le saunda holdings ltd.
利信達集團有限公司

interim report 2008/2009

In this report, all monetary values are stated in Hong Kong dollars unless stated otherwise.

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces *(Chairman and Chief Executive Officer)*
Chui Kwan Ho, Jacky *(Managing Director)*
Tsui Oi Kuen
Lau Shun Wai
Wong Sau Han
Wong Tai Chung, Kenneth *(appointed on 1 September 2008)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan

AUDIT COMMITTEE

Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan

REMUNERATION COMMITTEE

Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan
Lee Tze Bun, Marces

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Wong Tai Chung, Kenneth

PRINCIPAL BANKERS

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

AUDITORS

PricewaterhouseCoopers
22/F Prince's Building
Central
Hong Kong

LEGAL ADVISERS

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

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE
17/F Fortis Centre
1063 King's Road
Quarry Bay
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
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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 interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2008. The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2008 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 fiscal year was outstanding. Following the implementation of a series of innovative measures and restructuring plan in the fiscal year 2007/08, the Group's operations platform, profitability and efficiency were further strengthened. The Group successfully upheld its competitive edge through better product mix and design, strategic brand repositioning, retail store consolidation, enhanced internal management system, stringent cost control and improved operational efficiency. Less frequent and aggressive stock clearance resulted in promising surges in same-store sales and average selling price. During the period under review, the retail operations saw a turnaround and most key financial benchmarks recorded material growths.

For the six months ended 31 August 2008, the Group's consolidated turnover reached HK$408.1 million, representing a 15.4% increase from the same period last year. The increase was mainly attributable to strong retail operations, particularly in the second quarter. Consolidated gross profit increased by 23.5% while consolidated gross profit margin climbed a significant 3.4 percentage points to 52.3%. Stringent cost control and enhanced operational efficiency resulted in a year-over-year growth of 83.0% in operating profit. As a result, consolidated profit attributable to equity holders jumped 94.6% to HK$40.2 million as compared to the corresponding period last year which included the losses from discontinued business operations. By disregarding the losses from discontinued business operations, profit for the period from continuing operations recorded a year-over-year growth of 25.6%. As at 31 August 2008, the stock turnover days slightly increased to 121 days from 116 days as at 31 August 2007.

During the period, the Group continued to expand its retail network with focus on Mainland China to capture the immense business opportunities brought by the fast growing Chinese economy and surging domestic consumption. To maintain the Group's overall profitability, underperforming outlets were closed down after comprehensive evaluation. As at 31 August 2008, the total number of outlets was 309, 22 more when compared to the corresponding period last year.

The Board resolved to declare an interim dividend of HK3.0 cents (2007: HK3.0 cents) per share.

BUSINESS REVIEW

Retail Operations

During the period under review, the contribution from retail operations continued to be the major revenue of the Group, accounting for 72.6% of the consolidated turnover. Footwear remained the major product of the Group's retail operations while handbag is expanding with huge growth potential.

During the period, the turnover of footwear increased by 12.7% year-over-year driven by increasing purchasing power in both Mainland China and Hong Kong markets arisen from steady economic growth. The Group successfully capitalized on the opportunities leveraging its strategic plans of repositioning *Le Saunda* and *CnE* as modern European-style footwear brands as well as closure of underperforming retail outlets. After brand repositioning, *Le Saunda* mainly targets on premium, stylish and contemporary executive market, whereas *CnE* is primarily for modern lady market. To reinforce customer loyalty and further attract new customers, the Group focused on product development to extend product range and mix.

The Group believed men's footwear has drastic growth potential as the purchasing power of male consumers in Mainland China has been on the rise in recent years. As of 31 August 2008, there were 17 self-owned men's footwear outlets in Mainland China targeting at male consumers aged 25 to 35 who are metropolitan, contemporary and elite. During the period from September to October 2008, the Group opened more self-owned men's footwear outlets, bringing total to 21.

Hong Kong and Macau

During the period, the Group closed down 2 existing retail outlets in Hong Kong that underperformed. Despite the closure coupled with less frequent and aggressive stock clearance, the total turnover in Hong Kong and Macau increased by 6.4% year-over-year to HK$87.8 million with an increase of 4.8% in same store sales. As of 31 August 2008, the Group operated 21 retails outlets in Hong Kong and Macau.

Mainland China

During the period under review, Mainland China continued to be the largest market for the Group's footwear business with material presence in major cities including Beijing, Tianjin, Shanghai, Wuhan, Changsha, Guangzhou, Shenzhen, Chengdu and Chongqing. As of 31 August 2008, there were 165 self-owned *Le Saunda* and *CnE* outlets as well as 123 franchised outlets in Mainland China. During the period under review, the Group opened 24 new self-owned outlets and 25 new franchised outlets, and closed down 12 self-owned outlets and 6 franchised outlets that underperformed. As of 31 August 2008, the Group has upgraded and refurbished 50% of self-owned *Le Saunda* and *CnE* outlets with new store design and layout. The Group targets to complete this exercise before the upcoming Spring Summer season of 2009.

BUSINESS REVIEW (Continued)

Retail Operations (Continued)

Mainland China (Continued)

Thanks to the successful retail outlets consolidation, better product mix and strengthened brand awareness, the total turnover in Mainland China increased by 19.3% year-over-year to HK$208.3 million with an increase of 34.2% in average selling price and an increase of 10.0% in same store sales whilst operating profit in Mainland China trebled during the period under review.

