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le saunda holdings ltd.
利信達集團有限公司*

(incorporated in Bermuda with limited liability)
(stock code: 0738)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2012

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2012	2011	**change**	**change in %**
Revenue	HK$ million	**743.3**	655.2	88.1	13.4
Gross profit	HK$ million	**476.1**	415.6	60.5	14.6
Profit attributable to equity holders of the Company	HK$ million	**61.1**	70.0	(8.9)	(12.8)
Basic earnings per share	HK cents	**9.55**	10.95	(1.4)	(12.8)
Dividend per share					
– interim	HK cents	**4.0**	5.0		
– special	HK cents	**1.5**	–		

* *For identification purpose only*

The Board of Directors of Le Saunda Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2012. The unaudited condensed consolidated interim results for the six months ended 31 August 2012 have not been audited by the Company's auditors, but were reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 31 August 2012

		Unaudited	
		Six months ended 31 August	
		2012	2011
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**743,345**	655,193
Cost of sales		**(267,236)**	(239,559)
Gross profit		**476,109**	415,634
Other income	*5*	**1,307**	1,298
Other gains	*5*	**4,168**	2,105
Selling and distribution expenses		**(318,550)**	(261,656)
General and administrative expenses		**(82,418)**	(69,725)
Operating profit	*6*	**80,616**	87,656
Finance income		**2,154**	1,984
Finance costs		**–**	(5)
Share of profit/(loss) of a jointly controlled entity		**248**	(1,070)
Profit before income tax		**83,018**	88,565
Income tax expense	*7*	**(22,815)**	(18,212)
Profit for the period		**60,203**	70,353
Profit attributable to:			
– equity holders of the Company		**61,067**	70,014
– non-controlling interest		**(864)**	339
		60,203	70,353
Earnings per share attributable to equity holders of the Company			
– Basic *(HK cents)*	*8*	**9.55**	10.95
– Diluted *(HK cents)*	*8*	**9.55**	10.95
Dividends	*9*	**35,162**	31,966

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2012

	Unaudited Six months ended 31 August	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period	**60,203**	70,353
Other comprehensive income		
Currency translation differences	**(9,166)**	28,048
Other comprehensive income for the period, net of tax	**(9,166)**	28,048
Total comprehensive income for the period	**51,037**	98,401
Total comprehensive income for the period, attributable to:		
– equity holders of the Company	**51,997**	97,727
– non-controlling interest	**(960)**	674
	51,037	98,401

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2012

	Note	**Unaudited 31 August 2012** *HK$'000*	Audited 29 February 2012 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**72,795**	72,795
Property, plant and equipment		**235,420**	240,836
Land use rights		**32,837**	33,394
Long-term deposits and prepayments		**14,212**	16,745
Interest in a jointly controlled entity		**34,103**	34,135
Interest in and amount due from an available-for-sale financial asset		**–**	–
Deferred tax assets		**45,014**	43,573
		434,381	441,478
Current assets			
Inventories		**491,950**	433,245
Trade and other receivables	*10*	**165,772**	134,507
Deposits and prepayments		**40,800**	37,033
Cash and bank balances		**398,026**	424,695
		1,096,548	1,029,480
Total assets		**1,530,929**	1,470,958

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 31 August 2012

	Note	**Unaudited 31 August 2012** *HK$'000*	Audited 29 February 2012 *HK$'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**63,931**	63,931
Reserves			
Proposed dividend		**35,162**	55,620
Others		**1,086,382**	1,064,133
		1,185,475	1,183,684
Non-controlling interest		**11,115**	12,299
Total equity		**1,196,590**	1,195,983
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**26,716**	26,714
Current liabilities			
Trade payables and accruals	*11*	**243,221**	200,777
Amount due to a jointly controlled entity		**45,218**	30,805
Current income tax liabilities		**19,184**	16,679
		307,623	248,261
Total liabilities		**334,339**	274,975
Total equity and liabilities		**1,530,929**	1,470,958
Net current assets		**788,925**	781,219
Total assets less current liabilities		**1,223,306**	1,222,697

NOTES:

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").

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 October 2012.

This condensed consolidated interim financial information has not been audited.

