



le saunda holdings Ltd.

利信達集團有限公司

interim report 2009/10 (Stock Code : 738)

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

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces (*Chairman*)
Lau Shun Wai (*Chief Executive Officer*)
Chui Kwan Ho, Jacky (*Managing Director*)
Tsui Oi Kuen
Wong Sau Han
Wong Tai Chung, Kenneth
Chu Tsui Lan (appointed on 1 March 2009)

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) Ltd.

AUDITOR

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

Email address: ir@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 interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2009. The unaudited condensed consolidated interim financial statements for the six months ended 31 August 2009 have been reviewed by the Company’s audit committee but have not yet been reviewed by the Company’s auditors.

In the first half of 2009/10 fiscal year, the Group achieved encouraging results in its operations in Mainland China. During the period under review, the economy in Mainland China became more stable, and as a result retail market has gradually picked up. The Group has successfully taken this opportunity to enlarge its market share in Mainland China. Number of self-owned outlet almost doubled to 310 from 165. The Group’s foothold was further strengthened, especially in fast-growing second-tier cities. Coupled with better design, enriched product portfolio, enhanced branding

as well as effective promotion campaigns, our retail operations in Mainland China delivered promising growth during the period under review.

Although the sluggish consumer spending and a challenging operating environment have affected OEM business and retail operations in Hong Kong and Macau, the Group has adopted a host of measures to keep the negative impact to the minimum.

For the six months ended 31 August 2009, the Group’s consolidated revenue reached HK\$412.4 million, up 1.0% from the previous year. The increase was mainly attributable to the Group’s strong retail operations in Mainland China. As a result, consolidated gross profit was up 11.2% to HK\$237.5 million, while gross profit margin rose 5.3 percentage points to 57.6%. Consolidated operating profit was up 6.3% to HK\$45.1 million. Consolidated profit attributable to equity holders of the Company was HK\$36.3 million, offset by reduced interest income from bank deposits, raised applicable PRC corporate income tax rate of one of the Group’s subsidiaries after two years of full exemption as well as the poor operating environment in Hong Kong and overseas. However, underlying operating profit, which reflects the performance of the Group’s core footwear business, was up 11.4% to HK\$39.0 million, and operating profit from Mainland China doubled during the period under review. Both figures indicated the strong profitability of the Company’s retail operations in Mainland China.

Note: Underlying operating profit is a performance indicator of the Group’s core sale of footwear business. It is arrived at by excluding from continuing operations operating profit from rental income and foreign currency exchange gains.

BUSINESS REVIEW

Retail Operations

Our retail operations continued to be the main revenue contributor of the Group, accounting for 82.4% of consolidated revenue:

Consolidated Revenue	HK\$ Million	Six months ended	Year-On-Year
		31 August 2009	Growth
		% to	%
		Total	
Retail Operations			
Mainland China	277.9	67.4	+33.4
Hong Kong and Macau	61.8	15.0	-29.7
Total Retail Revenue	339.7	82.4	+14.7
OEM	72.7	17.6	-35.0
Group Total Revenue	412.4	100.0	+1.0

Mainland China remained the core market and more resources have been strategically allocated to support network expansion and business operation in the region. As at 31 August 2009, the Group had a total of 482 outlets in Hong Kong, Macau and Mainland China, 173 more compared to the same date last year:

Number of Outlets by Region	As at 31 August 2009		
	Self-owned	Franchise	Total
Mainland China	310	155	465
• Northern, Northern East & Northern West	68	78	146
• Eastern	65	43	108
• Central & Southern West	72	23	95
• Southern	105	11	116
Hong Kong and Macau	17	—	17
Total	327	155	482

As at 31 October 2009, the outlet network further increased to 531 as more outlets were opened.



BUSINESS REVIEW (Continued)

Retail Operations (Continued)

The Group has introduced a host of measures to strengthen its competitiveness. A new product line named “essential” has been introduced to enrich our product range. The launch is a great success and this product line accounted for about 9% of the retail sales of the Group during the period under review. Our product design team has been expanded to enhance design capacity. A shoes design competition was held in Hong Kong to discover young designers with potential. We have stepped up our efforts to further enhance our operational efficiency by putting in place measures such as a more stringent stock management system, regular reviews on the performance of our existing self-owned and franchise outlets, and tighter cost control.

As a result, total revenue of our retail operations was up 14.7% year-on-year to HK\$339.7 million during the period under review. Ladies’ footwear remained our largest revenue contributor by product category while men’s footwear demonstrated enormous growth potential:

Product Category	Year-on-Year	Sales Mix
	Growth (%)	(%)
Ladies’ footwear	+12.2	71.4
Ladies’ handbags	+18.1	15.0
Men’s footwear	+26.2	13.6
Total	+14.7	100.0



During the period under review, the Group opened 19 new standalone men’s footwear counters, bringing the total to 43 as at 31 August 2009, 26 more compared to the same date last year.