While the Group endeavored to further grow the footwear business, it also put great efforts on developing the handbag business, an enormous market with ample room for growth. The Group opened 4 new ladies' handbag outlets in Mainland China in September 2008 targeting at women aged 25 to 35 with unique taste and strong purchasing power. The initial market response is in line with the Group's expectation.

Manufacturing

During the period under review, OEM accounted for 27.4% of the consolidated turnover. In face of the stronger domestic demands in the Mainland China market, more resources were allocated to retail operations. In spite of this, the total turnover of OEM business grew by 16.0% and operating profit was at par with last year.

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, Japan, Australia, New Zealand and Lebanon. The Group maintained stable and long-term relationship with its clients and will continue to enhance its partnership with customers through design support and product development.

In addition, the Group has been actively exploring further cooperation opportunities with business partners in an aim to broaden the source of income. During the period, the Group's manufacturing facilities continued to operate at full capacity. The Group also made every attempt to optimize production capacity and enhance product mix in order to fulfill the requirements from customers.

Business Collaboration with Florencia Marco, S.L.

In April 2008, the Group entered into JV Agreements with Mr. José Juan Sanchis Busquier, the existing shareholder and Chairman of Florencia Marco, S.L. to form a joint venture. As not all the conditions of the JV Agreements would be satisfied or waived before 31 July 2008, the Group announced on 28 July 2008 that the JV Agreements have lapsed and would not complete. The Group believes that there is no material adverse impact arising from the lapse of the JV Agreements.

PROSPECTS

Due to the deepening of the US subprime mortgage crisis and credit crunch, the global economic outlook has undergone drastic changes. In face of the volatilities and uncertainties in the market, it is expected that the growth rate of global economy will slow down and thus overshadow the Group's financial performance and business operations in the second half of the fiscal year. However, given that the economics environment in Mainland China will remain relatively stable, the Group remains cautiously optimistic about the business environment in Mainland China and Hong Kong and sees expansion opportunities. On the back of the gradual improvement in purchasing power, the footwear market in Mainland China still shows growth potential. The Group will adopt a prudent approach towards business expansion by closely monitoring market circumstances. With experienced management team, devoted staff, well-established distribution networks and operations platform as well as innovative product development, the Group is confident to overcome the challenges ahead.

While the fiscal year 2007/08 was a year of "Innovation and Change", the fiscal year 2008/09 will be a year of "Consolidation and Development". Capitalizing on the foundation grounded last year, the Group will continue to focus on the expansion of its retail operations and franchise business in Mainland China and adopt a prudent and pragmatic approach towards retail network extension. In Hong Kong and Macau, the Group will continue to review the operations and close down underperforming outlets to maintain reasonable profitability and margin. In Mainland China, the Group targets to have a network of 800 outlets (inclusive of both self-owned and franchise outlets) by the end of 2010 depending on the actual operational environment and market sediment. The Group will focus on opening new self-owned outlets in first- and second-tier cities while adopting the franchising scheme for expansion into second- and third-tier cities. During the period from September to October 2008, the Group opened more new self-owned and franchised outlets to capture business opportunities from the upcoming Fall Winter season, bringing total to 357. With net cash balances of HK$233.4 million as at 31 August 2008 and with no bank debt, the strong and healthy financial position will enable the Group to further expand.

To strengthen the operational efficiency and the profitability of franchised outlets, the Group plans to offer more incentives and support to franchisees. Underperforming franchised outlets are strictly supervised and will be closed down if necessary.

In addition, the Group will continue to enrich product offerings and roll out a comprehensive brand revamp program by offering a higher-end product line and launching more in-house luxury brands to capture the opportunities in the mid to upper market segment. The Group will invest HK$10.0 million to upgrade and refurbish all *Le Saunda* and *CnE* outlets in Mainland China for the year 2008/09. Men's footwear is a growing market with huge potential. The Group plans to boost this business by opening more men's footwear counters. Different marketing campaigns will be initiated to propel sales growth and brand awareness. In the long run, the Group endeavors to increase its overall market share in Mainland China.

PROSPECTS (Continued)

Apart from men's footwear, handbag is another expanding business. The Group sees the market has enormous growth potential and will take gradual steps to penetrate into the handbag products market. The Group aims to increase the distribution channels for its handbag products by setting up more retail counters in various regions. The Group will diversify its product portfolio by launching a series of new handbag products to cater to the taste of different customer segments. It is expected that handbag business will become the Group's key growth driver in the long run.

Seeing the outstanding results in the factory outlet set up in Tung Chung, Hong Kong, the Group considers bringing this business mode to Mainland China and set up trial factory outlets in several cities, aiming to penetrate further in different market segments and to broaden revenue source.

For the export business, the Group will continue to maintain a close and long-term relationship with its existing customers. At the same time, it will further develop premium markets in the Middle East and Eastern Europe.

In September 2008, the expansion of Shunde production base was completed with one production line in operation. The construction of the new production base in Gaoming, Foshan, will be accomplished by the second quarter of 2009. Operations of the Gaoming production base will be determined based on market condition. The Group will constantly review its production capacity and sales demand in a prudent manner.

Through all these expansion initiatives, the Group believes that it is strategically well-positioned to capture the vast business opportunities in the Mainland China market. It is dedicated to extending its foothold and operations as well as bringing an impressive shopping experience to customers. Le Saunda is confident that it will create solid returns to shareholders in the long term.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

The Group's cash position remains strong and healthy. Net cash balances as at 31 August 2008 amounted to HK$233.4 million. Total equity is maintained at HK$807.9 million, along with a quick ratio of 2.4 times.

