



le saunda holdings ltd.

利信達集團有限公司

interim report 2013/14

(Stock Code : 0738)





CONTENTS

A woman in a white suit and high heels stands against a yellow background with geometric lines. The word 'CONTENTS' is written diagonally across the image.

02	Corporate Information
04	Management's Discussion and Analysis
23	Condensed Consolidated Interim Income Statement
24	Condensed Consolidated Interim Statement of Comprehensive Income
25	Condensed Consolidated Interim Balance Sheet
27	Condensed Consolidated Interim Statement of Changes in Equity
29	Condensed Consolidated Interim Cash Flow Statement
30	Notes to the Condensed Consolidated Interim Financial Information
50	Disclosure of Interests
57	Corporate Governance and Other Information

Note: All monetary values are expressed in Hong Kong Dollars unless stated otherwise.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lau Shun Wai (*Chief Executive Officer*)
 Wong Sau Han
 Chu Tsui Lan (*Chief Operating Officer*)
 An You Ying

NON-EXECUTIVE DIRECTORS

James Ngai
 Lee Tze Bun, Marces

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
 James Ngai

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Yuen Chee Wing

PRINCIPAL BANKERS

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

AUDITOR

PricewaterhouseCoopers
 22nd Floor, Prince's Building
 Central, Hong Kong

LEGAL ADVISERS

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

REGISTERED OFFICE

Clarendon House
 2 Church Street
 Hamilton HM 11
 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17th Floor
 1063 King's Road
 Quarry Bay, Hong Kong

SHARE REGISTRAR (IN BERMUDA)

HSBC Securities Services (Bermuda) Limited
 6 Front Street
 Hamilton HM 11
 Bermuda

SHARE REGISTRAR (IN HONG KONG)

Computershare Hong Kong Investor Services Limited
 Units 1712–1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wan Chai, Hong Kong

LISTING INFORMATION

Listing: The Stock Exchange of Hong Kong Limited
 Stock Code: 0738
 Board Size: 2,000 Shares

INVESTOR RELATIONS

Email address: ir@lesaunda.com.hk

WEBSITE ADDRESS

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



MANAGEMENT'S
DISCUSSION AND ANALYSIS

OVERVIEW





OVERVIEW

Carrying forward the lacklustre performance last year, the overall economic growth of China further slowed down in the first half of 2013. The retail market remained sluggish during the period, manifested by shrinking demand for consumer goods, weak spending sentiment and low consumer confidence. In response to such unfavourable market condition, the Group has adjusted timely its strategies since last year. It has implemented some improvements on operation, including streamlining its supply chain and focusing on increasing the same-store-sales of existing stores. After a year of efforts, the Group achieved remarkable results both on its financial indicators and operational indicators. This comparatively outperformed the retail market during the period.

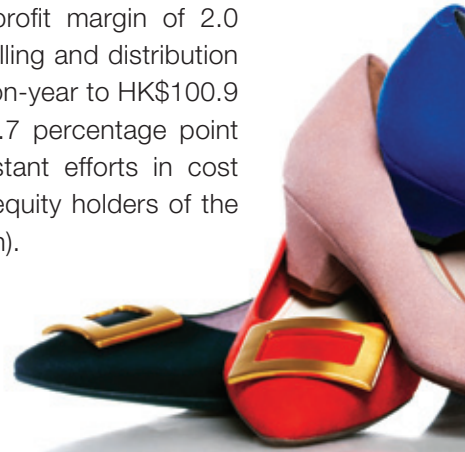
Coupled with the improvement initiatives mentioned above, the Group managed to get a breakthrough in three aspects, namely brand, products and supply chain. The Group's brands always stand for fine quality and elegant designs in the consumer market. Nonetheless, during the period under review, the Group has put extra efforts in strengthening its brand image. To expand its customer base in the youth market, the Group has also extended separate products offerings for this target segment. Benefited from the upgraded production ERP system, the supply chain of the Group has greatly improved, evidenced by a shortened replenishment cycle and the increased proportion of replenishment orders. All these contributed to the achievements of a same-store-sales growth rate of 16.1% and a 7-day year-on-year decrease in inventory turnover days in the first half of the financial year.

FINANCIAL REVIEW

OPERATING RESULTS

In the first half of the 2013/14 fiscal year, the total revenue of the Group increased by 17.6% year-on-year to HK\$874.1 million (2012/13: HK\$743.3 million). Despite the prolonged recovery of the retail market, the Group managed to raise its consolidated gross profit by 21.3% to HK\$577.5 million and recorded a remarkable growth in overall gross profit margin of 2.0 percentage points to 66.1%, as compared to that of last year. Although selling and distribution expenses have been on the rise, operating profit increased by 25.1% year-on-year to HK\$100.9 million (2012/13: HK\$80.6 million) and operating profit margin rose by 0.7 percentage point year-on-year to 11.5%. All these were attributable to the Group's constant efforts in cost reduction and efficiency enhancement. Consolidated profit attributable to equity holders of the Company surged by 25.2% to HK\$76.4 million (2012/13: HK\$61.1 million).

FINANCIAL REVIEW





FINANCIAL REVIEW (CONTINUED)

OPERATING RESULTS (CONTINUED)

HK\$ million	1H 2013/14	1H 2012/13	Change
Revenue	874.1	743.3	17.6%
Gross profit	577.5	476.1	21.3%
Gross profit margin	66.1%	64.1%	2.0 percentage points
Operating profit	100.9	80.6	25.1%
Operating profit margin	11.5%	10.8%	0.7 percentage point
Consolidated profit attributable to equity holders	76.4	61.1	25.2%
Basic earnings per share (HK cents)	11.96	9.55	25.2%
Interim dividend (HK cents)	7.0	5.5*	1.5 cents
Dividend pay-out ratio	58.5%	57.6%	0.9 percentage point

* Interim dividend for 2012/13 included an interim dividend and a special dividend of HK4.0 cents and HK1.5 cents respectively







FINANCIAL REVIEW (CONTINUED)

GROSS PROFIT & PROFITABILITY

During the period under review, although the retail market remained sluggish, the Group managed to boost sales with its outstanding brand value and excellent product positioning, other than with huge discounts and promotions. Beyond that, the change in business mix also had a positive effect on the gross profit margin. During the period, gross profit grew by 21.3% year-on-year to HK\$577.5 million (2012/13: HK\$476.1 million) while overall gross profit margin jumped by 2.0 percentage points to a new height of 66.1%, partly attributable to the significant scaling down of the export business which had a lower gross profit margin, would increase in overall margin too.

Selling and distribution expenses increased by 20.0% year-on-year to HK\$382.3 million (2012/13: HK\$318.6 million) mainly due to the increases in shop rentals and promotional expenses. During the period, the overall rental expenses still suffered from the steady rise in the concessionaire rate of department stores and high shop rentals in Hong Kong. Since last year, the Group has stepped up its brand-building efforts by inviting Mr. Louis Koo Tin Lok, a well-known movie star in Asia, to endorse the le saunda brand. This generated positive market response and raised the brand's awareness effectively. During the period, the Group continued to engage Mr. Louis Koo Tin Lok as the brand's endorser. With more different marketing campaigns deployed, the overall selling expenses increased and the ratio of advertising and promotional expenses to revenue rose to 2.3%. This percentage was still at a relatively low level compared to the industry average and the increase was an inevitable outcome for brand-building. In terms of sales ratio, selling and distribution expenses accounted for 43.7% of total revenue (2012/13: 42.9%), representing an increase of 0.8 percentage point, and the rate of increase was largely eased.

General and administrative expenses jumped by 22.0% to HK\$100.5 million (2012/13: HK\$82.4 million) compared with that of last year. During the period under review, the Group continued to adopt strict control of its administrative and back-office expenses. The ratio of general and administrative expenses to revenue grew by 0.4 percentage point year-on-year to 11.5% (2012/13: 11.1%). Since the minimum wage policy has been implemented in Mainland China, the Group has made several salary increments for its staff and improved the working environments and benefits over the past few years so as to maintain its competitiveness in the long run. During the period under review, the recruitment of additional management and retail talents has also caused an increase in overall staff costs.

