



le saunda holdings ltd.

利信達集團有限公司

interim report 2014/15

(Stock Code : 0738)



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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 (*Chairman*)
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

AUDITOR

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

LEGAL ADVISER

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

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH 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

In the first half of 2014, the overall economic growth of China further slowed down, thereby giving pressure on the retail market growth inevitably. In addition, weak consumption sentiments, surging labour costs and spiraling rentals had aggravated the difficulties being faced by brand operators in the footwear market. Furthermore, the rapid development of e-commerce added variables to the market by intensifying competition as well as expanding sales channels at the same time. In response to the challenges and opportunities, the Group focused on improving the performance of the existing stores and stepped up the e-commerce business development by adopting the “Steady Progress” strategy. As a result, the Group had not only maintained a same-store-sales growth of 13.8%, but also recorded a satisfactory increase in profit attributable to shareholders of 26.8%.

By taking advantage of the e-commerce business with proper online and offline strategies, the Group has successfully shifted its mid-end brand CNE from the offline market into the online market during the period. In terms of store network, the Group maintained a prudent development pace by replacing the underperforming stores with new potential stores. After the closure of CNE's physical stores, the Group had successfully controlled the increasing rate of the selling expenses and improved the overall store performance. In addition to the continuous enhancement of back-office operation systems, the Group has, in search of excellence, pursued constructive improvements on various aspects of the supply chain including product development, production processes, product quality and stock replenishment.



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OPERATING RESULTS

In the first half of the 2014/15 fiscal year, the total revenue of the Group increased by 7.7% year-on-year to HK\$941.1 million (2013/14: HK\$874.1 million). Despite the sluggish recovery of the retail market, the Group managed to raise its consolidated gross profit by 9.0% to HK\$629.4 million, and recorded a growth in overall gross profit margin of 0.8 percentage point to 66.9%, as compared to that of last year. Attributable to the Group's efforts in cost reduction and efficiency enhancement, operating profit increased by 27.4% year-on-year to HK\$128.5 million (2013/14: HK\$100.9 million) and operating profit margin rose by 2.2 percentage points year-on-year to 13.7%. Consolidated profit attributable to equity holders of the Company surged by 26.8% to HK\$96.9 million (2013/14: HK\$76.4 million).

HK\$ million	1H 2014/15	1H 2013/14	Change
Revenue	941.1	874.1	7.7%
Gross profit	629.4	577.5	9.0%
Gross profit margin	66.9%	66.1%	0.8 percentage point
Operating profit	128.5	100.9	27.4%
Operating profit margin	13.7%	11.5%	2.2 percentage points
Consolidated profit attributable to equity holders	96.9	76.4	26.8%
Basic earnings per share (HK cents)	15.15	11.96	26.7%
Interim dividend (HK cents)	8.0	7.0	1.0 cent
Dividend pay-out ratio	53.0%	58.5%	(5.5 percentage points)



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

GROSS PROFIT & PROFITABILITY

During the period under review, gross profit grew by 9.0% year-on-year to HK\$629.4 million (2013/14: HK\$577.5 million) while overall gross profit margin increased by 0.8 percentage point to a new height of 66.9%.

Selling and distribution expenses increased by 5.7% year-on-year to HK\$403.9 million (2013/14: HK\$382.3 million). During the period, the Group continued to face pressure from the rise in department stores' concessionaire rates and persistently high shop rental in Hong Kong. However, the closure of CNE stores and its transformation into an online brand, as well as the elimination of underperforming stores helped to control the increase in overall staff cost and concessionaire expenses. In general, concession charged by third party e-commerce platforms and related selling expenses accounted for a lower cost to sales ratio as compared to that of physical stores. As for advertising and promotional expenses, the Group continued to engage movie stars to endorse its brands during the period and the cost to sales ratio slightly decreased to 2.2%, which was still reasonable as compared to the industry in general. In summary, selling and distribution expenses accounted for 42.9% of total revenue (2013/14: 43.7%), representing a drop of 0.8 percentage point.





MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

GROSS PROFIT & PROFITABILITY (CONTINUED)

General and administrative expenses surged by 16.6% to HK\$117.2 million (2013/14: HK\$100.5 million) as compared to last year and accounted for 12.5% (2013/14: 11.5%) of revenue, up 1.0 percentage point year-on-year. During the period under review, the Group expanded its offices and warehouses, continued to recruit professionals to strengthen its management team in order to cope with its long-term business growth, thereby increasing overall administrative expenses.

Other gains grew by 7.7 times year-on-year to HK\$17.9 million (2013/14: HK\$2.1 million). Other gains mainly included government subsidies and rental incomes. The Group was entitled to some subsidies and preferential policies offered by local governments to recognize its contributions to local economic development and job creation for the regions in which it operates.



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

GROSS PROFIT & PROFITABILITY (CONTINUED)

During the period under review, income tax expenses rose by 30.1% year-on-year to HK\$36.6 million (2013/14: HK\$28.1 million). All business entities of the Group in China are currently subject to an income tax rate of 25%, while the profit tax rate for the Hong Kong business remains at 16.5%. In addition, a withholding tax of 5-10% was levied on the dividends remitted by PRC subsidiaries to its foreign parent company. As a result, the Group's effective tax rate for the period was 27.2% (2013/14: 26.8%).