KEY EVENT

On 10 July 2012, the Company granted 17,440,000 share options under the Share Option Scheme adopted by the Company on 22 July 2002 to certain eligible persons. Details are disclosed in the Company's Announcement dated 10 July 2012.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 August 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 29 February 2012, 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 29 February 2012, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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

(a) Amended standard adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning 1 January 2012:

- HKAS 12 (Amendment) – Deferred Tax: Recovery of Underlying Assets

(b) The following new and amended standards have been issued but are not effective for the financial year beginning 1 March 2012 and have not been early adopted:

- HKAS 1 (Amendment) – Presentation of Financial Statements[1]
- HKAS 19 (Amendment) – Employee Benefits[2]
- HKAS 27 (Revised) – Separate Financial Statements[2]
- HKAS 28 (Revised) – Investment in Associates and Joint Ventures[2]
- HKAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities[3]
- HKFRS 1 (Amendment) – Government Loans[2]
- HKFRS 9 – Financial Instruments[4]
- HKFRS 10 – Consolidated Financial Statements[2]
- HKFRS 11 – Joint Arrangements[2]
- HKFRS 12 – Disclosure of Interests in Other Entities[2]
- HKFRS 13 – Fair Value Measurements[2]

1 Changes effective for annual periods beginning on or after 1 July 2012
2 Changes effective for annual periods beginning on or after 1 January 2013
3 Changes effective for annual periods beginning on or after 1 January 2014
4 Changes effective for annual periods beginning on or after 1 January 2015

4 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors review the Group's financial information mainly from retail and export perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Hong Kong, Macau and Mainland China). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes other income, other gains, finance income, finance costs, share of profit/loss of a jointly controlled entity and unallocated income/expenses.

Segment assets mainly exclude interest in a jointly controlled entity, 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.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2012 is as follows:

	Unaudited Six months ended 31 August 2012			
	Retail		**Export**	**Total**
	HK & Macau	**Mainland China**	***(Note (a))***	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue from external customers	**94,641**	**618,035**	**30,669**	**743,345**
Reportable segment profit	**4,579**	**61,852**	**8,798**	**75,229**
Other income				**1,307**
Other gains				**4,168**
Finance income				**2,154**
Share of profit of a jointly controlled entity				**248**
Unallocated expenses				**(88)**
Profit before income tax				**83,018**
Income tax expense				**(22,815)**
Profit for the period				**60,203**
Depreciation and amortisation	**3,623**	**21,359**	**307**	**25,289**
Additions to non-current assets (Other than deferred tax assets)	**1,154**	**20,960**	**47**	**22,161**

The segment information for the six months ended 31 August 2011 is as follows:

	Unaudited Six months ended 31 August 2011			
	Retail		Export	Total
	HK & Macau	Mainland China	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	82,401	548,516	24,276	655,193
Reportable segment profit	6,417	72,822	4,952	84,191
Other income				1,298
Other gains				2,105
Finance income				1,984
Finance costs				(5)
Share of loss of a jointly controlled entity				(1,070)
Unallocated income				62
Profit before income tax				88,565
Income tax expense				(18,212)
Profit for the period				70,353
Depreciation and amortisation	2,420	20,626	463	23,509
Additions to non-current assets (Other than deferred tax assets)	4,386	23,167	841	28,394

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

Revenues from external customers are derived from the sales of shoes on a retail and export basis. The breakdowns of retail and export results are provided above. The retail sales of shoes mainly relates to the Group's own brand, Le Saunda, CnE and Linea Rosa. The export sales of shoes relates to the Group's own brand and the other shoe brands which are not owned by the Group.

An analysis of the Group's assets and liabilities as at 31 August 2012 by reportable segment is set out below:

	Unaudited As at 31 August 2012			
	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**178,240**	**1,206,452**	**66,876**	**1,451,568**
Interest in a jointly controlled entity				**34,103**
Interest in and amount due from an available-for-sale financial assets				**–**
Deferred tax assets				**45,014**
Unallocated assets				**244**
Total assets per condensed consolidated balance sheet				**1,530,929**
Segment liabilities	**20,326**	**207,213**	**15,672**	**243,211**
Amount due to a jointly controlled entity				**45,218**
Current income tax liabilities				**19,184**
Deferred tax liabilities				**26,716**
Unallocated liabilities				**10**
Total liabilities per condensed consolidated balance sheet				**334,339**

An analysis of the Group's assets and liabilities as at 29 February 2012 by reportable segment is set out below:

	Audited As at 29 February 2012			
	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	186,658	1,176,660	29,803	1,393,121
Interest in a jointly controlled entity				34,135
Interest in and amount due from an available-for-sale financial assets				–
Deferred tax assets				43,573
Unallocated assets				129
Total assets per condensed consolidated balance sheet				1,470,958
Segment liabilities	17,779	178,091	4,885	200,755
Amount due to a jointly controlled entity				30,805
Current income tax liabilities				16,679
Deferred tax liabilities				26,714
Unallocated liabilities				22
Total liabilities per condensed consolidated balance sheet				274,975

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

REVENUE

	Unaudited Six months ended 31 August	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**79,662**	71,300
Mainland China	**618,035**	548,516
Macau	**14,979**	11,101
Russia	**23,056**	15,884
Other countries *(Note (a))*	**7,613**	8,392
Total	**743,345**	655,193

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

For the six months ended 31 August 2012, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (for the six months ended 31 August 2011: HK$Nil).