FINANCIAL REVIEW (CONTINUED)

GROSS PROFIT & PROFITABILITY (CONTINUED)

During the period under review, income tax expenses grew by 23.3% year-on-year to HK\$28.1 million (2012/13: HK\$22.8 million). The preferential tax treatment period enjoyed by the Group's production base in Shunde had expired. With effect from 2012, all business entities of the Group in Mainland China are subject to income tax rate of 25%, while the profit tax rate for the Hong Kong operations remains at 16.5%. Together with the withholding tax of 5–10% payable on dividends remitted by a Chinese subsidiary to its foreign parent companies, the Group's effective tax rate for the period was 26.8%. However, due to the Group's contributions to local economic development and the creation of job opportunities, the Group was entitled to some supportive and preferential subsidies as provided by the local governments in certain regions in which the Group operates. Such incentives have been included in "Other Income" since last fiscal year, but the tax rate would not be lowered in general.

Consolidated profit attributable to equity holders of the Company increased by 25.2% year-on-year to HK\$76.4 million (2012/13: HK\$61.1 million). Basic earnings per share rose by 25.2% year-on-year to HK11.96 cents (2012/13: HK9.55 cents). The Board has resolved to declare an interim dividend of HK7.0 cents (2012/13: HK5.5 cents) per ordinary share, thereby maintaining a high dividend payout ratio of 58.5% (2012/13: 57.6%).





FINANCIAL REVIEW (CONTINUED)

INVENTORY & SUPPLY CHAIN MANAGEMENT

As at 31 August 2013, the Group's inventory balance was HK\$492.5 million, which approximated to HK\$492.0 million for the corresponding period last year. Inventory turnover days of finished goods shortened by 7 days year-on-year to 234 days (31 August 2012: 241 days). A breakdown of inventory balance as at the end of the period is as follows:

HK\$ (million)	As at 31 August 2013	As at 31 August 2012	Changes in value	Changes in %
Raw materials and work-in-progress	71.0	79.8	(8.8)	(11.0%)
Finished goods	421.5	412.2	9.3	2.3%
Total	492.5	492.0	0.5	0.1%

Starting from last year, the Group has fully adopted an upgraded production ERP system, which effectively helped to enhance the management of each of the production processes, resulting in a shortened replenishment cycle. Although the retailers are consistently facing the problem of high inventory levels in recent years due to weak consumer confidence and consumption demand, the Group managed to steadily reduce its inventory level through improving its supply chain and optimising its product mix. As at 31 August 2013, the inventory balance of finished goods slightly increased by 2.3% year-on-year while the inventory turnover days of finished goods reduced by 7 days year-on-year, demonstrating that the inventory pressure on the Group has been relieved continuously. During the period, the Group achieved its stock clearance target with the opening of 14 new factory outlets as well as the use of e-commerce channels. Furthermore, the Group has maintained strict control over the age of its inventory, so that approximately 80% of the stock of finished goods were aged less than one year and approximately 28% of the overall inventory balance was related to the latest fall/winter collections.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position has always been strong and healthy. As at 31 August 2013, the Group's cash and bank balance amounted to HK\$475.7 million (28 February 2013: HK\$435.7 million), representing an increase of 9.2%. The quick ratio was 2.4 times (28 February 2013: 2.3 times). As at the end of the period under review, the Group had no bank loan (28 February 2013: HK\$Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the period. In addition, working capital requirements for the business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

FINANCIAL REVIEW (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 31 August 2013, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in several leading banks with maturities of less than one year.

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

BUSINESS REVIEW

The Group, which has adopted a vertically-integrated business model, engages in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and fashion accessories in Hong Kong, Macau and Mainland China. The major self-owned brands of the Group include le saunda, le saunda MEN, CNE and Linea Rosa, aiming to appeal to diversified target customer groups with their distinct product lines.

RETAIL BUSINESS AND NETWORK

Retail business has always been the Group's principal revenue contributor. Total revenue of the retail segment increased by 21.7% year-on-year to HK\$867.0 million (2012/13: HK\$712.6 million), which was mainly driven by a strong same-store-sales growth. The contribution of the retail business to the Group's total revenue grew to 99.2% compared to that of last year, attributable to the significant reduction in the export business.

Consolidated Revenue	Six months ended		Six months ended		Year-on-year change (%)
	31 August 2013 (HK\$ million)	% to total revenue	31 August 2012 (HK\$ million)	% to total revenue	
Retail business:					
Mainland China	760.8	87.1%	618.0	83.2%	23.1%
Hong Kong and Macau	106.2	12.1%	94.6	12.7%	12.2%
Retail Sub-total	867.0	99.2%	712.6	95.9%	21.7%
Export	7.1	0.8%	30.7	4.1%	(76.9%)
Group's Total Revenue	874.1	100.0%	743.3	100.0%	17.6%

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS AND NETWORK (CONTINUED)

After several years of rapid network expansion, the Group believes that it is the right time to consolidate stores and enhance single-store efficiency. As at the end of the period under review, the Group had a retail network comprising 997 outlets in Mainland China, Hong Kong and Macau, representing a net year-on-year increase of 100 outlets. Meanwhile, the Group continued to consolidate its CNE outlets, resulting in a slower pace of store opening. The geographical breakdown of the retail network as at 31 August 2013 is as follows:

Number of Outlets by Region	Self-owned (year-on-year changes)		Franchised (year-on-year changes)		Total (year-on-year changes)	
Mainland China	804	(+76)	170	(+21)	974	(+97)
• Northern, Northeastern & Northwestern	189	(+23)	107	(+13)	296	(+36)
• Eastern	255	(+31)	2	(-2)	257	(+29)
• Central and Southwestern	143	(+14)	44	(+5)	187	(+19)
• Southern	217	(+8)	17	(+5)	234	(+13)
Hong Kong and Macau	23	(+3)	—	(—)	23	(+3)
Total	827	(+79)	170	(+21)	997	(+100)

Despite the unfavourable retail market sentiment, the Group maintained a steady growth in its retail network. As at the end of the period, the Group's core brand, le saunda, had a year-on-year addition of 97 outlets, bringing the total number of outlets to 747. The Group's men's footwear brand, le saunda MEN, added 12 new stand-alone counters year-on-year, bringing the total number to 101. Since its launch two years ago, the high-end fashion brand Linea Rosa has already built up its brand value and customer loyalty with its fine quality and trend-setting products. The Group has carefully opened Linea Rosa stores at premium shopping locations that match its brand's image, and the total number of stores reached 23. In addition, the Group decisively closed down underperforming CNE outlets, resulting in a year-on-year reduction of 17 CNE outlets to 154. In the short run, improving its single-store sales and profitability remains the first priority of CNE's agenda.

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS AND NETWORK (CONTINUED)

Mainland China

During the period under review, despite the weak consumer confidence and the sluggish demand in the retail industry, the Group's sales in Mainland China surged by 23.1% to HK\$760.8 million driven by significant growth in same-store-sales. The Group has started to streamline the supply chain, enhance brand-building efforts and implement better product management since last year, so the single-store sales have effectively increased. In addition, the Group has speeded up the penetration into second- and third-tier cities where the single-store-sales have higher growth in general, so as to drive up the overall same-store-sales growth effectively. Benefited by the early entry into the Mainland China market, the Group's brands have enjoyed high awareness and possessed a huge base of loyal customers. During the period, notwithstanding the poor consumption sentiment in the Chinese retail industry, the Group's ASP in Mainland China recorded a 4.9% rise, showing a strong recognition of its brands. By region, the revenue from Mainland China was the largest contributor to the Group, and its retail revenue growth remarkably outperformed that in Hong Kong and Macau.