As at 31 August 2009, stock turnover days increased to 150 as compared with 121 for the same date last year, mainly as a result of more outlets. Moreover, overall stock position remained healthy as over 90% of our stock ageing was within one year.

Hong Kong and Macau

The Group continued the consolidation of its outlets to enhance operational efficiency. Four underperforming outlets were closed and two new outlets were opened in Hong Kong, bringing the total number of outlets in Hong Kong and Macau to 17 as at 31 August 2009, four less compared to the same date last year. Total revenue was down 29.7% year-on-year to HK\$61.8 million due to fewer outlets.

Poor consumer sentiment led to a 20.0% drop in same store sales during the period under review. Despite this, same store sales has seen improvement and recorded positive growth rate due to the stabilized consumer sentiment in August 2009.

BUSINESS REVIEW (Continued)**Retail Operations** (Continued)*Mainland China*

Taking advantage of the stable consumer sentiment and substantial economic growth in Mainland China, the Group was able to maintain the growth momentum of its retail operations through expanding its network of outlets. As at 31 August 2009, the Group had 310 self-owned outlets in Mainland China, 145 more compared to the same date last year, after the closure of 28 stores and the opening of 173. Our presence was extended to Taiyuan, Shenyang, Nanning, Suzhou and Kunming.

Credit to an expanded network, a better product mix and our reputation as a reliable brand, total revenue was up 33.4% year-on-year to HK\$277.9 million while same store sales grew 3.3%.

To better manage our stocks, especially off-season items, numerous factory outlets were opened in Shanghai, Guangzhou, Beijing, Chongqing and Changsha during the period under review. These factory outlets focus on selling off-season items and collection from “essential” product line. They are twice as larger than our regular outlets and located at second-tier districts in cities where rental expenses are lower. By setting up such factory outlets, the Group could clear off-seasons items while preserving the margin of new items, which are available at regular outlets. The concept of factory outlet is successful. It was evidenced by the 90% year-on-year growth in sales.

OEM Business

The Group's OEM business experienced a slowdown during the period under review, as exports were hurt by the global financial crisis. Customer orders from high end brands fell during the period under review partly as a result of slower consumer spending in our key markets such as Russia and Europe.

OEM revenue was down 35.0% year-on-year to HK\$72.7 million, led by a 13.6% drop in average selling price and a 25.9% decline in total production volume of OEM products.

In view of the challenging environment, the Group strives to explore new collaboration opportunities with its existing OEM partners to broaden revenue source. A pilot scheme is in progress to develop OBM business. Through participation in international trade fairs, referral from existing clients and proactive outreach, the Group establishes OBM in a pragmatic and prudent manner.



PROSPECT

As indicated in our 2008/09 annual review, the year 2009/10 was set to be a year full of challenges and uncertainties in the wake of the global financial crisis. China has been able to recover from the slowdown quicker than many other nations, and its economy and consumer market have been able to stay relatively vibrant, offering tremendous growth opportunities for us. The Group will continue to boost its presence in Mainland China by setting up new outlets in attractive locations with reasonable rents. We will further consolidate our presence in first-tier cities while expanding the reach of our network to more second-tier cities. We are optimistic about our retail business and aim to increase total number of retail outlets to 800 before end of 2010 in Mainland China. To achieve this ultimate goal, we plan to open 150-200 new outlets every year.

To expand product portfolios, the Group will continue to explore the men's footwear and accessories market and broaden the product offerings to include wallets, gift sets, small bags and etc. At the same time, the Group will review the existing ladies' handbag collection and continue to enrich the ladies' footwear portfolios. Mainland China is a vast market with many customer segments, we plan to establish a new brand in Mainland China focusing on footwear for mass consumers. Besides, the Group will keep on exploring new sales channels and business models through strategic collaboration with existing franchisees to increase our presence and market penetration in Mainland China.

In Hong Kong and Macau, the Group will adopt a cautious approach in face of the challenging operating environment. The Group will look for suitable locations with reasonable rents for setting up new outlets.

While flourishing the business in a prudent manner, the Group has implemented stringent controls on operating costs in order to stay competitive. It endeavors to streamline existing operations and structures to control back-office expenses. The Group will continue to review the performance of self-owned and franchise operations on a regular basis. Retail outlet consolidation will continue to enhance profitability.