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	Audited
	31 August	29 February
	2012	2012
	HK$'000	*HK$'000*
Hong Kong	**29,909**	32,348
Mainland China	**289,710**	295,469
Macau	**69,748**	70,088
Total	**389,367**	397,905

5 OTHER INCOME AND OTHER GAINS

	Unaudited Six months ended 31 August	
	2012	2011
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	**1,307**	1,298
Other gains		
Net exchange gains *(Note (a))*	**4,168**	2,105
	5,475	3,403

(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	
	2012	2011
	HK$'000	*HK$'000*
Auditors' remuneration	**841**	929
Amortisation of land use rights	**456**	452
Depreciation of property, plant and equipment	**24,833**	23,057
Loss on disposal of property, plant and equipment	**1,007**	619
Cost of inventories recognised as expenses included in cost of sales	**208,701**	179,056
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**47,999**	40,391
– contingent rent	**1,697**	1,391
Freight charges	**6,837**	6,366
Concessionaire fee	**122,252**	95,894
Impairment losses / (write-back of impairment) on inventories	**1,382**	(1,622)
Direct operating expenses arising from investment properties that generated rental income	**122**	113
Staff costs (including directors' emoluments and value of employee services)	**177,007**	162,673

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August **2012** ***HK$'000***	 2011 *HK$'000*
Current income tax		
PRC corporate income tax	**24,256**	14,671
Deferred taxation	**(1,441)**	3,541
	22,815	18,212

No provision for Hong Kong profits tax has been made as there were available tax losses brought forward from prior years to offset the assessable profits.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in PRC at 25% (2011: range from 24% to 25%). One of the subsidiaries of the Company established in the PRC that was 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, the 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, 2010 and 2011.

8 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 **2012** ***HK$'000***	 2011 *HK$'000*
Profit attributable to equity holders of the Company	**61,067**	70,014
Weighted average number of ordinary shares in issue *('000)*	**639,314**	639,314
Basic earnings per share *(HK cents)*	**9.55**	10.95

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 diluted earnings per share for the period ended 31 August 2012 was the same as the basic earnings per share as the Company's share options outstanding during the period was anti-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.

	Unaudited Six months ended 31 August	
	2012	2011
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**61,067**	70,014
Weighted average number of ordinary shares in issue *('000)*	**639,314**	639,314
Adjustments for share options *('000)*	**–**	–
Weighted average number of ordinary shares for diluted earnings per share *('000)*	**639,314**	639,314
Diluted earnings per share *(HK cents)*	**9.55**	10.95

9 DIVIDENDS

	Unaudited Six months ended 31 August	
	2012	2011
	HK$'000	*HK$'000*
Interim dividend of HK4.0 cents and special dividend of HK1.5 cents (six months ended 31 August 2011: HK5.0 cents) per share	**35,162**	31,966

A dividend of HK$55,620,000 that related to the financial year ended 29 February 2012 was paid in August 2012 (2011: HK$55,620,000).

At the Board of Directors meeting held on 25 October 2012, the Board of Directors has resolved to declare an interim dividend of HK4.0 cents per share and a special dividend of HK1.5 cents per share. These dividends are not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2013.

10 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2012 *HK$'000*	Audited 29 February 2012 *HK$'000*
Trade receivables *(note (a))*		
Current to 30 days	**142,739**	116,598
31 to 60 days	**8,290**	8,285
61 to 90 days	**2,734**	1,426
Over 90 days	**4,264**	1,978
	158,027	128,287
Other receivables	**7,745**	6,220
Total	**165,772**	134,507

(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.

11 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 2012 *HK$'000*	Audited 29 February 2012 *HK$'000*
Trade creditors		
Current to 30 days	**62,148**	29,218
31 to 60 days	**34,912**	21,934
61 to 90 days	**10,161**	5,379
91 to 120 days	**4,452**	2,531
Over 120 days	**3,405**	6,112
	115,078	65,174
Accruals	**128,143**	135,603
Total	**243,221**	200,777

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group, which has adopted a vertically-integrated business model, is engaged in the design, development, manufacturing and retail chains of ladies' and men's footwear, handbags and fashion accessories in Hong Kong, Macau and Mainland China. The major self-brands of the Group, including "le saunda", "le saunda MEN", "CNE" and "Linea Rosa", comprises different tiers of customers with distinct product lines.

In the first half of the 2012/13 fiscal year, the total revenue of the Group increased by 13.4% year-on-year to HK$743.3 million (2011/12: HK$655.2 million). With consolidated gross profit up 14.6% to HK$476.1 million (2011/2012: HK$415.6 million), the Group maintained a gross profit margin of 64.1%, representing 0.7 percentage point higher compared to the corresponding period of last year. Due to the consistent rise in operating costs and the expiration of the PRC tax holiday, consolidated profit attributable to equity holders of the Company decreased by 12.8% year-on-year to HK$61.1 million.