Pledge of Assets

As at 31 August 2008, the Group has pledged certain of its properties and leasehold land with net book value amounting to HK$12.4 million (29 February 2008: HK$12.5 million) to secure Letters of Credit and bank loan facilities of HK$30.0 million (29 February 2008: HK$30.0 million), which has been or will be granted to certain subsidiaries of the Group.

FINANCIAL REVIEW (Continued)

Capital Structure and Financial Resources

During the six months ended 31 August 2008, 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. Forward contracts will be used, if necessary, for hedging of purchases from overseas, related debts, bank borrowings and deposit currencies. 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 2008, the Group had a staff force of 3,583 people. Of this, 201 were based in Hong Kong and 3,382 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 2008, including directors' emoluments and net pension contributions, amounted to HK$76.3 million (six months ended 31 August 2007: HK$63.9 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.

BANK GUARANTEES

Details of the bank guarantees of the Group at the balance sheet date are set out in note 15 to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2008

		Unaudited	
		Six months ended 31 August	
		2008	2007
	Note	**HK$'000**	HK$'000
Continuing operations:			
Revenue	*4*	**408,144**	353,706
Cost of sales		**(194,599)**	(180,802)
Gross profit		**213,545**	172,904
Other income and gains	*5*	**7,557**	8,937
Selling and distribution costs		**(121,460)**	(114,196)
General and administrative expenses		**(57,260)**	(44,484)
Operating profit	*6*	**42,382**	23,161
Finance income		**2,474**	2,009
Finance costs		**–**	(172)
Share of profit of a jointly controlled entity		**–**	11,720
Profit before taxation		**44,856**	36,718
Taxation charge	*7*	**(4,655)**	(4,712)
Profit for the period from continuing operations		**40,201**	32,006
Discontinued operations			
Loss for the period from discontinued operations	*16*	**–**	(11,346)
Profit attributable to equity holders of the Company		**40,201**	20,660
Profit for the period earned by:			
Company and subsidiaries		**40,201**	8,940
Jointly controlled equity		**–**	11,720
		40,201	20,660
Interim dividend	*8*	**19,172**	19,016

		Unaudited	
		Six months ended 31 August	
		2008	2007
	Note	**HK$'000**	HK$'000
Basic earnings/(loss) per share attributable to the equity holders of the Company			
– continuing operations	9	**6.3 cents**	5.1 cents
– discontinued operations	9	**–**	(1.8) cents
		6.3 cents	3.3 cents
Diluted earnings/(loss) per share attributable to the equity holders of the Company			
– continuing operations	9	**6.3 cents**	5.1 cents
– discontinued operations	9	**–**	(1.8) cents
		6.3 cents	3.3 cents

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2008

	Note	**Unaudited 31 August 2008 HK$'000**	Audited 29 February 2008 HK$'000
ASSETS			
Non-current assets			
Investment properties	*10*	**72,617**	72,617
Property, plant and equipment	*10*	**153,000**	99,550
Leasehold land and land use rights	*10*	**51,748**	51,879
Long-term deposits and prepayments		**10,558**	12,657
Investment in a jointly controlled entity		**37,496**	56,251
Interests in and amount due from available-for-sale financial assets		**25,344**	24,255
Deferred tax assets		**36,539**	38,680
		387,302	355,889
Current assets			
Inventories		**208,509**	147,663
Trade and other receivables	*11*	**94,882**	90,696
Deposits and prepayments		**25,128**	19,702
Cash and cash equivalents		**233,392**	282,940
		561,911	541,001
Total assets		**949,213**	896,890

	Note	**Unaudited 31 August 2008 HK$'000**	Audited 29 February 2008 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*13*	**63,907**	63,826
Reserves			
Proposed dividend		**19,172**	28,722
Others		**724,794**	694,256
Total equity		**807,873**	786,804
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**5,409**	5,166
Current liabilities			
Creditors and accruals	*12*	**134,944**	102,585
Amount due to a jointly controlled entity		**802**	767
Taxation payable		**185**	1,568
		135,931	104,920
Total liabilities		**141,340**	110,086
Total equity and liabilities		**949,213**	896,890
Net current assets		**425,980**	436,081
Total assets less current liabilities		**813,282**	791,970

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2008

	Unaudited						
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 March 2008	63,826	415,294	29,078	273,624	4,261	721	786,804
Currency translation differences recognised directly in equity	–	–	9,070	–	–	–	9,070
Profit for the period	–	–	–	40,201	–	–	40,201
Share option scheme:							
– value of service provided	–	619	–	–	–	(145)	474
– exercise of share options *(Note 13)*	81	364	–	–	–	(364)	81
Transfer of retained earnings to capital reserves	–	–	–	(15,527)	15,527	–	–
Dividends relating to 2008 paid in August 2008 *(Note 8)*	–	–	–	(28,757)	–	–	(28,757)
Balance at 31 August 2008	63,907	416,277	38,148	269,541	19,788	212	807,873
Representing :							
2008 proposed interim dividend				19,172			
Others				250,369			
				269,541			

	Unaudited						
	Share capital HK$'000	Share premium HK$'000	Exchange translation reserve HK$'000	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
Balance at 1 March 2007	62,406	408,192	15,090	243,212	4,261	2,502	735,663
Currency translation differences recognised directly in equity	–	–	3,142	–	–	–	3,142
Profit for the period	–	–	–	20,660	–	–	20,660
Share option scheme:							
– value of service provided	–	–	–	–	–	271	271
– exercise of share options	980	5,704	–	–	–	(1,893)	4,791
Dividends relating to 2007 paid in August 2007 *(Note 8)*	–	–	–	(28,522)	–	–	(28,522)
Balance at 31 August 2007	63,386	413,896	18,232	235,350	4,261	880	736,005
Representing :							
2007 proposed interim dividend				19,016			
Others				216,334			
				235,350			