With regard to the OEM business, the Group foresees that demands in Europe will remain sluggish in the near term. Sales orders from OEM clients will contract in the upcoming months. The Group will closely monitor the overall production cost and headcount of OEM business while continue to explore OBM business. There will be challenges ahead, yet we have confidence and capability, leveraging our established operational scale, advanced techniques and excellent craftsmanship.

Looking forward, the Group expects to see a comparatively more rosy market prospect especially the China market. The Group is well positioned to grasp the upcoming market opportunities in China while tackling the unveiled challenges by implementing strategic and timely operational initiatives.



FINANCIAL REVIEW

Liquidity Ratio

The Group's cash position remains strong and healthy. Net cash balance as at 31 August 2009 amounted to HK\$200.4 million as compared with HK\$203.5 million as at 28 February 2009. Total equity is maintained at HK\$842.9 million, along with a quick ratio of 2.1 times.

Pledge of Assets

Details of the Pledge of Assets of the Group at the balance sheet date are set out in note 17 to the condensed consolidated interim financial information.

Capital Structure and Financial Resources

During the six months ended 31 August 2009, 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 did not enter into any forward contract to hedge its foreign exchange risk during the period. 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.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share for the six months ended 31 August 2009 (2008: HK3.0 cents) payable on Wednesday, 16 December 2009 to all shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 9 December 2009.



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GUARANTEES

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2009, the Group had a staff force of 4,071 people. Of this, 165 were based in Hong Kong and 3,906 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 comprised basic salaries, bonuses and long-term incentives. Total staff costs for the six months ended 31 August 2009, including Directors' emoluments and net pension contributions, amounted to 88.7 million (2008: HK\$76.3 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 contents of the programmes.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT*For the six months ended 31 August 2009*

		Unaudited	
		Six months ended 31 August	
	<i>Note</i>	2009	2008
		HK\$'000	HK\$'000
Revenue	4	412,400	408,144
Cost of sales		(174,899)	(194,599)
Gross profit		237,501	213,545
Other income	5	1,695	1,028
Other gains	5	4,448	6,529
Selling and distribution costs		(138,584)	(121,460)
General and administrative expenses		(60,000)	(57,260)
Operating profit	6	45,060	42,382
Finance income		533	2,474
Profit before income tax		45,593	44,856
Income tax expense	7	(9,311)	(4,655)
Profit for the period, attributable to equity holders of the Company		36,282	40,201
Interim dividend	8	19,172	19,172
Earnings per share attributable to the equity holders of the Company			
– Basis (HK cents)	9	5.7	6.3
– Diluted (HK cents)	9	5.7	6.3

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2009

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Profit for the period	<u>36,282</u>	<u>40,201</u>
Other comprehensive income		
Currency translation differences	<u>2,632</u>	<u>9,070</u>
Other comprehensive income for the period, net of tax	<u>2,632</u>	<u>9,070</u>
Total comprehensive income for the period, attributable to equity holders of the Company	<u>38,914</u>	<u>49,271</u>

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2009

	<i>Note</i>	Unaudited 31 August 2009 HK\$'000	Audited 28 February 2009 HK\$'000
ASSETS			
Non-current assets			
Investment properties	10	100,893	100,893
Property, plant and equipment	10	203,407	195,709
Leasehold land and land use rights	10	42,860	43,023
Long-term deposits and prepayments		9,103	6,534
Interest in a jointly controlled entity		37,623	37,441
Interest in and amount due from an available-for-sale financial asset		17,261	22,381
Deferred tax assets		29,933	32,286
		441,080	438,267
Current assets			
Inventories		229,345	190,670
Trade and other receivables	11	100,127	107,025
Deposits and prepayments		21,351	22,340
Cash and bank balances		200,353	203,510
		551,176	523,545
Total assets		992,256	961,812

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2009

	Note	Unaudited 31 August 2009 HK\$'000	Audited 28 February 2009 HK\$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	13	63,906	63,906
Reserves			
Proposed dividend		19,172	28,758
Others		759,824	740,082
Total equity		<u>842,902</u>	<u>832,746</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>6,477</u>	<u>6,476</u>
Current liabilities			
Trade payables and accruals	12	136,354	118,592
Amount due to a jointly controlled entity		1,022	1,016
Current income tax liabilities		5,501	2,982
		<u>142,877</u>	<u>122,590</u>
Total liabilities		<u>149,354</u>	<u>129,066</u>
Total equity and liabilities		<u>992,256</u>	<u>961,812</u>
Net current assets		<u>408,299</u>	<u>400,955</u>
Total assets less current liabilities		<u>849,379</u>	<u>839,222</u>