Hong Kong and Macau

The Hong Kong retail industry slowed down clearly since last year and individual tourists from Mainland China have become more cautious about their spending. During the period under review, the Group's retail business in Hong Kong and Macau performed well with revenue up 12.2% year-on-year to HK\$106.2 million. This was mainly attributable to the less discounts offered in Hong Kong and Macau, the increase in ASP, and various innovative marketing campaigns such as sponsoring footwear in "Inferno 3D", the first 3D disaster movie in Hong Kong starring the Group's brand endorser, Mr. Louis Koo Tin Lok. During the period under review, the Group opened 3 stores in Hong Kong and Macau, bringing the total number of stores to 23. However, the Group will not step up the retail network expansion in the short term in view of the persistent high rent in the region.

BUSINESS REVIEW (CONTINUED)

PRODUCT MIX

Ladies' footwear remained the Group's major revenue contributor by product category. During the period under review, all the three major product categories of the Group delivered satisfactory growth. This was attributable to the Group's efforts to drive sales growth by strengthening product development, increasing product offerings and refining product designs so as to be more responsive to the latest market trends. Since last year, the Group has increased the number of sales fairs from 4 to 6 every year in order to keep abreast of market demand. The ERP system at the production base also allows the Group to speed up stock replenishment. During the period under review, the ladies' footwear segment achieved a year-on-year growth of 20.5% and accounted for 78.1% of the Group's retail revenue. Regarding the men's footwear segment, the Group has increased its effort in brand-building and engaged Mr. Louis Koo Tin Lok to endorse the brand. As a result, revenue from sales of men's footwear increased by 21.5% and accounted for 12.1% of the Group's retail revenue, representing a slight increase of 0.1 percentage point. Sales of handbags and accessories recorded a growth of 21.9% compared to that of last year and their proportion in the Group's retail revenue grew slightly to 9.8%, mainly attributable to the increasing product supplies and offerings.

Product Category	Year-on-year Growth (%)	Sales Mix for the six months ended	Sales Mix for the six months ended	Changes in Sales Mix (percentage point)
		31 August 2013 (%)	31 August 2012 (%)	
Ladies' Footwear	20.5	78.1	78.3	-0.2
Men's Footwear	21.5	12.1	12.0	0.1
Handbags and Accessories	21.9	9.8	9.7	0.1
Total		100	100	

E-COMMERCE

Online sales are more prevalent in Mainland China. It has become an important channel for retailers. During the period under review, e-commerce division enhanced the management in different aspects such as product development, logistics management, customer service, human resources and sales platforms. It has also modified its online supply chain for a more timely response to the market. These initiatives have effectively led to a year-on-year revenue growth of over 130%. In addition, the e-commerce division has devoted itself to expanding its most promising online sales platforms such as Tmall to ensure a better utilisation of resources. The Group is optimistic about the future of e-commerce and expects a greater revenue contribution from e-commerce.

BUSINESS REVIEW (CONTINUED)

EXPORT BUSINESS

During the period under review, the Group's export revenue decreased significantly by 76.9% year-on-year to HK\$7.1 million (2012/13: HK\$30.7 million), accounted for 0.8% (2012/13: 4.1%) of the Group's total revenue. The continual drop in the proportion of export business was attributable to the Group's focus on developing the retail business and the weak demand from overseas markets.

FUTURE OUTLOOK AND LONG-TERM STRATEGY

SHORT-TERM GOAL – ENHANCING STORE EFFICIENCY, LOWERING INVENTORY LEVEL

Due to the slowdown in the Chinese economic growth, the retailers have struggled against weakening demands and high operating costs during the period. The Group, however, was able to sustain a stable development and achieved satisfactory results in terms of financial and operational indicators. These were attributable to its internal adjustments adopted last year, which aim to improve operating efficiency and create a solid foundation for a stable long-term development.

After the upgraded ERP system has been put into full operation at the production bases, the replenishment efficiency and re-order period have been greatly improved, which in turn helped to shorten the Group's response time to market trends. This is crucial for controlling stock level and boosting same-store-sales. In order to further enhance its operating efficiency and core competitiveness, the Group has planned to upgrade the POS system at the retail frontline.

As at the end of the period, the inventory turnover days decreased by 7 days to 234 days from 241 days for the corresponding period last year as a result of the Group's continuous efforts in clearing up stocks. In the short run, the Group will persist in lowering the inventory turnover days to a healthy level of less than 200 days by speeding up response to the market, optimising product mix and further improving product quality.

Since the second half of last fiscal year, the Group's same-store-sales growth has rebounded notably, demonstrating that its adopted measures are guiding the Group back to the growth cycle. Facing the prolonged recovery in retail market, the Group will still strive to achieve higher sales growth through boosting single-store efficiency and replacing low efficient shops with high efficient ones in the short run.

FUTURE OUTLOOK AND LONG-TERM STRATEGY (CONTINUED)

MID-TO-LONG TERM GOALS – IMPROVING OVERALL OPERATION EFFICIENCY WITH FURTHER INTERNAL REFORMS

A market-oriented product strategy is crucial for retailers to drive their sales. As such, they have to react to the market in a timely manner through shortening supply chain and accelerating stock replenishment cycle. In this regard, the Group has implemented a series of internal measures and obtained satisfactory outcome so far. The Group will further streamline its supply chain and enhance its brand value so as to capture greater market share.

le saunda, the Group's core brand, caters for office ladies who have higher expectation on quality and style of footwear. This target market segment has a stable demand, which can provide a solid customer base to the Group. The brand has always enjoyed a high recognition and customer loyalty in Hong Kong and Mainland China. The Group's future goal is to further expand the retail network by penetrating into second- and third-tier cities as well as the shopping malls in the Mainland China.

Linea Rosa, characterised by its trend-setting designs and excellent quality, appeals to a wide range of consumers since its launch two years ago. The Group has introduced this brand into the most prestigious business districts in the first-tier cities in Mainland China and has obtained a reputation in the high-end market. This brand has a total of 23 stores and the Group will continue to open high efficient stores at premium shopping locations according to its brand's position. In addition, the Group will further enhance the product quality to increase its popularity and maintain its high-end stylish brand image.

CNE effectively improved its same-stores-sales growth through a series of reforms adopted last year, including brand repositioning and closing down of underperforming stores. In order to enhance the brand-building efforts, the Group has engaged G.E.M. (Gloria Tang Tze-kei) to endorse the brand and organise CNE fashion shows in different regions. The Group will expand the CNE customer base and market share by further reforms on stores consolidation, product mix optimisation and marketing efforts enhancements.

le saunda MEN is still the Group's focus of future development. The Group has continuously engaged Mr. Louis Koo Tin Lok, a well-known movie star, to endorse the brand in order to further increase its market recognition. On the other hand, the handbag segment achieved good results during the period and the Group has planned to increase its revenue contribution too.

FUTURE OUTLOOK AND LONG-TERM STRATEGY (CONTINUED)

MID-TO-LONG TERM GOALS – IMPROVING OVERALL OPERATION EFFICIENCY WITH FURTHER INTERNAL REFORMS (CONTINUED)

Looking forward, the Group will adhere to its core values and develop its business in a relatively prudent manner so as to achieve a long-term stable growth. With its veteran management team and flexible and responsive mechanism, the Group is confident to sustain its competitive edges in an ever-changing retail market. The Group is also well-prepared for any adversity ahead. The Group will continue to optimise its supply chain and enhance its core brand value on quality to constantly provide stylish products to the consumers. The Group would like to express its sincere gratitude to the shareholders for their long-term support and recognition and continues to reward its shareholders with a constant high dividend payout. In the future, the Group will strive to realise its intrinsic value and maximise the returns to its shareholders.