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2008

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Cash flows from operating activities		
– continuing operations	**11,397**	81,251
– discontinued operations	**—**	(2,317)
Net cash inflows from operating activities	**11,397**	78,934
Cash flows from investing activities		
– continuing operations	**(38,090)**	33,536
– discontinued operations	**—**	(260)
Net cash (outflows)/inflows from investing activities	**(38,090)**	33,276
Cash flows from financing activities		
– continuing operations	**(28,031)**	(12,897)
– discontinued operations	**—**	(6,357)
Net cash (outflows) from financing activities	**(28,031)**	(19,254)
Net (decrease)/increase in cash and cash equivalents	**(54,724)**	92,956
Effect of foreign exchange rate changes, net	**5,176**	1,854
Cash and cash equivalents at 1 March	**282,940**	147,853
Cash and cash equivalents at 31 August	**233,392**	242,663
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**233,392**	242,663

1 GENERAL INFORMATION

Le Saunda Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in manufacturing and sale of shoes and property development. The Group's operations are mainly in Hong Kong and Mainland China.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial statements are presented in Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial statements has been approved for issue by the Board of Directors on 17 November 2008.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial statements for the six months ended 31 August 2008 has been prepared in accordance with International Accounting Standards ("IAS")/Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 29 February 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs")/Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 29 February 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 March 2008 but are not currently relevant for the Group.

- IFRIC/HK(IFRIC) - Int 11, 'IFRS/HKFRS 2 – Group and treasury share transactions'
- IFRIC/HK(IFRIC) - Int 12, 'Service concession arrangements'
- IFRIC/HK(IFRIC) - Int 14, 'IAS/HKAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'

3 ACCOUNTING POLICIES (continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 March 2008 and have not been early adopted:

- IFRS/HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS/HKFRS 8 replaces IAS/HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.

- IAS/HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

- IFRS/HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group.

- IFRS/HKFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates' and IASHKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- IAS/HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- IAS/HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS/HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.

- IFRIC/HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.

- IFRS 1 and IAS 27 (amendment)[1] 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

4 REVENUE AND SEGMENT INFORMATION

Primary reporting format - business segments:

The Group is organised into two main business segments:

(1) Manufacturing and sales of shoes; and

(2) Property development.

There were no sales and transfers between the business segments.

The segment results are as follows:

	Unaudited Six months ended 31 August 2008			
	Manufacture and sales of shoes HK$'000	Property development HK$'000	Others HK$'000	Total HK$'000
Revenue	408,144	—	—	408,144
Segment results	42,382	—	—	42,382
Finance income	2,474	—	—	2,474
Profit before taxation	44,856	—	—	44,856
Taxation charge	(4,655)	—	—	(4,655)
Profit for the period from:				
- continuing operations	40,201	—	—	40,201
- discontinued operations *(Note 16)*	—	—	—	—
	40,201	—	—	40,201

Other segment terms included in the income statements are as follows:

	Unaudited Six months ended 31 August 2008			
	Manufacture and sales of shoes HK$'000	Property development HK$'000	Others HK$'000	Total HK$'000
Continuing operations				
Depreciation	10,860	—	—	10,860
Amortisation	676	—	—	676
Discontinued operations	—	—	—	—

4 REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments: (continued)

The segment results are as follows:

	Unaudited Six months ended 31 August 2007			
	Manufacture and sales of shoes HK$'000	Property development HK$'000	Others HK$'000	Total HK$'000
Revenue	353,706	—	—	353,706
Segment results	23,101	60	—	23,161
Finance 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	11,780	—	36,718
Taxation charge	(4,712)	—	—	(4,712)
Profit/(loss) for the period from:				
- continuing operations	20,226	11,780	—	32,006
- discontinued operations *(Note 16)*	—	2,731	(14,077)	(11,346)
	20,226	14,511	(14,077)	20,660

Other segment terms included in the income statements are as follows:

	Unaudited Six months ended 31 August 2007			
	Manufacture and sales of shoes HK$'000	Property development HK$'000	Others HK$'000	Total HK$'000
Continuing operations				
Depreciation	10,961	2	—	10,963
Amortisation	495	—	—	495
Discontinued operations				
Depreciation	—	68	811	879
Amortisation	—	12	—	12

4 REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format - business segments: (continued)

The unaudited segment assets and liabilities as at 31 August 2008 and unaudited capital expenditure for the six months ended are as follows:

	Manufacture and sales of shoes HK$'000	**Property development HK$'000**	**Others HK$'000**	**Investment In JV HK$'000**	**Unallocated HK$'000**	**Total HK$'000**
Continuing operations						
Total assets	**867,299**	**7,879**	**–**	**37,496**	**36,539**	**949,213**
Total liabilities	**130,794**	**4,335**	**–**	**802**	**5,409**	**141,340**
Capital expenditure	**60,599**	**–**	**–**	**–**	**–**	**60,599**
Discontinued operations	**–**	**–**	**–**	**–**	**–**	**–**

The segment assets and liabilities as at 29 February 2008 and unaudited capital expenditure for the six months ended 31 August 2007 are as follows:

	Manufacture and sales of shoes HK$'000	Property development HK$'000	Others HK$'000	Investment In JV HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations						
Total assets	768,000	32,236	–	56,251	38,680	895,167
Total liabilities	96,798	5,120	–	–	6,734	108,652
Capital expenditure	6,489	–	–	–	–	6,489
Discontinued operations						
Total assets	–	–	1,723	–	–	1,723
Total liabilities	–	–	1,434	–	–	1,434
Capital expenditure	–	18	242	–	–	260

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, investment properties, inventories, receivables and operating cash, and mainly exclude investments in jointly controlled entities and deferred tax assets.