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2009

	Unaudited								Total HK\$'000
	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Capital reserve HK\$'000	Revaluation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	
Balance at 1 March 2009	63,906	416,277	34,810	21,415	276,349	4,261	15,501	227	832,746
Profit for the period	—	—	—	—	36,282	—	—	—	36,282
Other comprehensive income									
– Currency translation differences	—	—	2,632	—	—	—	—	—	2,632
Total comprehensive income for the period ended 31 August 2009	—	—	2,632	—	36,282	—	—	—	38,914
Dividends relating to 2009 paid in July 2009 (Note 8)	—	—	—	—	(28,758)	—	—	—	(28,758)
Balance at 31 August 2009	<u>63,906</u>	<u>416,277</u>	<u>37,442</u>	<u>21,415</u>	<u>283,873</u>	<u>4,261</u>	<u>15,501</u>	<u>227</u>	<u>842,902</u>
Representing :									
Share capital									63,906
2009 proposed interim dividend									19,172
Others									759,824
									<u>842,902</u>

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2009

	Unaudited Attributable to equity holders of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Capital reserve HK\$'000	Employee share-based compensation reserve HK\$'000	
Balance at 1 March 2008	63,826	415,294	29,078	20,205	253,419	4,261	721	786,804
Profit for the period	–	–	–	–	40,201	–	–	40,201
Other comprehensive income								
– Currency translation differences	–	–	9,070	–	–	–	–	9,070
Total comprehensive income for the period ended 31 August 2008	–	–	9,070	–	40,201	–	–	49,271
Share option scheme:								
– value of service provided	–	619	–	–	–	–	(145)	474
– exercise of share options (Note 13)	80	364	–	–	–	–	(364)	80
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)
	80	983	–	–	(44,284)	15,527	(509)	(28,203)
Balance at 31 August 2008	63,906	416,277	38,148	20,205	249,336	19,788	212	807,872
Representing :								
Share capital								63,906
2008 proposed interim dividend								19,172
Others								724,794
								807,872

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2009

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Net cash inflows from operating activities	39,751	11,397
Net cash outflows from investing activities	(11,560)	(38,090)
Net cash outflows from financing activities	(28,745)	(28,031)
Net decrease in cash and cash equivalents	(554)	(54,724)
Effect of foreign exchange rate changes, net	1,387	5,176
Cash and cash equivalents at 1 March	198,436	282,940
Cash and cash equivalents at 31 August	199,269	233,392
Analysis of the cash and bank balances:		
Cash and cash equivalents	199,269	233,392
Add: Cash restricted for specific purposes	1,084	—
	200,353	233,392

The notes on pages 18 to 35 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Le Saunda Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) are principally engaged in manufacturing and sales of shoes. The Group mainly operates in Hong Kong, Macau 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 (the “Stock Exchange”).

These condensed consolidated interim financial information are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated. These condensed consolidated interim financial information has been approved for issue by the Board of Directors on 16 November 2009.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 31 August 2009 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’ issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 28 February 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2009, 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 and amendments to standards are mandatory for the first time for the financial year beginning 1 March 2009 :

- HKAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

3 ACCOUNTING POLICIES (continued)

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who makes strategic decisions.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 28 February 2010.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 March 2009:

- HKAS 23 (amendment) — Borrowing costs
- HKFRS 2 (amendment) — Share-based payment
- HKAS 32 (amendment) — Financial instruments: presentation
- HK(IFRIC) 9 (amendment) — Reassessment of embedded derivatives
- HKAS 39 (amendment) — Financial instruments: Recognition and measurement
- HK(IFRIC) 13 — Customer loyalty programmes
- HK(IFRIC) 15 — Agreements for the construction of real estate
- HK(IFRIC) 16 — Hedges of a net investment in a foreign operation

The adoption of the above standards, amendments to standards and interpretations, if relevant, did not have significant impact on the Company's consolidated accounts.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 March 2009 and have not been early adopted:

- HKAS 39 (amendment) — Financial instruments: Recognition and measurement
- HKFRS 3 (revised) — Business combinations
- HK(IFRIC) 17 — Distributions of non-cash assets to owners
- HK(IFRIC) 18 — Transfers of assets from customers
- HKFRS 2 (amendment) — Share-based payments
- HKFRS 5 (amendment) — Non-current assets held for sale and discontinued operations
- HKFRS 8 (amendment) — Operating segments
- HKAS 1 (amendment) — Presentation of financial statements
- HKAS 7 (amendment) — Statement of cash flows
- HKAS 17(amendment) — Leases
- HKAS 36 (amendment) — Impairment of assets
- HKAS 38 (amendment) — Intangible assets
- HK(IFRIC) 9 (amendment) — Reassessment of embedded derivatives
- HK(IFRIC) 16 (amendment) — Hedges of a net investment in a foreign operation

4 REVENUE AND SEGMENT INFORMATION

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

The chief operating decision-makers have been identified as the executive Directors. The executive Directors review the Group's financial information mainly from retail and export perspective. From a retail perspective, the executive Directors further assess the performance of operations on a geographic basis (Hong Kong, Macau and Mainland China). The reportable segments are classified in a manner consistent with the information reviewed by the executive Directors.