PLEDGE OF ASSETS

As at 31 August 2013, bank deposits of HK\$3.0 million (28 February 2013: HK\$2.9 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\$230.0 million (28 February 2013: HK\$230.0 million), of which HK\$6.3 million (28 February 2013: HK\$9.4 million) was utilised as at 31 August 2013.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per ordinary share for the six months ended 31 August 2013 (2012: HK5.5 cents) payable on Monday, 25 November 2013 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 14 November 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2013, the Group had a staff force of 5,809 people (28 February 2013: 5,453 people). Of this number, 189 were based in Hong Kong and Macau and 5,620 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 2013, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK\$216.8 million (2012: HK\$177.0 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 training programmes.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2013

	Note	Unaudited	
		Six months ended 31 August	
		2013	2012
		HK\$'000	HK\$'000
Revenue	6	874,090	743,345
Cost of sales		(296,613)	(267,236)
Gross profit		577,477	476,109
Other income	7	2,051	1,307
Other gains	7	4,152	4,168
Selling and distribution expenses		(382,268)	(318,550)
General and administrative expenses		(100,531)	(82,418)
Operating profit	8	100,881	80,616
Finance income		3,807	2,154
Share of profit of a jointly controlled entity		130	248
Profit before income tax		104,818	83,018
Income tax expense	9	(28,142)	(22,815)
Profit for the period		76,676	60,203
Profit attributable to:			
— equity holders of the Company		76,446	61,067
— non-controlling interest		230	(864)
		76,676	60,203
Earnings per share attributable to equity holders of the Company (HK cents)			
— Basic	10	11.96	9.55
— Diluted	10	11.93	9.55
Dividends	11	44,752	35,162

The notes on pages 30 to 49 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 2013

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period	<u>76,676</u>	<u>60,203</u>
Other comprehensive income		
Currency translation differences	<u>14,656</u>	<u>(9,166)</u>
Other comprehensive income for the period, net of tax	<u>14,656</u>	<u>(9,166)</u>
Total comprehensive income for the period	<u>91,332</u>	<u>51,037</u>
Total comprehensive income for the period, attributable to:		
— equity holders of the Company	<u>90,899</u>	<u>51,997</u>
— non-controlling interest	<u>433</u>	<u>(960)</u>
	<u>91,332</u>	<u>51,037</u>

The notes on pages 30 to 49 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2013

		Unaudited 31 August 2013 HK\$'000	Audited 28 February 2013 HK\$'000
	Note		
ASSETS			
Non-current assets			
Investment properties	12	89,563	89,563
Property, plant and equipment	12	230,981	237,589
Land use rights	12	32,376	32,629
Long-term deposits and prepayments		15,963	18,137
Interest in a jointly controlled entity		35,840	35,112
Interest in and amount due from an available-for-sale financial asset	13	—	—
Deferred tax assets		49,984	51,807
		<u>454,707</u>	<u>464,837</u>
Current assets			
Inventories		492,502	469,492
Trade and other receivables	14	177,783	198,837
Deposits and prepayments		44,139	41,618
Cash and bank balances		475,659	435,661
		<u>1,190,083</u>	<u>1,145,608</u>
Total assets		<u><u>1,644,790</u></u>	<u><u>1,610,445</u></u>

The notes on pages 30 to 49 form an integral part of this condensed consolidated interim financial information.

As at 31 August 2013

		Unaudited 31 August 2013 HK\$'000	Audited 28 February 2013 HK\$'000
	Note		
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	63,931	63,931
Reserves			
Interim dividend		44,752	55,620
Others		<u>1,224,410</u>	<u>1,170,643</u>
		1,333,093	1,290,194
Non-controlling interest		<u>12,271</u>	<u>11,838</u>
Total equity		<u>1,345,364</u>	<u>1,302,032</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>28,780</u>	<u>31,743</u>
Current liabilities			
Trade payables and accruals	15	212,999	217,773
Amount due to a jointly controlled entity		38,055	37,419
Current income tax liabilities		<u>19,592</u>	<u>21,478</u>
		<u>270,646</u>	<u>276,670</u>
Total liabilities		<u>299,426</u>	<u>308,413</u>
Total equity and liabilities		<u>1,644,790</u>	<u>1,610,445</u>
Net current assets		<u>919,437</u>	<u>868,938</u>
Total assets less current liabilities		<u>1,374,144</u>	<u>1,333,775</u>

The notes on pages 30 to 49 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 2013

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital	Share premium	Exchange		Statutory reserve	Retained earnings	Capital reserve	Revaluation reserve	Employee share-based		Non-controlling interest	Total equity
			translation reserve	reserve					compensation reserve	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 March 2013	63,931	416,695	106,774	48,879	630,683	4,261	94	18,877	1,290,194	11,838	1,302,032	
Profit for the period	-	-	-	-	76,446	-	-	-	76,446	230	76,676	
Other comprehensive income												
– Currency translation differences	-	-	14,453	-	-	-	-	-	14,453	203	14,656	
Total comprehensive income for the period ended 31 August 2013	-	-	14,453	-	76,446	-	-	-	90,899	433	91,332	
Employees share option scheme:												
– value of employee services	-	-	-	-	-	-	-	7,620	7,620	-	7,620	
Dividends relating to 2013 paid in August 2013 (Note 11)	-	-	-	-	(55,620)	-	-	-	(55,620)	-	(55,620)	
	-	-	-	-	(55,620)	-	-	7,620	(48,000)	-	(48,000)	
Balance at 31 August 2013	63,931	416,695	121,227	48,879	651,509	4,261	94	26,497	1,333,093	12,271	1,345,364	
Representing:												
Share capital											63,931	
2013 interim dividend											44,752	
Others											1,224,410	
Non-controlling interest											12,271	
											<u>1,345,364</u>	

The notes on pages 30 to 49 form an integral part of this condensed consolidated interim financial information.

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital	Share premium	Exchange translation reserve	Statutory reserve	Retained earnings	Capital reserve	Employee share-based compensation		Non-controlling interest	Total equity
							reserve	reserve		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 March 2012	63,931	416,695	101,582	39,631	551,579	4,261	6,005	1,183,684	12,299	1,195,983
Profit for the period	—	—	—	—	61,067	—	—	61,067	(864)	60,203
Other comprehensive income										
— Currency translation differences	—	—	(9,070)	—	—	—	—	(9,070)	(96)	(9,166)
Total comprehensive income for the period ended 31 August 2012	—	—	(9,070)	—	61,067	—	—	51,997	(960)	51,037
Employees share option scheme:										
— value of employee services	—	—	—	—	—	—	5,414	5,414	—	5,414
Dividends relating to 2012 paid in August 2012 (Note 11)	—	—	—	—	(55,620)	—	—	(55,620)	(224)	(55,844)
	—	—	—	—	(55,620)	—	5,414	(50,206)	(224)	(50,430)
Balance at 31 August 2012	63,931	416,695	92,512	39,631	557,026	4,261	11,419	1,185,475	11,115	1,196,590
Representing:										
Share capital										63,931
2012 interim dividend										35,162
Others										1,086,382
Non-controlling interest										11,115
										<u>1,196,590</u>

The notes on pages 30 to 49 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2013

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Net cash inflows from operating activities	103,498	57,647
Net cash outflows from investing activities	(19,337)	(19,061)
Net cash outflows from financing activities	(55,587)	(55,821)
Net increase/(decrease) in cash and cash equivalents	28,574	(17,235)
Effect of foreign exchange rate changes, net	4,897	(8,488)
Cash and cash equivalents at 1 March	426,551	420,911
Cash and cash equivalents at 31 August	460,022	395,188
Analysis of the cash and bank balances:		
Cash and cash equivalents	460,022	395,188
Term deposits with initial term over three months	12,685	—
Cash restricted for specific purposes	2,952	2,838
Cash and bank balances at 31 August	475,659	398,026

The notes on pages 30 to 49 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”).

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 28 October 2013.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 August 2013 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 28 February 2013, 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 2013, 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.