HK$ Million	**2012/13 1H**	2011/12 1H	**Changes**
Revenue	**743.3**	655.2	13.4%
Gross Profit	**476.1**	415.6	14.6%
Gross Profit Margin	**64.1%**	63.4%	0.7 percentage point
Profit Attributable to Equity Holders	**61.1**	70.0	(12.8%)

FINANCIAL REVIEW

Operating Results

During the period under review, retail operation continued to be the Group's principal revenue contributor, accounting for 95.9% of consolidated revenue. The total revenue of the Group increased by 13.4% year-on-year to HK$743.3 million (2011/12: HK$655.2 million). There was a marked decline in revenue growth due to the following factors: first, there was an abrupt slowdown in economic growth in Mainland China since the fourth quarter of 2011, resulting in declines in consumer confidence and purchasing decision. In the first half of 2012, China's total Gross Domestic Product (GDP) increased by 7.8% year-on-year, much lower than the 9.6% growth in the corresponding period of last year. Second, the performance of domestic department stores was dragged down by a recession in the retail sector, which inevitably affected the Group's results negatively as most of our retail outlets in Mainland China were located in department stores. Third, as the Group expected that the unfavourable macroeconomic factors would not be resolved in short-term, resulting in the shutting down some underperforming retail stores, mainly "CNE" stores, so as to maintain a highly efficient core sales network and healthy profit margin. Fourth, there was a slowdown in the growth rate of individual tourists in Hong Kong, and their spending preference shifted from consumer goods to home necessities, which affected the overall retail performance of consumer goods in Hong Kong.

Gross Profit & Profitability

During the period under review, despite a prolonged discount period and more aggressive discount rates in the retail markets in general, the Group recorded a gross profit of HK$476.1 million (2011/2012: HK$415.6 million), an increase of 14.6%, and successfully maintained a high gross profit margin of 64.1%, 0.7 percentage point higher than the corresponding period of last year. This is attributable to the Group's constant focus on the mid-to-high-end market, which generally offers fewer discounts compared to the mid -to-low -end market.

Selling and distribution expenses increased by 21.7% year-on-year to HK$318.6 million (2011/12: HK$261.7 million). The increase in selling and distribution expenses outstripped the pace of growth in revenue mainly due to three factors: first, rents and labour costs were the two major components of selling costs. During the period under review, shop rental expenses in Hong Kong increased by over 10% year-on-year. The concessionaire rate of department stores in Mainland China experiences an upside adjustment every year, posting growth of approximately 1 to 2 percentage points during the period under review. Second, due to the minimum wage policy in China, the pace of growth in the average wages of frontline sales personnel and factory workers outstripped the pace of growth in revenue. Third, there was a one-off write-off with the shutdown of a number of underperforming stores. In terms of sales ratio, selling and distribution expenses accounted for 42.9% of total revenue (2011/12: 39.9%), representing an increase of 3.0 percentage points. However, the Group passed part of the increased costs onto customers by adjusting retail prices.

General and administrative expenses increased by 18.2% to HK$82.4 million (2011/12: HK$69.7 million). During the period under review, in terms of sales ratio, general and administrative expenses accounted for 11.1% of revenue (2011/12: 10.6%), representing an increase of 0.5 percentage point, mainly due to an increase in payroll expenses for administrative staff. Due to high inflation in Mainland China, as well as the competing demand for experienced managerial and administrative talents brought by a number of new foreign companies entering the China market, the upward trend in the salaries of such talents has been intensified.

Consolidated profit attributable to equity holders of the Group was HK$61.1 million, a decrease of 12.8% from the corresponding period last year. Basic earnings per share decreased by 12.8% year-on-year to HK9.55 cents (2011/12: HK10.95 cents). The Board resolved to declare an interim dividend of HK4.0 cents per ordinary share and a special dividend of HK1.5 cents per ordinary share (2011/12: HK5.0 cents), maintaining a high dividend payout ratio of 57.6% (2011/12: 45.7%).

Impacts on profit from change in tax rate

Income tax expenses for the period under review amounted to approximately HK$22.8 million (2011/12: HK$18.2 million). The increase was mainly due to the preferential PRC income tax policy applicable to the Group's Shunde production base had been expired by the end of 2011. Effective from 2012, all business entities of the Group in the PRC are subject to an income tax rate of 25%. However, the Group is entitled to some supportive preferential policies by the local governments in certain regions in which the Group operates its businesses, and expects to credit certain local governmental subsidies as "Other Income" item at a later date.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remains strong and healthy. As at 31 August 2012, the Group's cash and bank balance amounted to HK$398.0 million (29 February 2012: HK$424.7 million), with a quick ratio of 1.8 times (29 February 2012: 2.3 times). As at the period-end date, the Group had no short-term bank loans (29 February 2012: HK$Nil). Forward contracts will be used, if necessary, to hedge purchases from overseas, related debts and bank borrowings. The Group did not enter into any forward contracts to hedge its foreign exchange risks 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.