Sales between operating segments are carried out on terms equivalent to those prevailing in arm's length transactions. The executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes other income, finance income, net exchange gains and unallocated expenses.

Segment assets mainly exclude interest in a jointly controlled entity, interest in and amount due from an available-for-sale financial asset, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a jointly controlled entity, current income tax liabilities, deferred tax liabilities and other liabilities that are managed on a central basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue and operating results for the six months ended 31 August 2009 by reportable segment is as follows:

	Unaudited			Total	
	Six months ended 31 August 2009				
	Retail		Export		
	HK & Macau	Mainland China	(Note (a))		
HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Revenue from external customers	61,790	277,884	72,726	412,400	
Reportable segment profit	(6,674)	34,281	11,394	39,001	
Other income				1,695	
Finance income				533	
Net exchange gains				4,448	
Unallocated expenses				(84)	
Profit before income tax				45,593	
Income tax expense				(9,311)	
Profit for the period				36,282	
Depreciation and amortisation	2,386	9,064	2,712	14,162	
Additions to non-current assets (Note (b))	1,760	20,566	1,711	24,037	

(a) The revenue from external customers of export are mainly derived from Europe and other parts of the world, including Russia, Spain, Italy, the Middle East, Japan, Australia and New Zealand.

(b) Amount comprises additions to property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's revenue and operating results for the six months ended 31 August 2008 by reportable segment is as follows:

	Unaudited			Total
	Six months ended 31 August 2008			
	Retail		Export	
HK & Macau	Mainland China	(Note (a))		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	87,866	208,313	111,965	408,144
Reportable segment profit	(455)	14,490	20,965	35,000
Other income				1,028
Finance income				2,474
Net exchange gains				6,529
Unallocated expenses				(175)
Profit before income tax				44,856
Income tax expense				(4,655)
Profit for the period				40,201
Depreciation and amortisation	3,060	5,634	2,842	11,536
Additions to non-current assets (Note (b))	703	46,691	13,205	60,599

(a) The revenue from external customers of export are mainly derived from Europe and other parts of the world, including Russia, Spain, Italy, the Middle East, Japan, Australia and New Zealand.

(b) Amount comprises additions to property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's assets and liabilities as at 31 August 2009 by reportable segment is set out below:

	Unaudited as at 31 August 2009			Total
	Retail		Export	
	HK & Macau	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	
Segment assets	203,606	558,573	145,232	907,411
Interest in a jointly controlled entity				37,623
Interest in and amount due from an available-for-sale financial asset				17,261
Deferred tax assets				29,933
Unallocated assets				28
Total assets per condensed consolidated balance sheet				<u>992,256</u>
Segment liabilities	16,603	74,975	40,429	132,007
Amount due to a jointly controlled entity				1,022
Current income tax liabilities				5,501
Deferred tax liabilities				6,477
Unallocated liabilities				4,347
Total liabilities per condensed consolidated balance sheet				<u>149,354</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (continued)

An analysis of the Group's assets and liabilities as at 28 February 2009 by reportable segment is set out below:

	Unaudited as at 28 February 2009			Total HK\$'000
	Retail		Export	
	HK & Macau HK\$'000	Mainland China HK\$'000	HK\$'000	
Segment assets	227,539	499,832	141,980	869,351
Interest in a jointly controlled entity				37,441
Interest in and amount due from an available-for-sale financial asset				22,381
Deferred tax assets				32,286
Unallocated assets				353
Total assets per condensed consolidated balance sheet				961,812
Segment liabilities	15,371	63,416	35,443	114,230
Amount due to a jointly controlled entity				1,016
Current income tax liabilities				2,982
Deferred tax liabilities				6,476
Unallocated liabilities				4,362
Total liabilities per condensed consolidated balance sheet				129,066

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (continued)

The revenue from external customers of the Group by geographical segments is as follows :

REVENUE

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Hong Kong	56,273	79,939
Mainland China	277,884	208,313
Macau	5,517	7,927
Russia	26,807	29,080
Italy	11,010	22,119
Other countries (Note (a))	34,909	60,766
Total	<u>412,400</u>	<u>408,144</u>

(a) The revenue from other countries are mainly derived from Europe and other parts of the world, including Spain, the Middle East, Japan, Australia and New Zealand.