3 ACCOUNTING POLICIES (CONTINUED)**(a) Amended standard adopted by the Group**

The following amended standards are mandatory for the first time for the financial year beginning 1 January 2013 but either have no significant impact to the Group's results and financial position or are not currently relevant to the Group:

- HKAS 1 (Amendment) Presentation of Financial Statements
- HKAS 19 (2011) Employee Benefits
- HKAS 27 (2011) Separate Financial Statements
- HKAS 28 (2011) Investment in Associates and Joint Ventures
- HKFRS 1 (Amendment) Government Loans
- HKFRS 10 Consolidated Financial Statements
- HKFRS 11 Joint Arrangements
- HKFRS 12 Disclosure of Interests in Other Entities
- HKFRS 13 Fair Value Measurements
- HKFRS 10, HKFRS 11, and HKFRS 12 (Amendments) Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- Annual Improvements Project Improvements to HKFRSs 2011
- HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

(b) The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- HKAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities¹
- HKAS 36 (Amendment) Recoverable amount disclosures for non-financial assets¹
- HKAS 39 (Amendment) Novation of derivatives and continuation of hedge accounting¹
- HKFRS 9 Financial Instruments²
- Additions to HKFRS 9 Financial Instruments — financial liabilities²
- HKFRS 7 and HKFRS 9 (Amendments) Mandatory Effective Date and Transition Disclosures²
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments) Investment Entities¹
- HK(IFRIC)-Int 21 Levies¹

¹ Changes effective for annual periods beginning on or after 1 January 2014

² Changes effective for annual periods beginning on or after 1 January 2015

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 28 February 2013.

5 FINANCIAL RISK MANAGEMENT**5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 28 February 2013.

There have been no changes in the risk management policies of the Group since the year ended 28 February 2013.

5.2. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, which is mainly generated from the operating cash flow, and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	31 August 2013 HK\$'000	28 February 2013 HK\$'000
Less than 1 year		
Trade payables and accruals	212,999	217,773
Amount due to a jointly controlled entity	38,055	37,419
	<u>251,054</u>	<u>255,192</u>

6 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, net exchange gains, finance income, share of profit of a jointly controlled entity and unallocated 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.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (i) The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2013 is as follows:

	Unaudited			
	Six months ended 31 August 2013			
	Retail		Export	Total
	HK & Macau	Mainland China	(Note (a))	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>106,163</u>	<u>760,848</u>	<u>7,079</u>	<u>874,090</u>
Reportable segment profit	<u>5,008</u>	<u>87,744</u>	<u>2,116</u>	<u>94,868</u>
Other income				2,051
Other gains				4,152
Finance income				3,807
Share of profit of a jointly controlled entity				130
Unallocated expenses				<u>(190)</u>
Profit before income tax				104,818
Income tax expense				<u>(28,142)</u>
Profit for the period				<u>76,676</u>
Depreciation and amortisation	<u>3,229</u>	<u>23,252</u>	<u>124</u>	<u>26,605</u>
Additions to non-current assets (Other than deferred tax assets)	<u>2,519</u>	<u>14,080</u>	<u>17</u>	<u>16,616</u>

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**6 REVENUE AND SEGMENT INFORMATION (CONTINUED)**

(i) (Continued)

The segment information 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	<u>94,641</u>	<u>618,035</u>	<u>30,669</u>	<u>743,345</u>
Reportable segment profit	<u>4,579</u>	<u>61,852</u>	<u>8,798</u>	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				<u>(88)</u>
Profit before income tax				83,018
Income tax expense				<u>(22,815)</u>
Profit for the period				<u>60,203</u>
Depreciation and amortisation	<u>3,623</u>	<u>21,359</u>	<u>307</u>	<u>25,289</u>
Additions to non-current assets (other than deferred tax assets)	<u>1,154</u>	<u>20,960</u>	<u>47</u>	<u>22,161</u>

(a) The revenues from external customers of export are mainly derived from Europe and other parts of the world, including Russia, 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 brands, le saunda, le saunda MEN, CNE and Linea Rosa. The export sales of shoes relates to the Group's own brands and the other shoe brands which are not owned by the Group.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) (Continued)

An analysis of the Group's assets and liabilities as at 31 August 2013 by reportable segment is set out below:

	Unaudited			
	As at 31 August 2013			
	Retail		Export	Total
	HK & Macau	Mainland China		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>180,266</u>	<u>1,361,756</u>	<u>16,702</u>	1,558,724
Interest in a jointly controlled entity				35,840
Interest in and amount due from an available-for-sale financial assets				—
Deferred tax assets				49,984
Unallocated assets				<u>242</u>
Total assets per condensed consolidated balance sheet				<u>1,644,790</u>
Segment liabilities	<u>24,275</u>	<u>185,813</u>	<u>2,900</u>	212,988
Amount due to a jointly controlled entity				38,055
Current income tax liabilities				19,592
Deferred tax liabilities				28,780
Unallocated liabilities				<u>11</u>
Total liabilities per condensed consolidated balance sheet				<u>299,426</u>

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) (Continued)

An analysis of the Group's assets and liabilities as at 28 February 2013 by reportable segment is set out below:

	Audited			Total HK\$'000
	As at 28 February 2013			
	Retail HK & Macau HK\$'000	Mainland China HK\$'000	Export HK\$'000	
Segment assets	183,187	1,304,870	35,225	1,523,282
Interest in a jointly controlled entity				35,112
Interest in and amount due from an available-for-sale financial assets				—
Deferred tax assets				51,807
Unallocated assets				244
Total assets per condensed consolidated balance sheet				<u>1,610,445</u>
Segment liabilities	22,067	189,350	6,332	217,749
Amount due to a jointly controlled entity				37,419
Current income tax liabilities				21,478
Deferred tax liabilities				31,743
Unallocated liabilities				24
Total liabilities per condensed consolidated balance sheet				<u>308,413</u>

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (ii) The revenue from external customers of the Group by geographical segments is as follows:

Revenue

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Hong Kong	88,973	79,662
Mainland China	760,848	618,035
Macau	17,190	14,979
Russia	4,032	23,056
Other countries (Note (a))	3,047	7,613
Total	874,090	743,345

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

For the six months ended 31 August 2013, 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 2012: 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	28 February
	2013	2013
	HK\$'000	HK\$'000
Hong Kong	29,421	31,252
Mainland China	287,359	293,003
Macau	87,943	88,775
Total	404,723	413,030

7 OTHER INCOME AND OTHER GAINS

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Other income		
Gross rental income from investment properties	<u>2,051</u>	1,307
Other gains		
Net exchange gains (Note (a))	<u>4,152</u>	4,168
	<u>6,203</u>	<u>5,475</u>

- (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.

8 OPERATING PROFIT

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

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Auditors' remuneration	994	841
Amortisation of land use rights	460	456
Depreciation of property, plant and equipment	26,145	24,833
Loss on disposal of property, plant and equipment	563	1,007
Cost of inventories recognised as expenses		
included in cost of sales	233,000	208,701
Operating lease rentals in respect of land and buildings		
— minimum lease payments	60,694	47,999
— contingent rents	731	1,697
Freight charges	7,082	6,837
Concessionaire fees	155,210	122,252
(Write back of impairment)/impairment losses on inventories	(2,289)	1,382
Direct operating expenses arising from investment properties that generated rental income	200	122
Staff costs (including directors' emoluments and value of employee services)	<u>216,752</u>	<u>177,007</u>

9 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
People's Republic of China ("PRC") corporate		
income tax	29,241	24,256
Deferred taxation	(1,099)	(1,441)
	<u>28,142</u>	<u>22,815</u>

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 the PRC at 25% (2012: 25%). The preferential income tax rate enjoyed by the Group's Shunde plant had expired by the end of 2011.

10 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	
	2013	2012
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>76,446</u>	<u>61,067</u>
Weighted average number of ordinary shares in issue ('000)	<u>639,314</u>	<u>639,314</u>
Basic earnings per share (HK cents)	<u>11.96</u>	<u>9.55</u>

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**10 EARNINGS PER SHARE (CONTINUED)****Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the period ended 31 August 2013, the Company had share options outstanding 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.