Segment liabilities comprise operating liabilities and exclude taxation and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and investment properties.

4 REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

The Group's business segments operate in three main geographical areas:

- Mainland China – manufacturing and retailing of shoes, property development and holding of investment properties
- Hong Kong – retailing of shoes and holding of investment properties
- Macau – retailing of shoes and holding of investment property

	Unaudited Six months ended 31 August			
	2008		2007	
	Revenue HK$'000	Segment results HK$'000	Revenue HK$'000	Segment results HK$'000
Hong Kong	79,939	398	77,870	(3,514)
Mainland China	208,313	21,021	174,614	2,588
Macau	7,927	1,010	4,717	1,482
Other (a)	111,965	19,953	96,505	22,605
	408,144	42,382	353,706	23,161

(a) Mainly related to export sales generated in Europe and in other parts of the world, including Russia, Spain, Italy, Japan, Australia, New Zealand and Lebanon.

Total Assets	Unaudited 31 August 2008 HK$'000	Audited 29 February 2008 HK$'000
Hong Kong	210,037	163,719
Mainland China	663,449	630,422
Macau	39,188	36,990
Other	–	27,079
	912,674	858,210
Unallocated assets		
Deferred tax assets	36,539	38,680
	949,213	896,890

Total assets are allocated based on where the assets are located.

4 REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments (continued)

	Unaudited Six months ended 31 August	
Capital expenditures	**2008**	2007
	HK$'000	HK$'000
Hong Kong	**653**	1,167
Mainland China	**59,896**	5,582
Macau	**50**	—
	60,599	6,749

Capital expenditure is allocated based on where the assets are located.

	Unaudited Six months ended 31 August			
	2008		2007	
Analysis of sales by category	**Revenue HK$'000**	**Segment results HK$'000**	Revenue HK$'000	Segment results HK$'000
Sales of goods	**408,144**	**42,382**	353,706	23,161

5 OTHER INCOME AND GAINS

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Gross rental income from investment properties	**1,028**	1,012
Net exchange gain	**6,529**	7,925
	7,557	8,937

6 OPERATING PROFIT

Operating profit is arrived at after charging:

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Auditors' remuneration	**998**	1,041
Amortization of leasehold land and land use rights	**676**	507
Depreciation of property, plant and equipment	**10,860**	11,842
Loss on disposal of property, plant and equipment	**471**	201
Cost of inventories recognised as expenses included in cost of sales	**190,800**	177,985
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**37,733**	44,514
- contingent rent	**679**	620
Freight charges	**3,645**	5,815
Concessionaire fee	**28,460**	22,759
Provision for impairment of inventories	**703**	4,101
Direct operating expenses arising from investment properties that generated rental income	**514**	327
Staff costs (including directors' emoluments)	**76,332**	63,947

7 TAXATION CHARGE

The amount of taxation charged to the condensed consolidated income statements represents:

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Current taxation		
Mainland China enterprise income tax	**(2,196)**	(2,686)
Deferred taxation relating to the origination and reversal of temporary differences	**(2,459)**	(2,026)
	(4,655)	(4,712)

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 2007: 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.

8 INTERIM DIVIDEND

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Interim dividend of HK3.0 cents (six months ended 31 August 2007 : HK3.0 cents) per share	**19,172**	19,016

A dividend that relates to the period to 29 February 2008 and that amounts to HKD28,757,952 was paid in August 2008 (2007: HKD28,522,152).

At the board meeting held on 17 November 2008, 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 28 February 2009.

9 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	
	2008	2007
	HK$'000	HK$'000
Profit/(loss) attributable to equity holders		
- continuing operations	**40,201**	32,006
- discontinued operations	**—**	(11,346)
	40,201	20,660
Weighted average number of ordinary shares in issue ('000)	**638,933**	629,562
Basic earnings/(loss) per share (HK cents)		
- continuing operations	**6.3**	5.1
- discontinued operations	**—**	(1.8)
	6.3	3.3

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.

9 EARNINGS PER SHARE (continued)

	Unaudited Six months ended 31 August 2008 HK$'000	2007 HK$'000
Profit/(loss) attributable to equity holders		
– continuing operations	**40,201**	32,006
– discontinued operations	**–**	(11,346)
	40,201	20,660
Weighted average number of ordinary shares in issue ('000)	**638,933**	629,562
Adjustments for share options ('000)	**24**	7,827
Weighted average number of ordinary shares for diluted earnings per share ('000)	**638,957**	637,389
Diluted earnings/(loss) per share (HK cents)		
– continuing operations	**6.3**	5.1
– discontinued operations	**–**	(1.8)
	6.3	3.3

10 FIXED ASSETS

Unaudited
Six months ended 31 August 2008

	Investment properties HK$'000	Property, plant and equipment HK$'000	Leasehold land and land use rights HK$'000	Total HK$'000
At 1 March 2008	**72,617**	**99,550**	**51,879**	**224,046**
Additions	**–**	**60,599**	**–**	**60,599**
Disposals	**–**	**(471)**	**–**	**(471)**
Exchange differences	**–**	**4,182**	**545**	**4,727**
Depreciation and amortization	**–**	**(10,860)**	**(676)**	**(11,536)**
At 31 August 2008	**72,617**	**153,000**	**51,748**	**277,365**

11 TRADE AND OTHER RECEIVABLES

The ageing analysis of the trade receivables based on invoice date, was as follows:

	Unaudited 31 August 2008 HK$'000	Audited 29 February 2008 HK$'000
Trade receivables *(Note (a))*		
Current to 30 days	**52,220**	65,023
31 to 60 days	**27,896**	15,188
61 to 90 days	**12,185**	6,811
Over 90 days	**1,950**	2,262
	94,251	89,284
Less : Provision for impairment of receivables *(Note (b))*	**(362)**	(921)
	93,889	88,363
Other receivables	**993**	2,333
Total	**94,882**	90,696

(a) The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on average credit period of 90 days.