During the six months ended 31 August 2012, the Group held cash and bank balances in Hong Kong dollars, US dollars, Euro and Renminbi, which were deposited in leading banks with maturity dates of less than one year.

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

BUSINESS REVIEW

Retail Business and Network

During the period under review, retail operations remained the Group's principal revenue contributor. Total revenue of the retail segment increased by 12.9% year-on-year to HK$712.6 million, accounting for 95.9% of the Group's consolidated revenue. The Group's retail business in Hong Kong, Macau and Mainland China reported stable growth, mainly driven by the continuous expansion of its retail network.

Consolidated Revenue	**Six months ended 31 August 2012** ***(HK$ Million)***	**% to Total**	Six months ended 31 August 2011 *(HK$ Million)*	% to Total	**Year-on-year Growth**
Retail Operations:					
Mainland China	**618.0**	**83.2%**	548.5	83.7%	12.7%
Hong Kong and Macau	**94.6**	**12.7%**	82.4	12.6%	14.8%
Retail Sub-total	**712.6**	**95.9%**	630.9	96.3%	12.9%
Export	**30.7**	**4.1%**	24.3	3.7%	26.3%
Group's Total Revenue	**743.3**	**100.0%**	655.2	100.0%	13.4%

The Mainland China market remains the Group's major retail revenue driver. As at the period-end date under review, the Group had a retail network covering 897 outlets in Mainland China, Hong Kong and Macau, a net increase of 107 outlets compared to the corresponding period of last year. As at 31 August 2012, the details of retail network coverage were as below:

	As at 31 August 2012		
Number of Outlets by Region	**Self-owned (changes over the last corresponding period)**	**Franchised (changes over the last corresponding period**	**Total (changes over the last corresponding period**
Mainland China	728 (+119)	149 (-15)	877 (+104)
• Northern, Northeastern & Northwestern	166 (+45)	94 (-8)	260 (+37)
• Eastern	224 (+31)	4 (-4)	228 (+27)
• Central and Southwestern	129 (+10)	39 (-)	168 (+10)
• Southern	209 (+33)	12 (-3)	221 (+30)
Hong Kong and Macau	20 (+3)	—	20 (+3)
Total	748 (+122)	149 (-15)	897 (+107)

Mainland China

From January to August 2012, total retail sales of consumer goods in Mainland China grew at a nominal rate of 14.1% year-on-year, while effective growth factoring out pricing changes was 11.4%, representing an increase of 0.1 percentage point as compared with the corresponding period of last year. In view of domestic consumer confidence being weakened by the central government's austerity policies, department stores rolled out more promotion initiatives, which inevitably affected our performance adversely as most of our retail outlets are located in department stores in Mainland China. During the period under review, the retail business in Mainland China continued to be the Group's principal source of profit. Affected by the slowdown in economic growth and rising labour costs, the profitability of Group's retail business in Mainland China faced some pressure.

To cope with the complex economic environment, the Group adjusted its strategies and implemented a series of major transformations in order to maximize returns from its streamlined and highly efficient retail network by actively expanding its core brand stores and re-organizing its network layout. The Group's retail network currently focuses on Eastern and Southern China, where it has 748 self-owned outlets and 149 franchised outlets, and will expand to the Northern and Northwestern regions in the future.

The core "le saunda" brand has grown steadily. As at the end of August 2012, the Group added 116 new outlets on a year-on-year basis, bringing the total number of outlets to 630. The "le saunda MEN" brand added 17 new stand-alone counters, bringing the total number of its stand-alone counters to 89. The high-end fashion brand "Linea Rosa" has been rolled out for just one year, with the number of its stores reaching 16, all of which are delegate its premium premises. In response to this unfavorable macroeconomic environment, the Group decided to shut down some underperforming "CNE" outlets so as to prepare for the next round of rapid growth.

Online retail has become increasingly popular in China and is now widely recognized and accepted among Chinese consumers. Therefore, the Group has put effort into developing its B2C business. Since the establishment of its e-commerce department in 2010, the Group's online business has been developing rapidly. During the period under review, the Group commenced new cooperation with more than ten online sales platforms, realizing year-on-year revenue growth of more than 60%. Due to its short history, the e-commerce business still accounted for a relatively low proportion of total revenue. Putting emphasis on cultivating and protecting its online brand image, the Group also rolls out more exclusive products to prevent the negative impact of pricing of its offline business from its online business and to expand the niche online business. The Group believes that e-commerce will become increasingly important over time and will generate stable and recurring revenue for the Group.