For the period ended 31 August 2012, the diluted earnings per share 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.

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	
	2013	2012
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>76,446</u>	<u>61,067</u>
Weighted average number of ordinary shares in issue ('000)	639,314	639,314
Adjustments for share options ('000)	<u>1,288</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>640,602</u>	<u>639,314</u>
Diluted earnings per share (HK cents)	<u>11.93</u>	<u>9.55</u>

11 DIVIDENDS

	Unaudited	
	Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Interim dividend of HK7.0 cents (six months ended 31 August 2012: HK4.0 cents) per ordinary share	44,752	25,573
No special dividend (six months ended 31 August 2012: HK1.5 cents per ordinary share)	—	9,589
	<u>44,752</u>	<u>35,162</u>

A dividend of HK\$55,620,000 that related to the financial year ended 28 February 2013 was paid in August 2013 (2012: HK\$55,620,000).

At the Board of Directors' meeting held on 28 October 2013, the Board of Directors has resolved to declare an interim dividend of HK7.0 cents per ordinary share. This interim dividend is 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 2014.

12 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Unaudited			
	Six months ended 31 August 2013			
	Investment properties	Property, plant and equipment	Land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2013	89,563	237,589	32,629	359,781
Additions	—	16,616	—	16,616
Disposals	—	(563)	—	(563)
Exchange differences	—	3,484	207	3,691
Depreciation and amortisation	—	(26,145)	(460)	(26,605)
At 31 August 2013	<u>89,563</u>	<u>230,981</u>	<u>32,376</u>	<u>352,920</u>

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**12 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS (CONTINUED)**

	Unaudited			
	Six months ended 31 August 2012			
	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Land use rights HK\$'000	Total HK\$'000
At 1 March 2012	72,795	240,836	33,394	347,025
Additions	—	22,161	—	22,161
Disposals	—	(1,007)	—	(1,007)
Exchange differences	—	(1,737)	(101)	(1,838)
Depreciation and amortisation	—	(24,833)	(456)	(25,289)
At 31 August 2012	<u>72,795</u>	<u>235,420</u>	<u>32,837</u>	<u>341,052</u>

13. INTEREST IN AND AMOUNT DUE FROM AN AVAILABLE-FOR-SALE FINANCIAL ASSET

	Unaudited 31 August 2013 HK\$'000	Audited 28 February 2013 HK\$'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	3,171	3,118
— Provision for impairment	(3,171)	(3,118)
	—	—
Amount due from an available-for-sale financial asset (Note (b))	9,514	9,355
Less: Provision for impairment	(9,514)	(9,355)
	—	—
Total	<u>—</u>	<u>—</u>

13. INTEREST IN AND AMOUNT DUE FROM AN AVAILABLE-FOR-SALE FINANCIAL ASSET (CONTINUED)

(a) Details of available-for-sale financial asset are as follows:

Name of the company	Place of establishment/ operation	Principal activities	Group's equity interest
佛山市順德區陳村鎮碧桂園物業發展有限公司 ("陳村鎮碧桂園")	PRC	Property development	25%

The Group's Directors do not regard 陳村鎮碧桂園 as an associate of the Group on the grounds that the Group has no participation in decision making of its financial and operating policies. Accordingly, the Group does not have any significant influence over 陳村鎮碧桂園.

(b) The amount due from an available-for-sale financial asset is unsecured, interest-free, not repayable within twelve months and is denominated in RMB.

14 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2013 HK\$'000	Audited 28 February 2013 HK\$'000
Trade receivables (Note (a))		
Current to 30 days	147,250	164,845
31 to 60 days	12,118	14,053
61 to 90 days	3,564	2,984
Over 90 days	3,877	3,685
	166,809	185,567
Other receivables	10,974	13,270
Total	177,783	198,837

(a) The Group's concessionaire sales through department stores are generally collectible within 30 to 60 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**15 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 2013 HK\$'000	Audited 28 February 2013 HK\$'000
Trade creditors		
Current to 30 days	43,268	23,626
31 to 60 days	24,718	26,158
61 to 90 days	6,343	15,630
91 to 120 days	1,365	6,687
Over 120 days	5,591	8,141
	81,285	80,242
Accruals	131,714	137,531
Total	212,999	217,773

16 SHARE CAPITAL

	Unaudited 31 August 2013		Audited 28 February 2013	
	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	639,313,600	63,931	639,313,600	63,931
Exercise of share options (Note 17)	—	—	—	—
At end of period/year	639,313,600	63,931	639,313,600	63,931

17 SHARE OPTIONS

At a special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the adoption of the share option scheme (the "Scheme"), pursuant to which the Directors may grant options to eligible persons (as defined under the Scheme) to subscribe for shares in the Company in accordance with the terms of the Scheme. The number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Each share option under the Scheme entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a price, which is to be determined by the Board of Directors provided always that it shall be at least the higher of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

- (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 2013		Audited for the year ended 28 February 2013	
	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	3.447	31,440	4.730	14,100
Granted	—	—	2.404	17,440
Lapsed	—	—	2.404	(100)
At end of period/year	3.447	31,440	3.447	31,440

The Group has no legal or constructive obligation to repurchase or settle the options in cash. 14,100,000 share options at an exercise price of HK\$4.73 each and 17,440,000 share options at an exercise price of HK\$2.404 were granted on 27 June 2011 and 10 July 2012 respectively.

17 SHARE OPTIONS (CONTINUED)

- (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 2013 (thousands)	28 February 2013 (thousands)
26 June 2021 (Note (a))	4.730	14,100	14,100
9 July 2022 (Note (b))	2.404	17,340	17,340

Notes:

- (a) Become exercisable from a range of dates between 27 June 2014 and 27 June 2016 and expiring on the 10th anniversary from date of grants.
- (b) Become exercisable from a range of dates between 10 July 2014 and 10 July 2016 and expiring on the 10th anniversary from date of grants.

Options are conditional on the employee completing two to five years' service (the vesting period).

For the six months ended 31 August 2013, a total share option expenses of HK\$7,620,000 were recognized and included in employee benefit expenses.

18 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 loan to the extent of HK\$230,000,000 (28 February 2013: HK\$230,000,000) of which HK\$6,254,000 (28 February 2013: HK\$9,415,000) was utilised as at 31 August 2013.

19 COMMITMENTS**(a) Capital commitments**

	Unaudited	Audited
	31 August 2013 HK\$'000	28 February 2013 HK\$'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	739	732
— unpaid capital contribution to a subsidiary	2,326	2,326

19 COMMITMENTS (CONTINUED)**(b) Commitments under operating leases**

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

	Unaudited 31 August 2013 HK\$'000	Audited 28 February 2013 HK\$'000
Land and buildings:		
Not later than one year	95,426	92,070
Later than one year and not later than five years	78,899	75,321
	<u>174,325</u>	<u>167,391</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 rental receivable under non-cancellable operating leases as follows:

	Unaudited 31 August 2013 HK\$'000	Audited 28 February 2013 HK\$'000
Land and buildings:		
Not later than one year	3,959	3,982
Later than one year and not later than five years	1,920	3,873
	<u>5,879</u>	<u>7,855</u>

20 PLEDGE OF ASSETS

As at 31 August 2013, bank deposits of HK\$2,952,000 (28 February 2013: HK\$2,873,000) have been pledged as rental deposits for certain subsidiaries of the Group.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**21 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	
	2013	2012
	HK\$'000	HK\$'000
Rental expenses charged by:		
– a related party (Note (i))	1,747	1,080
– related companies (Note (ii))	<u>564</u>	<u>454</u>
	Unaudited	Audited
	31 August	28 February
	2013	2013
	HK\$'000	HK\$'000

Amount due to related companies (Note (iii)): 188 152

Notes:

- (i) During the period, the Group rented a shop located in Macau from Mr. Lee Tze Bun, Marces ("Mr. Lee"), a substantial shareholder and Director of the Company, as retail outlet in Macau.
- (ii) During the period, the Group rented office premises located in Mainland China from Genda Investment Limited ("Genda") and Super Billion Properties Limited ("Super Billion"), companies controlled by Mr. Lee.
- (iii) The amount due to Genda and Super Billion are unsecured, interest-free and repayable on demand and to be settled in cash.