For the six months ended 31 August 2009, revenue of approximately HK\$20,768,000 (for the six months ended 31 August 2008 : HK\$31,952,000) is derived from a single external customer of export.

An analysis of the non-current assets (other than deferred tax assets) of the Group by geographical segments is as follows :

NON-CURRENT ASSETS

	Unaudited	
	31 August	28 February
	2009	2009
	HK\$'000	HK\$'000
Hong Kong	90,513	87,825
Mainland China	284,645	281,311
Macau	35,989	36,845
Total	<u>411,147</u>	<u>405,981</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. OTHER INCOME AND OTHER GAINS

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Other income		
Gross rental income from investment properties	1,695	1,028
Other gains		
Net exchange gains (Note (a))	4,448	6,529
	6,143	7,557

- (a) Net exchange gains arose from the settlement of transactions denominated in foreign currencies and from the translation at period-end exchange rates of monetary assets and liabilities, including inter-company balances, denominated in foreign currencies.

6. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
		(Restated)
Auditors' remuneration	996	998
Amortisation of leasehold land and land use rights	235	676
Depreciation of property, plant and equipment	13,927	10,860
Loss on disposal of property, plant and equipment	230	471
Cost of inventories recognised as expenses included in cost of sales	147,988	166,915
Operating lease rentals in respect of land and buildings		
- minimum lease payments	32,264	37,733
- contingent rent	895	679
Freight charges	3,831	3,645
Concessionaire fee	46,452	28,460
(Write-back of impairment)/impairment of inventories	(257)	703
Direct operating expenses arising from investment properties that generated rental income	833	514
Staff costs (including directors' emoluments)	88,740	76,332

7. INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Current income tax		
People's Republic of China ("PRC") corporate income tax	6,921	2,196
Deferred taxation	2,390	2,459
	9,311	4,655

PRC corporate income tax is levied on the profits of the Group's subsidiaries in PRC at a range from 20% to 25% (2009: range from 18% to 25%), except for one of the subsidiaries of the Company established in the PRC that is entitled to two years' exemption from the PRC corporate income tax of 25% followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward (at most five years). Accordingly, that subsidiary was fully exempted from the PRC corporate income tax in 2007 and 2008, and subject to a reduced tax rate of 12.5% in 2009 and 2010.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign investment enterprises will be subject to a standard corporate income tax rate of 25% in a period of 5 years starting from 1 January 2008. According to the New CIT Law, enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

Certain companies within the Group are subject to Hong Kong profits tax. The Group did not recognise any current Hong Kong profits tax as the Group had sufficient tax losses brought forward to offset the estimated assessable profit for the period (2009: HK\$ Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8. DIVIDENDS

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend of HK3.0 cents (six months ended 31 August 2008 : HK3.0 cents) per share	<u>19,172</u>	<u>19,172</u>

A dividend that relates to the financial year ended 28 February 2009 and that amounts to HKD28,757,952 was paid in July 2009 (2008: HKD28,757,952).

At the board of Directors meeting held on 16 November 2009, 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 2010.

9. EARNINGS PER SHARE

Basic

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

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>36,282</u>	<u>40,201</u>
Weighted average number of ordinary shares in issue ('000)	<u>639,066</u>	<u>638,933</u>
Basic earnings per share (HK cents)	<u>5.7</u>	<u>6.3</u>

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 below is compared with the number of shares that would have been issued assuming the exercise of the share options.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. EARNINGS PER SHARE (continued)

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>36,282</u>	<u>40,201</u>
Weighted average number of ordinary shares in issue ('000)	<u>639,066</u>	638,933
Adjustments for share options ('000)	<u>4</u>	<u>24</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>639,070</u>	<u>638,957</u>
Diluted earnings per share (HK cents)	<u>5.7</u>	<u>6.3</u>

10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND AND LAND USE RIGHTS

	Unaudited			
	Six months ended 31 August 2009			
	Investment properties	Property, plant and equipment	Leasehold land and land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2009	100,893	195,709	43,023	339,625
Additions	—	24,037	—	24,037
Disposals	—	(2,934)	—	(2,934)
Exchange differences	—	522	72	594
Depreciation and amortisation	—	(13,927)	(235)	(14,162)
At 31 August 2009	<u>100,893</u>	<u>203,407</u>	<u>42,860</u>	<u>347,160</u>

	Unaudited			
	Six months ended 31 August 2008			
	Investment properties	Property, plant and equipment	Leasehold land and land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	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 amortisation	—	(10,860)	(676)	(11,536)
At 31 August 2008	<u>72,617</u>	<u>153,000</u>	<u>51,748</u>	<u>277,365</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2009 HK\$'000	Audited 28 February 2009 HK\$'000
Trade receivables (note (a))		
Current to 30 days	76,573	71,650
31 to 60 days	11,418	20,722
61 to 90 days	3,661	11,017
Over 90 days	4,994	2,341
	96,646	105,730
Other receivables	3,481	1,295
Total	100,127	107,025