(b) The individually impaired receivables mainly relate to customers which are in unexpected financial difficulties. The ageing of these impaired receivables was over 90 days.

The carrying amounts of trade and other receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivable as the Group has a large number of customers.

12 CREDITORS AND ACCRUALS

The credit periods granted by suppliers are generally range from 7 to 60 days. The ageing analysis of the trade creditors was as follows:

	Unaudited 31 August 2008 HK$'000	Audited 29 February 2008 HK$'000
Trade creditors		
Current to 30 days	**24,780**	19,360
31 to 60 days	**21,365**	13,082
61 to 90 days	**6,237**	2,287
91 to 120 days	**4,852**	2,261
Over 120 days	**4,669**	1,905
	61,903	38,895
Accruals	**73,041**	63,690
Total	**134,944**	102,585

13 SHARE CAPITAL

	Unaudited 31 August 2008 Number of ordinary shares	**Unaudited 31 August 2008 HK$'000**	Audited 29 February 2008 Number of ordinary shares	Audited 29 February 2008 HK$'000
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	**638,261,600**	**63,826**	624,056,600	62,406
Exercise of share options *(Note 14)*	**804,000**	**81**	14,205,000	1,420
At end of period/year	**639,065,600**	**63,907**	638,261,600	63,826

14 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 2008		Audited for the year ended 29 February 2008	
	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	**0.87**	**1,276**	0.54	16,433
Forfeited	**0.87**	**(224)**	1.18	(952)
Exercised	**0.87**	**(804)**	0.47	(14,205)
At end of period/year	**0.87**	**248**	0.87	1,276

The Group has no legal or constructive obligation to repurchase or settle the options in cash. Option exercised during the period resulted in 804,000 shares (for the year ended 29 February 2008: 14,205,000 shares) being issued at an average exercise price at HK$0.87 each (for the year ended 29 February 2008: HK$0.47 each). The related weighted average share price at the time of exercise was HK$0.98 per share (for the year ended 29 February 2008: HK$1.94 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 2008 (thousands)**	29 February 2008 (thousands)
15 January 2016 *(Note)*	**0.87**	**248**	1,276

Note : Become exercisable from 7 March 2008 and expiring on the 10th anniversary from date of grants.

15 BANKING GUARANTEES

The Company and several subsidiaries have jointly given guarantees in favour of banks for banking facilities granted to certain subsidiaries on Letters of Credit and bank loan to the extent of HK$68,433,000 (29 February 2008: HK$30,000,000) of which HK$18,128,000 (29 February 2008: HK$8,055,000) was utilised as at 31 August 2008.

16 DISCONTINUED OPERATIONS

The results of discontinued operations are analysed as follows:

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Property development *(Note (a))*	–	2,731
Apparel retailing *(Note (b))*	–	(14,077)
	–	(11,346)

(a) On 17 May 2007, pursuant to a sale and purchase agreement entered into between the Group and Manful Regent Limited, an investment holding company owned as to 80% by Mr. Lee (a substantial shareholder and Director of the Company), the Group's management and shareholders approved the disposal of its entire equity interest in a subsidiary, 佛山市順德區信達房地產開發有限公司(「信達房地產」), which is engaged in the property development business, for a consideration of HK$31,345,000. The gain on disposal of subsidiary amounted to HK$3,455,000. The transaction was completed on 25 July 2007.

An analysis of the results of the discontinued operation related to 信達房地產 is as follows:

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Revenue	–	908
Expenses	–	(1,632)
Loss for the period	–	(724)
Gain on disposal of a subsidiary, 信達房地產	–	3,455
	–	2,731

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Operating cash flows	–	284
Investing cash flows	–	(18)
Financing cash flows	–	(6,357)
Total cash flows	–	(6,091)

16 DISCONTINUED OPERATIONS (continued)

(b) During the year ended 29 February 2008, the Group discontinued the operation of the apparel brand, Antinori (classified as "others" in segment information), and the last Antinori shop was closed on 24 February 2008. The operation of this segment is reported in these financial statements as discontinued operation. As at 29 February 2008, there are no material assets and liabilities related to the discontinued operation.

An analysis of the results of the discontinued operation related to Antinori is as follows:

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Revenue	**–**	7,349
Expenses	**–**	(21,426)
Loss for the period	**–**	(14,077)

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	HK$'000
Operating cash flows	**–**	(2,601)
Investing cash flows	**–**	(242)
Total cash flows	**–**	(2,843)

17 COMMITMENTS

(a) Capital commitments

	Unaudited	Audited
	31 August	29 February
	2008	2008
	HK$'000	HK$'000
Contracted but not provided for, in respect of		
- purchase of property, plant and equipment, leasehold improvement	**31,339**	22,482

17 COMMITMENTS (continued)

(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 2008 HK$'000	Audited 29 February 2008 HK$'000
Land and buildings :		
Not later than one year	**51,759**	62,390
Later than one year and not later than five years	**28,166**	38,016
	79,925	100,406

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.