(b) Key management compensation

	Unaudited Six months ended 31 August	
	2013	2012
	HK\$'000	HK\$'000
Salaries and other employee benefits	3,475	3,224
Contributions to retirement scheme	46	40
Staff option expense	<u>5,480</u>	<u>4,440</u>
	<u>9,001</u>	<u>7,704</u>

22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Details of the interim dividend are given in Note 11.

On 30 August 2013, Trend Light Trading Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a provisional agreement for sale and purchase with Dreal Island South Holding Company Limited, an independent third party of the Company, for the disposal of certain properties. The disposal transactions will be completed on or before 25 January 2014. The relevant announcement was published on the websites of the Company and the Stock Exchange on 30 August 2013.

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

As at 31 August 2013, the interests and short positions of the Directors and chief executives of the Company in the ordinary 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 (Chapter 571 of the Laws of Hong Kong, the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(I) Long positions in Shares

(a) The Company

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")	41,250,000	—	30,684,000 (Notes 1 & 2)	205,000,000 (Note 3)	276,934,000	43.31%
Ms. Lau Shun Wai ("Ms. Lau")	1,800,000	—	—	—	1,800,000	0.28% (Note 4)
Ms. Wong Sau Han ("Ms. Wong")	964,000	350,000	—	—	1,314,000	0.20% (Note 5)
Ms. Chu Tsui Lan ("Ms. Chu")	2,300,000	—	—	—	2,300,000	0.35% (Note 6)
Ms. An You Ying ("Ms. An")	700,000	—	—	—	700,000	0.10% (Note 7)
Mr. Leung Wai Ki, George ("Mr. Leung")	—	—	—	1,384,000 (Note 8)	1,384,000	0.21%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(I) Long positions in Shares (continued)

(a) The Company (continued)

Notes:

1. Succex Limited, which was wholly owned by Mr. Lee, held 30,000,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.
2. Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited ("Qing Yun"), which held 684,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.
3. Stable Gain Holdings Limited ("Stable Gain") held 205,000,000 Shares, representing approximately 32.06% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of First Advisory Trust (BVI) Limited ("First Advisory") as trustee of The Lee Keung Family Trust (the "Lee Family Trust"), a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder. Therefore, First Advisory and Mr. Lee were deemed to be interested in these Shares.
4. Ms. Lau personally held 1,800,000 Shares and was entitled to 8,500,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Lau's interests in the Company will be increased approximately from the existing 0.28% to 1.58% of the issued share capital of the Company including number of Shares in relation to such exercise.
5. Ms. Wong personally held 964,000 Shares. Together with 350,000 Shares owned by her husband in which Ms. Wong was deemed to be interested, Ms. Wong was interested in an aggregate of 1,314,000 Shares, representing approximately 0.20% of the issued share capital of the Company. Ms. Wong was also entitled to 4,400,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Wong's interests in the Company will be increased approximately from the existing 0.20% to 0.88% of the issued share capital of the Company including number of Shares in relation to such exercise.
6. Ms. Chu personally held 2,300,000 Shares and was entitled to 5,400,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Chu's interests in the Company will be increased approximately from the existing 0.35% to 1.19% of the issued share capital of the Company including number of Shares in relation to such exercise.
7. Ms. An personally held 700,000 Shares and was entitled to 2,500,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. An's interests in the Company will be increased approximately from the existing 0.10% to 0.49% of the issued share capital of the Company including number of Shares in relation to such exercise.
8. Mr. Leung was a governor of Xin Chuan Middle School Foundation Limited ("Xin Chuan"), which held 1,384,000 Shares. Therefore, Mr. Leung was deemed to be interested in these Shares.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(I) Long positions in Shares (continued)

(b) Associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares (Note 1)	100% (in respect of non-voting deferred shares)

Note:

- Mr. Lee beneficially owned 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company.

(II) Long positions in underlying shares and debentures of the Company
Interests in share options

Name of Directors	Date of share options granted (Notes 1 & 2)	Balance as at 1 March 2013	Number of Shares				Outstanding as at 31 August 2013	Exercise price per Share HK\$	Exercise period
			Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Ms. Lau	27 June 2011	1,666,000	—	—	—	—	1,666,000	4.730	27 June 2014–26 June 2021
	27 June 2011	1,666,000	—	—	—	—	1,666,000	4.730	27 June 2015–26 June 2021
	27 June 2011	1,668,000	—	—	—	—	1,668,000	4.730	27 June 2016–26 June 2021
	10 July 2012	1,166,000	—	—	—	—	1,166,000	2.404	10 July 2014–9 July 2022
	10 July 2012	1,166,000	—	—	—	—	1,166,000	2.404	10 July 2015–9 July 2022
	10 July 2012	1,168,000	—	—	—	—	1,168,000	2.404	10 July 2016–9 July 2022
Ms. Wong	27 June 2011	1,000,000	—	—	—	—	1,000,000	4.730	27 June 2014–26 June 2021
	27 June 2011	1,000,000	—	—	—	—	1,000,000	4.730	27 June 2015–26 June 2021
	27 June 2011	1,000,000	—	—	—	—	1,000,000	4.730	27 June 2016–26 June 2021
	10 July 2012	466,000	—	—	—	—	466,000	2.404	10 July 2014–9 July 2022
	10 July 2012	466,000	—	—	—	—	466,000	2.404	10 July 2015–9 July 2022
	10 July 2012	468,000	—	—	—	—	468,000	2.404	10 July 2016–9 July 2022

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(II) Long positions in underlying shares and debentures of the Company (continued)
Interests in share options (continued)

Name of Directors	Date of share options granted (Notes 1 & 2)	Balance as at 1 March 2013	Number of Shares				Outstanding as at 31 August 2013	Exercise price per Share HK\$	Exercise period
			Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Ms. Chu	27 June 2011	1,000,000	—	—	—	—	1,000,000	4.730	27 June 2014– 26 June 2021
	27 June 2011	1,000,000	—	—	—	—	1,000,000	4.730	27 June 2015– 26 June 2021
	27 June 2011	1,000,000	—	—	—	—	1,000,000	4.730	27 June 2016– 26 June 2021
	10 July 2012	800,000	—	—	—	—	800,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	800,000	—	—	—	—	800,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	800,000	—	—	—	—	800,000	2.404	10 July 2016– 9 July 2022
Ms. An	27 June 2011	500,000	—	—	—	—	500,000	4.730	27 June 2014– 26 June 2021
	27 June 2011	500,000	—	—	—	—	500,000	4.730	27 June 2015– 26 June 2021
	27 June 2011	500,000	—	—	—	—	500,000	4.730	27 June 2016– 26 June 2021
	10 July 2012	333,000	—	—	—	—	333,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	333,000	—	—	—	—	333,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	334,000	—	—	—	—	334,000	2.404	10 July 2016– 9 July 2022
TOTAL		<u>20,800,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,800,000</u>		

Notes:

- The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.
- The closing prices of the Shares of the Company immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK\$4.65 and HK\$2.41 per Share respectively.