- (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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE PAYABLES AND ACCRUALS

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

	Unaudited 31 August 2009 HK\$'000	Audited 28 February 2009 HK\$'000
Trade creditors		
Current to 30 days	35,716	29,145
31 to 60 days	10,817	8,880
61 to 90 days	5,340	3,162
91 to 120 days	1,150	945
Over 120 days	4,733	2,298
	57,756	44,430
Accruals	78,598	74,162
Total	136,354	118,592

13. SHARE CAPITAL

	Unaudited 31 August 2009		Audited 28 February 2009	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	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	639,065,600	63,906	638,261,600	63,826
Exercise of share options (Note 14)	—	—	804,000	80
At end of period/year	639,065,600	63,906	639,065,600	63,906

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2009		Audited for the year ended 28 February 2009	
	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	248	0.87	1,276
Forfeited	—	—	0.87	(224)
Exercised	—	—	0.87	(804)
At end of period/year	0.87	248	0.87	248

The Group has no legal or constructive obligation to repurchase or settle the options in cash. No option was exercised for the six months ended 31 August 2009. For the year ended 28 February 2009, 804,000 shares were issued at an average exercise price at HK\$0.87 each and the related weighted average share price at the time of exercise was HK\$0.98 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 2009 (thousands)	28 February 2009 (thousands)
15 January 2016 (Note)	0.87	248	248

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

15. CORPORATE GUARANTEES

The Company has 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\$30,000,000 (28 February 2009: HK\$30,000,000) of which HK\$13,588,000 (28 February 2009: HK\$12,915,000) was utilised as at 31 August 2009.

16. COMMITMENTS

(a) Capital commitments

	Unaudited 31 August 2009 HK\$'000	Audited 28 February 2009 HK\$'000
Contracted but not provided for, in respect of - purchase of property, plant and equipment, leasehold improvement	<u>10,227</u>	<u>17,014</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 2009 HK\$'000	Audited 28 February 2009 HK\$'000
Land and buildings :		
Not later than one year	50,059	44,664
Later than one year and not later than five years	36,970	31,148
	<u>87,029</u>	<u>75,812</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.

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

	Unaudited 31 August 2009 HK\$'000	Audited 28 February 2009 HK\$'000
Land and buildings :		
Not later than one year	3,306	2,619
Later than one year and not later than five years	1,574	2,163
	<u>4,880</u>	<u>4,782</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. PLEDGE OF ASSETS

As at 31 August 2009, the Group has pledged its corporate assets of approximately HK\$1,084,000 (28 February 2009: HK\$26,853,000) to secure general banking facilities granted to certain subsidiaries of the Company.

18. 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	
	2009	2008
	HK\$'000	HK\$'000
Rental expenses charged by:		
- a related party (note(i))	780	660
- related companies (note (ii))	979	656

(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 and Super Billion Properties Limited, companies controlled by Mr. Lee.

(b) Year-end balances with related parties

	Unaudited	Audited
	31 August	28 February
	2009	2009
	HK\$'000	HK\$'000
Payable to a related party (Note (i))	—	491
Amount due to a jointly controlled entity	1,022	1,016

(i) Balance represents amount payable to Mr. Lee, which is unsecured, interest free and repayable on demand. The amount approximates its fair value and is denominated in HK dollars.

(c) Key management compensation

	Unaudited	
	Six months ended 31 August	
	2009	2008
	HK\$'000	HK\$'000
Salaries and other employee benefits	4,196	2,774
Contributions to retirement scheme	36	24
	4,232	2,798

19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (i) Details of the interim dividend proposed are given in Note 8.
- (ii) On 16 September 2009, bank deposit of HK\$580,000 has been pledged to bank as security for bank guarantee.
- (iii) On 21 August 2009, Trend Door Company Limited (a wholly owned subsidiary of the Company) entered into Provisional Sale and Purchase Agreement with Shine Star Investment Limited (independent third parties) and the property agent pursuant to which Trend Door Company Limited has agreed to sell its entire ownership interests in the Property to the Shine Star Investment Limited at a cash consideration of HK\$33,000,000. Completion of the Sale is subject to the entering into of formal sale and purchase agreement and is expected to take place on or before 23 November 2009.

Regarding the above discloseable transaction in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), announcement was published on the website of the Company and the designated issuer website of the Stock Exchange on 24 August 2009.