Hong Kong and Macau

In Hong Kong, total retail sales grew by 10.8% year-on-year for the first eight months of this year, a significant decline as compared with 25.6% for the corresponding period of last year. During the period under review, the Group's retail business in Hong Kong and Macau reported stable growth. Total revenue increased by 14.8% year-on-year to HK$94.6 million, accounting for 12.7% of the Group's consolidated revenue. Due to a prolonged promotional period, and deeper discount rates in the retail sector in general, as well as the launch of two more factory outlets, the average selling price and gross profit margin in Hong Kong and Macau experienced a decline during the period under review when compared with the corresponding period of last year. In recent years, the significant hike in shop rents in Hong Kong and rising wages have affected the Group's margins. In the future, the Group will maintain its competitiveness by making continuous improvements in operational efficiency, enhancing brand management, relocating stores and opening more stores in shopping malls rather than street-level shops.

Export Business

During the period under review, the Group's export revenue increased by 26.3% year-on-year to HK$30.7 million (2011/2012: HK$24.3 million), accounting for 4.1% of the Group's total revenue, a slightly higher percentage compared to 3.7% in the corresponding period of the previous year. The export market is expected to remain sluggish in the second half of the year due to the persistence of weak demand in global consumer markets in the wake of the widening influences of the aggravating European sovereign debt crisis.

Product Matrix & Category

In terms of product matrix, ladies' footwear remained the Group's major revenue contributor, achieving year-on-year growth of 12.4% in revenue during the period under review and accounting for 78.3% of the Group's total retail revenue. Revenue from the men's footwear business, another growth driver of the Group, grew by 14.3%, accounting for 12.0% of the Group's retail revenue.

Product Category	**Growth Year-on-year** *(%)*	**Six months ended 31 August 2012** ***Sales Mix (%)***	Six months ended 31 August 2011 *Sales Mix (%)*	**Changes in Sales Mix** *(Percentage points)*
Ladies' Footwear	12.4	**78.3**	78.7	(0.4)
Men's Footwear	14.3	**12.0**	11.9	0.1
Ladies' Handbags and Accessories	17.6	**9.7**	9.4	0.3
Total		**100.0**	100.0	

Inventory & Supply Chain Management

As at 31 August 2012, the Group's inventory balance was HK$492.0 million, up 6.6% year-on-year as compared with HK$461.4 million for the corresponding period of last year. Inventory turnover days rose to 241 days (31 August 2011: 210 days). A breakdown of the increase in the inventory balance is as follows:

HK$ (million)	**As at 31 August 2012**	As at 31 August 2011	**Increase in Value**	**Increase in %**
Raw Materials and Work-in-progress	**79.8**	109.2	(29.4)	**(26.9)**
Finished Goods	**412.2**	352.2	60.0	**17.0**
Total	**492.0**	461.4	30.6	**6.6**

During the period under review, the inventory of finished goods increased by 17.0% year-on-year, less than the 19.5% increase in the number of retail outlets, reflecting that per store inventory levels are gradually under control. However, the Group witnessed an increase in inventory turnover days during period under review, which was primarily attributable to three factors. First, product mix: the Group has penetrated more into the high-end market since last year by rolling out the high-end Linea Rosa brand and high-end men's "ltauomo" footwear series. High-end products generally see slower turnover rates than mid-end products, thereby slowing down the inventory turnover. Second, the efficiency of new stores has not reached that of established ones. The Group has been actively expanded its sales network of core brands in the past two years, and sufficient inventories are needed when opening new stores. In general, the operational efficiency of new stores is lower than that of established ones, and this is to certain extent affect the inventory turnover. Third, new merchandising policy: the Group has changed its merchandising policies since 2011, requiring the new season products to be delivered two to three months in advance so as to capture market opportunities. The early delivery of winter products in this June, coupled with their higher cost compared to summer products, also contributed to the increase in inventory turnover days. Therefore, an increase in inventory turnover days is a natural consequence of network and business expansion.

Though inventory turnover days are comparatively long, the Group maintains strict control over the age of its inventory. As at 31 August 2012, the value of the Group's inventory of finished goods increased by HK$60.0 million, the majority of which were current season products. Age analysis shows that the Group's inventory level of finished goods remained healthy, with approximately 87% of inventory aged less than one year (31 August 2011: 89%), 55% of which were aged less than six months.

