2007, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Unit 1712-1716, 17/F Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on Thursday, 13 December 2007.

ACKNOWLEDGMENT

On behalf of the Board, I would also like to take this opportunity to express my gratitude to all our staff for their dedication and hard work, plus my sincere appreciation to all customers, business partners and shareholders for their continuing supports.

By Order of the Board

Lee Tze Bun, Marces

Chairman

Hong Kong, 23 November 2007