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

	Unaudited 31 August 2008 HK$'000	Audited 29 February 2008 HK$'000
Land and buildings :		
Not later than one year	**890**	1,709
Later than one year and not later than five years	**–**	153
	890	1,862

18 PLEDGE OF ASSETS

Buildings included in property, plant and equipment and leasehold land and land use rights with a total net book value of HK$12,388,000 (29 February 2008 : HK$12,564,000) have been pledged to secure Letters of Credit and bank loan facilities of HK$30,000,000 (29 February 2008: HK$30,000,000) granted to certain subsidiaries of the Group.

19 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 2008 HK$'000	2007 HK$'000
Rental expenses charged by:		
- a related party *(Note(i))*	**660**	660
- a related company *(Note (ii))*	**656**	586
Gain on disposal of subsidiary to a related company *(Note (iii))*	**–**	3,455

(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.

(iii) During the period ended 31 August 2007, the Group disposed its entire equity interest in a subsidiary, 信達房地產 to Manful Regent Limited, a company controlled by Mr. Lee and the details are disclosed in Note 16.

(b) Year-end balances with related parties

	Unaudited 31 August 2008 HK$'000	Audited 29 February 2008 HK$'000
Amount due from/(to) a related company	**5,298**	(508)
Amount due to a jointly controlled entity	**(802)**	(767)

(c) Key management compensation

	Unaudited Six months ended 31 August 2008 HK$'000	2007 HK$'000
Salaries and other employee benefits	**2,774**	3,270
Contributions to retirement scheme	**24**	24
	2,798	3,294

20 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Details of the interim dividend proposed are given in Note 8.

On 10 September 2008, bank deposit of HKD916,839 has been pledged to bank as security for bank guarantee.

21 SEASONALITY

The sales for shoes are subject to seasonal fluctuations, with peak demand in the fourth quarter of the annual results. This is due to seasonal conditions and holiday periods. For the six months ended 31 August 2008, the level of sales for shoes represented 52% (six months ended 31 August 2007: 49%) of the annual level of sales for shoes in the year ended 29 February 2008.

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 2008, 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

	Number of Shares					
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the issued share capital of the Company
Mr. Lee Tze Bun, Marces ("Mr. Lee")	28,990,000	–	31,384,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	265,374,000	41.53%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4,686,000	–	–	50,000,000 *(Note 4)*	54,686,000	8.56% *(Note 5)*
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,000,000	–	–	50,000,000 *(Note 4)*	51,000,000	7.98% *(Note 6)*
Ms. Lau Shun Wai ("Ms. Lau")	400,000	–	–	–	400,000	0.06%
Ms. Wong Sau Han ("Ms. Wong")	114,000	150,000	–	–	264,000 *(Note 7)*	0.04%
Mr. Wong Tai Chung, Kenneth ("Mr. Wong") *(appointed on 1 September 2008)*	400,000	–	–	–	400,000	0.06%

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 :

1. *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.*
2. *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.*
3. *Stable Gain Holdings Limited ("Stable Gain") holds 205,000,000 Shares, representing approximately 32.08% 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.*
4. *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 7.82% of the issued share capital of the Company. Therefore, Ms. Chui, Ms. Tsui and Ms. Lee are deemed to be interested in those Shares.*
5. *Ms. Chui personally holds 4,686,000 Shares. Together with the Shares mentioned in (4) above, Ms. Chui is interested in an aggregate of 54,686,000 Shares, representing approximately 8.56% of the issued share capital of the Company.*
6. *Ms. Tsui personally holds 1,000,000 Shares. Together with the Shares mentioned in (4) above, Ms. Tsui is interested in an aggregate of 51,000,000 Shares, representing approximately 7.98% of the issued share capital of the Company.*
7. *Ms. Wong personally holds 114,000 Shares. Together with 150,000 Shares owned by the husband of Ms. Wong in which Ms. Wong is deemed to be interested. Ms. Wong is interested in an aggregate of 264,000 Shares, representing approximately 0.04% of the issued share capital of the Company.*
8. *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 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 2008 are set out below :

		Number of Shares					
Name or Category of Participant	Date of share options granted *(Notes 1 & 2)*	Outstanding as at 1 March 2008	Exercised during the period *(Note 3)*	Cancelled during the period	Outstanding as at 31 August 2008	Exercise price per Share	Exercise period
Employee in aggregate	16 January 2006	1,276,000	804,000	224,000	248,000	HK$0.87	7 March 2008 – 15 January 2016

As at 31 August 2008, none of the Directors and chief executives held the share options of the Company granted under a share option scheme adopted by the Company.