OUTLOOK

The Group believes that the slowdown in domestic economic growth and the uncertainties in the global economy will not be resolved in the short term, and is expected to continue to dampen consumer sentiment and retail demand. In addition, the PRC government requires that the minimum wage be raised by at least 13% each year from 2011 to 2015. Surging labour costs and spiraling rents will exert pressure on operating margins in the future. Meanwhile, China's economy is transforming from one that has been export and investment oriented to one that is mainly driven by domestic demand. Moreover, the rising minimum wage and steady growth in disposable income, together with the growing middle class and the accelerating urbanization, will benefit the retail market over the mid-to-long term.

The Group is positioning itself as a mid-to-high-end leather goods expert that believes in close attention to product quality, brand building, as well as retail and operational management, The Group is addressing its competitiveness by practicing "efficient direction, progressing stably" to utilize its strengths as immediate short-term goal. In the mid-to-long run, the Group will reform with the goal of "Achieving breakthroughts and moving forward" to carry out the China market strategy "vertically and horizontally".

Short-term goal – "Efficient Direction, Progressing Stably"

Facing challenges in the macro economy, the Group is implementing the following internal reforms in a timely manner in order to enhance its operating structure and efficiency:

(1) Reduction of inventories. During the period under review, the Group launched 6 new factory outlets, bringing the total number of factory outlets to 55, which helped to ease inventory levels. The Group aims to restore inventory turnover days to less than 200 days within two years.

(2) Consolidation of supply chains, optimization of production processes and shortening of replenishment period. During the period under review, the new ERP system was in full operation at our Shunde production base, which enhanced our real-time control over each production process, reduced the storage period of the work-in-progress and improved the accuracy of information retrieval. We expect the ERP system to effectively shorten the production process and to therefore speed up the replenishment cycles. The Group strives to realize market-oriented production by enriching its product offerings in greater numbers of batches, improving the proportion of replenishments and shortening the production lead-time.

(3) Improvement of per store sales and effectiveness. In China's colossal retail market, there are major cultural differences across the different regions of the country, resulting in variations in consumer preferences. In recent years, the Group has been active in tapping China's second– and third-tier cities, and will allocate more resources to product development with a view to optimizing the core products of each brand as well as improving brand awareness and competitiveness. Meanwhile, the Group will also strengthen the management of its logistics and marketing strategies, and will improve per store efficiency through its products and supply chain.

Mid-to-long term goal – widening the network with diversified brand portfolio

With the strategy of "vertical and horizontal penetration" for the Mainland China market, the Group will continue to target the mid-to-high-end market. Given the fact that each brand has its own growth cycle, it is essential to provide different styles to different target customer groups and to enrich the product offerings of the mid-to-high-end collections so as to maintain long term growth of the brand.

(1) The Group will continue to strengthen the core market value "le saunda" brand among professional customers. Apart from deepening its existing market penetration and expanding its product offerings, the Group will enlarge its product collections so as to more deeply penetrate its sales channels and to meet the considerable demand from the fast growing markets in second– and third-tier cities in China. Besides the highly promising mid-end ladies' footwear market, the Group has also noticed that the mid-end trendy men's footwear market has been booming. The Group will allocate more resources, from product to technological development support for men's footwear, and will improve its brand image and awareness. The Group has engaged Mr. Louis Koo Tin Lok, a well-known TV and movie star, to be the brand's endorser, a campaign which has generated a very positive response.

(2) Our mid-end "CNE" brand has not been progressing as expected since it was established ten years ago. The Group has been involved in restructuring the "CNE" brand with a refined market position for young and stylish girls as well as upgrading the "CNE" store image. The Group is also cooperating with an international entertainment brand to launch the first co-branded ladies' footwear collection, which is expected to debut at "CNE" stores in Mainland China in the fourth quarter of 2012. We are the first ladies' footwear company in China to engage in such a cross-over collaboration. Targeting young ladies in the mid-end market, the "CNE" brand will further develop in second– and third-tier cities after two to three quarters of consolidation in order to increase and secure a larger market share.

(3) As China's middle class population grows, demand for high-end products and trendy personalized items has surged. Leveraging this market trend, the Group launched the high-end "Linea Rosa" ladies' footwear brand and the "Itauomo by le saunda" high-end men's footwear series in 2011, expanding its brand coverage from the mid-to-high-end market to the high-end market. For the high-end "Linea Rosa" brand, the Group will commit to offering novel market-oriented products so as to dominate the high-end footwear market.

(4) With respect to our retail network coverage, most of our stores are located in first– and second-tier cities. In the future, we will extend our market to the fast-growing emerging second– and third-tier cities with the aim of winning a larger market share. At this time, most of our retail stores in Mainland China are located in department stores. With the consumer trend in first-and second-tier cities shifting from department store to shopping malls, the Group has started to deploy core brand flagship stores and multi-brand integrated stores in such cities, while department stores will continue to play a significant role in the exploration in third-tier cities. The Group will continue its policy of setting up self-owned stores primarily in first-and second-tier cities and establishing franchised stores primarily in third-and fourth-tier cities. The franchised stores will play a pioneering role in penetrating the emerging cities.