Save as disclosed above, as at 31 August 2013, none of the Directors or chief executives (including their spouse and children under 18 years of age) of the Company had any interests and/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) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed “Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations” above, during the six months ended 31 August 2013, (a) none of the Directors nor the chief executives of the Company had been granted any right 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, their respective spouses nor their respective children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 August 2013, 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 executives of the Company) had interests 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 of Shareholders	Note	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Family interests	Corporate interests	Other interests		
First Advisory	1	—	—	205,000,000	—	205,000,000	32.06%
Stable Gain	1	205,000,000	—	—	—	205,000,000	32.06%
Ms. Lee Wing Kam Rowena Jackie (“Ms. Lee”)	2	6,350,000	—	—	50,000,000	56,350,000	8.81%
Ms. Chui Kwan Ho, Jacky (“Ms. Chui”)	3	3,946,000	—	—	50,000,000	53,946,000	8.43%
Ms. Tsui Oi Kuen (“Ms. Tsui”)	4	1,140,000	—	—	50,000,000	51,140,000	7.99%
Ms. Lee, Ms. Chui and Ms. Tsui as trustees of The Lee Keung Charitable Foundation (“the Charitable Foundation”)	5	—	—	—	50,000,000	50,000,000	7.82%

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)**Long positions in Shares (continued)**

Notes:

1. Stable Gain held 205,000,000 Shares, representing approximately 32.06% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of First Advisory as trustee of the Lee Family Trust. Therefore, First Advisory was deemed to be interested in these Shares.
2. Ms. Lee was interested in an aggregate of 56,350,000 Shares (comprising 6,350,000 Shares personal interests and 50,000,000 Shares jointly held with Ms. Chui and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.81% of the issued share capital of the Company.
3. Ms. Chui was interested in an aggregate of 53,946,000 Shares (comprising 3,946,000 Shares personal interests and 50,000,000 Shares jointly held with Ms. Lee and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.43% of the issued share capital of the Company.
4. Ms. Tsui was interested in an aggregate of 51,140,000 Shares (comprising 1,140,000 Shares personal interests and 50,000,000 Shares jointly held with Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 7.99% of the issued share capital of the Company.
5. Ms. Lee, Ms. Chui and Ms. Tsui jointly held 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.82% of the issued share capital of the Company. Therefore, all of them were deemed to be interested in these Shares.

Save as disclosed above, as at 31 August 2013, the Company had not been notified of any other persons (other than the Directors or chief executives of the Company) or corporation who had interests directly or indirectly and/or short positions in the Shares and underlying Shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

At the special general meeting of the Company held on 22 July 2002, the Shareholders approved the adoption of a share option scheme (the "Scheme") pursuant to Chapter 17 of the Listing Rules. The purpose of the Scheme was to enable the Board to grant share options to selected eligible persons (as defined under the Scheme) as incentives or rewards for their contribution or potential contribution to the Group.

SHARE OPTION SCHEME (CONTINUED)

Pursuant to the Scheme, the Company granted 14,100,000 and 17,440,000 share options to certain Directors and employees of the Company to subscribe for up to a total of 31,540,000 ordinary shares of HK\$0.10 each in the capital of the Company on 27 June 2011 and 10 July 2012 respectively. Particulars of such share options and their movement during the six months ended 31 August 2013 were as follows:

Name or Category of Participant	Date of share options granted (Notes 1 & 2)	Number of Share Options					Outstanding as at 31 August 2013	Exercise price per Share HK\$	Exercise Period
		Balance as at 1 March 2013	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Directors (Note 4)	27 June 2011	4,166,000	–	–	–	–	4,166,000	4.730	27 June 2014– 26 June 2021
	27 June 2011	4,166,000	–	–	–	–	4,166,000	4.730	27 June 2015– 26 June 2021
	27 June 2011	4,168,000	–	–	–	–	4,168,000	4.730	27 June 2016– 26 June 2021
	10 July 2012	2,765,000	–	–	–	–	2,765,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	2,765,000	–	–	–	–	2,765,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	2,770,000	–	–	–	–	2,770,000	2.404	10 July 2016– 9 July 2022
Directors Sub-total		<u>20,800,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,800,000</u>		
Employees	27 June 2011	533,000	–	–	–	–	533,000	4.730	27 June 2014– 26 June 2021
	27 June 2011	533,000	–	–	–	–	533,000	4.730	27 June 2015– 26 June 2021
	27 June 2011	534,000	–	–	–	–	534,000	4.730	27 June 2016– 26 June 2021
	10 July 2012	3,005,000	–	–	–	–	3,005,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	3,005,000	–	–	–	–	3,005,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	3,030,000	–	–	–	–	3,030,000	2.404	10 July 2016– 9 July 2022
Employees Sub-total		<u>10,640,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,640,000</u>		
Total		<u>31,440,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>31,440,000</u>		

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.
2. The closing prices of the Shares of the Company immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK\$4.65 and HK\$2.41 per Share respectively.
3. Upon grant of 17,440,000 share options to eligible persons by the Company on 10 July 2012, there were 1,960 shares options available for grant under the Scheme. The Scheme expired on 21 July 2012.
4. For a detailed breakdown of each of the Directors' interests in share options, please refer to pages 52 to 53.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board (the “Board”) of directors (the “Directors”) of Le Saunda Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is committed to achieving and maintaining the highest standard of corporate governance. The Board and its management understand that it is their responsibility to establish a good corporate management system and practice and strictly comply with the principles of independence, accountability, responsibility and impartiality so as to improve the operation transparency of the Company, protect the interests of shareholders (the “Shareholders”) of the Company and create values for the Shareholders.

During the period under review, the Company has complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for deviation from code provision A.6.7 of CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 15 July 2013.

AUDIT COMMITTEE

As at 31 August 2013 and the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditor, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, internal control and risk management systems of the Group, and review the accounting principles and practices adopted by the Group. The full terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

The Audit Committee has reviewed this report, which was prepared based on (i) the accounting principles and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2013. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 31 August 2013.

REMUNERATION COMMITTEE

As at 31 August 2013 and the date of this report, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Remuneration Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one non-executive Director, namely Mr. James Ngai.

The primary functions and duties of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for development remuneration policy, determine the terms of specific remuneration package of the executive Directors and senior management, and review and approve the performance-based remuneration proposals with reference to the corporate goals and objective resolved by the Board from time to time. The full terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

NOMINATION COMMITTEE

As at 31 August 2013 and the date of this report, Nomination Committee comprises three independent non-executive Directors, namely Mr. Hui Chi Kwan (chairman of the Nomination Committee), Mr. Lam Siu Lun, Simon and Mr. Leung Wai Ki, George, and one non-executive Director, namely Mr. James Ngai.

The primary functions and duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies, and identify individuals suitable qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The full terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company.

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 and minimize rather than eliminate the risks of failure in the Group's operational systems. The Board is responsible for maintaining a sound and effective system of internal control particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Shareholders' investment and the Company's assets.

During the six months ended 31 August 2013, the Group's internal audit function is outsourced to a professional internal audit service provider and this ensures that the outsourced internal auditor is independent and has no involvement in the operations of the Group. The outsourced internal auditor, responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, will provide reports to the Audit Committee with highlighting observations and recommendations to improve the internal control system. The Audit Committee has reviewed the adequacy of scope, functions, competency and resources of the outsourced internal audit functions.

INVESTOR RELATIONS

The Board recognizes that effective communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors and enhancing their understanding of the Group's performance, strategies and future direction. To foster effective communication with the Shareholders and potential investors of the Company, the Company endeavors to provide accurate, clear, comprehensive and timely information of the Group through the publication of interim and annual reports, announcements, circulars, press interviews and press releases on the website of the Company. The Board also designates specialized personnel to maintain close communication with research analysts, fund managers, Shareholders and medias via regular one-on-one meetings, luncheons, factory visits, press conferences and road shows to keep them informed of the Group's business performance and developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 required 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 complied with the Code of Conduct and the required standard set out in the Model Code during the six months ended 31 August 2013.

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 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 12 November 2013 to Thursday, 14 November 2013 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend is 14 November 2013. In order to qualify for the interim dividend for the six months ended 31 August 2013, all transfers of shares 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 Monday, 11 November 2013.

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
James Ngai
Chairman

Hong Kong, 28 October 2013