Notes:

1. *The vesting period of the above share options is from the date of the grant until the commencement of the exercise period.*
2. *The closing price of the Shares immediately before 16 January 2006 on which the share options was granted was 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$0.98 per Share.*

Save as disclosed above, as at 31 August 2008, 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 2008, 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 following persons or corporations (other than the director or chief executive of the Company) had an interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Name	*Note*	Number of Shares				Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests	Total	
LGT	1	–	205,000,000	–	205,000,000	32.08%
Stable Gain	1	205,000,000	–	–	205,000,000	32.08%
Ms. Lee	2	4,000,000	–	50,000,000	54,000,000	8.45%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	3	–	–	50,000,000	50,000,000	7.82%
Dresdner VPV N.V. ("VPV")	4	–	–	52,270,000	52,270,000	8.18%
Dresdner Bank Aktiengesellschaft ("DBA")	5	–	52,270,000	–	52,270,000	8.18%
Allianz SE	6	–	52,270,000	–	52,270,000	8.18%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. *Stable Gain holds 205,000,000 Shares, representing approximately 32.08% 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.*

2. *Ms. Lee is interested in 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 8.45% of the issued share capital of the Company.*

3. *Ms. Lee, Ms. Chui and Ms. Tsui jointly hold 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.82% of the issued share capital of the Company.*

4. *VPV, being an investment manager, holds 52,270,000 Shares, representing approximately 8.18% of the issued share capital of the Company.*

5. *DBA is deemed to be interested in 52,270,000 Shares, representing approximately 8.18% of the issued share capital of the Company, by virtue of its indirect 100% interest in VPV.*

6. *Allianz SE is deemed to be interested in 52,270,000 Shares, representing approximately 8.18% of the issued share capital of the Company, by virtue of its indirect 100% interest in DBA.*

Save as disclosed above, as at 31 August 2008, the Company has not been notified of any other person or corporation 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 Group continues to commit itself to maintaining a high standard of corporate governance with an emphasis on enhancing transparency and accountability and ensuring the application of these principles within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

During the period under review, the Company has complied with most of the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the deviation as expressly set out below:

The Code Provision A2.1 stipulates that the roles of chairman of the board and chief executive officer ("CEO") should be separated of and should not be performed by the same individual and that 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 Company, vesting the roles of chairman and CEO in the same person would facilitate the execution of the Company's business strategies and maximize effectiveness of the Group's operations. Nevertheless, the Board will review the structure from time to time and take any appropriate action should circumstance require.

AUDIT COMMITTEE

During the six months ended 31 August 2008, the Audit Committee was constituted by three independent non-executive Directors, Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. 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.

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 Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2008.

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 2008, the remuneration committee was constituted by three independent non-executive Directors, Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one executive Director, Mr. Lee Tze Bun, Marces.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management and to ensure that executive Directors and senior management could be retained and motivated by being fairly rewarded for their individual contribution to the Group's overall performance as measured against corporate objectives, having regard to the interests of shareholders. The principal duties include the revision of the terms of the remuneration packages of all Directors and senior management as well as reviewing and approving performance-based remuneration on the basis of their merit, qualification and competence by reference to corporate goals and objectives resolved by the Board from time to time.

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.

INTERNAL CONTROL AND RISK MANAGEMENT

The Group is committed to set up and maintain a good system of internal control which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. The Board also acknowledges that it has overall responsibility for the Company's internal control, financial control and risk management system and shall monitor its effectiveness from time to time.

INTERNAL AUDIT FUNCTION

During the period, the Group has established an internal control review team assisting the Board in maintaining an effective internal control system by evaluating its effectiveness and efficiency and by promoting continuous improvement.

The internal control review team which is independent of management reports directly to the audit committee regularly and has access to the Chairman of the audit committee if appropriate during the period.

To enhance the objectivity and competency of the internal audit function, the Group outsourced the internal control review function to an independent risk consulting firm.

During the period, the internal control review team performs reviews of the Group's internal controls of selected key business processes in various locations. Findings and recommendations on internal control deficiencies were well communicated with management such that action plans were developed by management to address the issues identified.

Key findings of each internal control review assignment were reported to and reviewed by the audit committee on a regularly basis.

RISK ASSESSMENT

The Group is committed to conduct a quality and comprehensive review of the effectiveness of the internal control systems of the organization. Notwithstanding a team comprising internal resources as well as an independent risk consulting firm has been established to facilitate the project, the Group believes that the entire management team assumes overall responsibilities of the effectiveness of the Group's internal control systems.

Risk assessment is the process of identifying, sourcing and evaluating individual risks and the interrelationships between risks. This provides a systematic approach to determining the key areas to which higher priorities as well as resources should be given.

In conducting the risk assessment, management embraced a "top-down" approach as recommended by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), i.e., management defines the objectives of the Group and the related risk categories impacting those objectives.

By utilizing an outsourced facilitating function, surveys and interviews with each individual member of senior management team have been arranged so as to discuss, identify and customize the objectives and risks encountered by the Group.

All members of senior management team have been invited to participate in a workshop to discuss the results of the surveys and interviews. Through discussion and anonymous voting mechanism, the key risks have been ranked in terms of significance and likelihood.

Risk owner(s) are identified for each of the key priority risks. Response strategies and mitigation plans with respect to each key risks identified have been developed and put into action.

A regular progress update protocol to the Board and the Audit Committee has been established to enhance the accountability and quality of the project.

INVESTOR RELATIONS

The Group is committed to fostering productive and long-term relationships with shareholders and investors through open and prompt communication. Various channels have been established to facilitate transparency. In addition to the Annual General Meeting in which shareholders can put questions to directors about the Group's performance. The Group also seeks opportunities to communicate its strategies to investors and the public through regular meetings with fund managers and potential investors, as well as through press interviews and press releases.

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 2008.

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 2008.

INTERIM DIVIDEND

The Board of Directors has resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share for the six months ended 31 August 2008 (2007: HK3.0 cents) payable on Wednesday, 17 December 2008 to all shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 10 December 2008.

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 Monday, 8 December 2008 to Wednesday, 10 December 2008, 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 Wednesday, 17 December 2008, 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 Friday, 5 December 2008.

ACKNOWLEDGEMENT

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, 17 November 2008