(5) With regards to its new brand layout, to explore the massive mid-to-high-end footwear market, especially in second– and third-tier cities, the Group will capture opportunities to launch new mid-to-high-end brands within two to three years in order to maximize its brand portfolio. As such, the Group will further strengthen its research and development capabilities and improve its product quality. Apart from recruiting local designers and training young designers, the Group also cooperates with a professional design studio in Italy to develop fashionable European style men's and ladies' footwear and leather product collections.

With its professional talents and its sophisticated and standardized management operational procedures, the Group embraces a strong reputation in the industry. It aims to consolidate its current strengths, to achieve a better position in the future, and to leverage innovations and breakthroughs to scale new heights. The Group strives to offer quality products, explore new sales channels, cooperate with world-renowned brands and intensify its brand campaigns by signing brand endorsers and enchancing marketing initiatives, which will enable the Group to sharpen its long-term competitiveness.

Le Saunda was founded by Mr. Marces Lee Tze Bun in 1977 and was listed on the Hong Kong Stock Exchange in 1992. This year is the 35th anniversary of the establishment and the 20th anniversary of the listing of the Group. Mr. Lee retired as Chairman in June this year and was succeeded by Mr. James Ngai. Mr. Lee is fully confident that the professional management team is capable of sustaining the sound development of the Group. The continuous efforts of our staff and the solid support of our shareholders, clients and business partners form the backbone of our success. Our management team believes that our commitment to a prudent and practical operation will bring higher returns to our shareholders over the long run.

PLEDGE OF ASSETS

As at 31 August 2012, bank deposits of HK$2.8 million (29 February 2012: HK$1.9 million) have been pledged as rental deposits for certain subsidiaries of the Group.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of HK$120.0 million (29 February 2012: HK$120.0 million) of which HK$21.7 million (29 February 2012: HK$9.8 million) was utilised as at 31 August 2012.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK4.0 cents and a special dividend of HK1.5 cents per ordinary share for the six months ended 31 August 2012 (2011/12: HK5.0 cents) payable on Thursday, 22 November 2012 to all shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 14 November 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2012, the Group had a staff force of 5,637 people (29 February 2012: 5,529 people). Of this number, 176 were based in Hong Kong and 5,461 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate to the levels 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 2012, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$177.0 million (2011: HK$162.7 million). The Group has all along organized structured and diversified training programmes for staff at different levels. Outside consultants will be invited to broaden the contents of the programmes.

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, 12 November 2012 to Wednesday, 14 November 2012, both days inclusive, during such period no transfer of shares will be effected. In order to qualify for the interim dividend and the special dividend which will be payable on Thursday, 22 November 2012, 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, at Units 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 9 November 2012.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 August 2012.

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 (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (the "New CG Code") (effective from 1 April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for deviation from code provision A.6.7 of the New CG Code which stipulates, among others, that independent non-executive directors and other non-executive directors should attend general meetings. Due to another business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 16 July 2012.

AUDIT COMMITTEE

During the six months ended 31 August 2012, 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, 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 information for the six months ended 31 August 2012.

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 Stock Exchange's website and the Company's website: http://www.lesaunda.com.hk.

REMUNERATION COMMITTEE

During the six months ended 31 August 2012, 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 non-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 remuneration of all 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 chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board. No Director or senior management or any of his associate will be involved in deciding his own remuneration.

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 Stock Exchange's website and the Company's website: http://www.lesaunda.com.hk.

NOMINATION COMMITTEE

The Board established the Nomination Committee on 19 March 2012. It was constituted by four members, namely Mr. Hui Chi Kwan, who presided as the chairman, Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. James Ngai, the majority of which are independent non-executive Directors.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The role and authorities of the Nomination 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 Stock Exchange's website and the Company's website: http://www.lesaunda.com.hk.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as 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 that they have compiled with the required standard set out in the Model Code during the six months ended 31 August 2012.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk). The interim report of the Company for the six months ended 31 August 2012 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the above websites in due course on or before 30 November 2012.

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 support.

By Order of the Board
James Ngai
Chairman

Hong Kong, 25 October 2012

As at the date of this announcement, the Company's executive Directors are Ms. Lau Shun Wai, Ms. Wong Sau Han, Ms. Chu Tsui Lan and Ms. An You Ying; non-executive Directors are Mr. James Ngai and Mr. Lee Tze Bun, Marces; independent non-executive Directors are Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan.

(All monetary values in this announcement are expressed in Hong Kong Dollars unless stated otherwise).