- (iv) On 2 October 2009, Trend Light Trading Company Limited (a wholly owned subsidiary of the Company) entered into the Preliminary Sale and Purchase Agreement with Kind Bright Corporation Limited (independent third parties) and the property agent pursuant to which Trend Light Trading Company Limited has agreed to sell its entire ownership interests in the Property to Kind Bright Corporation Limited at a cash consideration of HK\$34,600,000. Completion of the Sale is subject to the entering into of the formal sale and purchase agreement and is expected to take place on or before 17 November 2009.

Regarding the above discloseable transaction in accordance with the Listing Rules, announcement was published on the website of the Company and the designated issuer website of the Stock Exchange on 5 October 2009.

DISCLOSURE OF INTERESTS

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

As at 31 August 2009, 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 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

Name of Directors	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee")	35,964,000	–	31,384,000 (Notes 1 & 2)	205,000,000 (Note 3)	272,348,000	42.62%
Ms. Lau Shun Wai ("Ms. Lau")	400,000	–	–	–	400,000	0.06%
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")	1,200,000	–	–	50,000,000 (Note 4)	51,200,000	8.01% (Note 6)
Ms. Wong Sau Han ("Ms. Wong")	114,000	150,000	–	–	264,000	0.04% (Note 7)
Mr. Wong Tai Chung, Kenneth ("Mr. Wong")	400,000	–	–	–	400,000	0.06%
Ms. Chu Tsui Lan ("Ms. Chu")	1,800,000	–	–	–	1,800,000	0.28%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES 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 (in respect of non-voting deferred shares) (Note 8)	100%

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 32.08% of the issued share capital of the Company. 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.
- 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.
- 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.
- Ms. Tsui personally holds 1,200,000 Shares. Together with the Shares mentioned in (4) above, Ms. Tsui is interested in an aggregate of 51,200,000 Shares, representing approximately 8.01% of the issued share capital of the Company.
- 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.
- Mr. Lee beneficially owns 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES 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. There are no movement of the outstanding share options under the Scheme during the six months ended 31 August 2009 set out below:

Name or Category of Participant	Date of share options granted <i>(Notes 1 & 2)</i>	Number of Shares			Outstanding as at 31 August 2009	Exercise price per Share	Exercise period
		Outstanding as at 1 March 2009	Exercised during the period <i>(Note 3)</i>	Cancelled during the period			
Employee in aggregate	16 January 2006	248,000	–	–	248,000	HK\$0.87	7 March 2008 - 15 January 2016

As at 31 August 2009, none of the Directors or 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.

Save as disclosed above, as at 31 August 2009, 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 or 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 2009, 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 Total of the Company	
		Personal interests	Corporate interests	Other interests		
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%
Martin Currie (Holdings) Limited	4	—	32,104,000	—	32,104,000	5.02%

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. *Stable Gain holds 205,000,000 Shares, representing approximately 32.08% of the issued share capital of the Company. 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.*
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. Chui, Ms. Tsui and Ms. Lee jointly hold 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.82% of the issued share capital of the Company.*
4. *Martin Currie (Holdings) Limited is deemed to be interested in 32,104,000 Shares, representing approximately 5.02% of the issued share capital of the Company, by virtue of its 100% interests in both Martin Currie Investment Management and Martin Currie Inc., which hold 17,964,000 shares and 14,140,000 shares respectively.*

Save as disclosed above, as at 31 August 2009, 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 the provisions of the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Listing Rules on the Stock Exchange.

AUDIT COMMITTEE

During the six months ended 31 August 2009, 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. Mr. Lam Siu Lun, Simon was appointed as independent non-executive Director, chairman of the audit committee, chairman of the remuneration committee and a member of the nomination committee of Kiu Hung Energy Holdings Limited with effect from 22 October 2009.

The Company has renewed the service agreements with Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan for a fixed term of 2 years with effect from 1 November 2009 and 26 November 2009 respectively, each with an annual director’s fee of HK\$120,000 and may be terminated by the Company or the Director by either party giving a three-months’ written notice.

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, overseeing 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 2009.

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 2009, 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 of the Company. 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.

To enhance the objectivity and competency of the internal audit function, starting from 2008, 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.

INVESTOR RELATIONS

The Group is committed to fostering productive and long-term relationships with shareholders and investors of the Company 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 business performance, strategies and future direction 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 since 4 October 2005. 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 2009.

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 2009.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CLOSURE OF REGISTER OF MEMBERS

For the payment of interim dividend, the Register of Members of the Company will be closed from Monday, 7 December 2009 to Wednesday, 9 December 2009, 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, 16 December 2009, 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 4:30 p.m. on Friday, 4 December 2009.

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, 16 November 2009