Consolidated profit attributable to equity holders of the Company increased by 26.8% year-on-year to HK\$96.9 million (2013/14: HK\$76.4 million). Basic earnings per share rose by 26.7% year-on-year to HK15.15 cents (2013/14: HK11.96 cents). The Board has resolved to declare an interim dividend of HK8.0 cents (2013/14: HK7.0 cents) per ordinary share, representing a dividend payout ratio of 53.0% (2013/14: 58.5%).





MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

INVENTORY & SUPPLY CHAIN MANAGEMENT

As at 31 August 2014, the Group's inventory balance was HK\$580 million, up 17.8% from that as at the same date last year. A breakdown of inventory balance as at the end of the period was as follows:

HK\$ (million)	As at 31 August 2014	As at 31 August 2013	Changes in value	Changes in %
Raw materials and work-in-progress	96.8	71.0	25.8	36.4%
Finished goods	483.2	421.5	61.7	14.6%
Total	580.0	492.5	87.5	17.8%

Starting from last year, the Group has gradually closed down all CNE's physical stores and officially transformed CNE into an online brand in February this year. During the period, the Group had actively cleared the leftover stocks from the closed CNE stores. Meanwhile, in order to facilitate the rapid development of the e-commerce business and mitigate its impacts on the offline business operations, the Group has deliberately enhanced exclusive designs for online market and more style differentiation between online and offline products. However, such initiatives have increased the basic stocks for the e-commerce business and inevitably put short-term burden on the inventory level. As at the end of the period, inventory turnover days of finished goods increased by 7 days year-on-year to 241 days (31 August 2013: 234 days). Nonetheless, the Group believes that the existing inventory level is still at a healthy level, as approximately 35% (31 August 2013: 28%) of the finished goods was related to the latest fall/winter collections. After deduction of the new stocks in relation to the latest fall/winter collections, the inventory increases are still more or less in line with the sales growth. Benefiting from early delivery of products for the next season, the Group is able to assess market response in advance so as to adjust its ordering and sales strategies in a timely manner, and boost its sales and gross profit. Furthermore, the Group has maintained strict control over the age of its inventory, so that over 83% of the stock of finished goods were aged less than one year. The Group aims to increase this percentage further in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position has always been strong and healthy. As at 31 August 2014, the Group's cash and bank balance amounted to HK\$582.7 million (28 February 2014: HK\$696.2 million), representing a decrease of 16.3%. The quick ratio was 2.4 times (28 February 2014: 2.8 times). As at the end of the period under review the Group had no short-term bank loans (28 February 2014: 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.

As at 31 August 2014, 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 Mainland China, Hong Kong and Macau. The major self-owned brands of the Group, including le saunda, le saunda MEN, CNE and LINEA ROSA, aim to appeal to diversified target customer groups with their distinctive product lines through physical stores as well as online platforms.

RETAIL BUSINESS AND NETWORK

Retail business has always been the Group's principal revenue contributor. Total revenue of the retail segment increased by 8.2% year-on-year to HK\$937.8 million (2013/14: HK\$867.0 million). During the period, offline physical stores continued to record satisfactory same-store-sales growth of 13.8%. However, the immediate effect from closing all physical CNE stores in the current season, together with the key expansion of e-commerce operations, which in general have lower unit prices compared to offline operations, have inevitably slowed down the growth in total revenue in the short run.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS AND NETWORK (CONTINUED)

Consolidated Revenue	Six months ended		Six months ended		Year-on-year change (%)
	31 August 2014 (HK\$ million)	% to Total	31 August 2013 (HK\$ million)	% to Total	
Retail Business:					
Mainland China	842.1	89.5%	760.8	87.1%	10.7%
Hong Kong and Macau	95.7	10.2%	106.2	12.1%	(9.9%)
Retail Sub-total	937.8	99.7%	867.0	99.2%	8.2%
Others	3.3	0.3%	7.1	0.8%	(52.4%)
Group's Total Revenue	941.1	100.0%	874.1	100.0%	7.7%

In view of the surging wages and rental costs of offline physical stores, the Group has regarded network consolidation to be an effective measure to control costs and enhance single-store efficiency. As at the end of the period under review, the Group had a retail network comprising 863 outlets in Mainland China, Hong Kong and Macau, representing a net reduction of 134 outlets as compared to the corresponding period of last year. Although the closure of over a hundred CNE outlets resulted in a net reduction in the number of outlets, the Group had in fact maintained a moderate expansion of the networks of other brands during the period. For example, after merely three years since its launch, the fashionable high-end brand LINEA ROSA has already attained high brand recognition. Therefore, the Group has carefully opened LINEA ROSA stores at premium shopping locations which are in line with its brand image and increased the number of its stores to 33. As at 31 August 2014, the retail network breakdown by region was as follows:

Number of Outlets by Region	Self-owned		Franchise		Total	
	(Year-on-year change)	(Year-on-year change)	(Year-on-year change)	(Year-on-year change)	(Year-on-year change)	(Year-on-year change)
China	697	(-107)	145	(-25)	842	(-132)
• Northern, Northeastern & Northwestern Regions	180	(-9)	99	(-8)	279	(-17)
• Eastern Region	207	(-48)	2	(-)	209	(-48)
• Central and Southwestern Regions	148	(+5)	28	(-16)	176	(-11)
• Southern Region	162	(-55)	16	(-1)	178	(-56)
Hong Kong and Macau	21	(-2)	—	—	21	(-2)
Total	718	(-109)	145	(-25)	863	(-134)

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS AND NETWORK (CONTINUED)

Mainland China

During the period under review, in spite of weak consumer confidence and sluggish demand in the retail market, the Group's sales in Mainland China still recorded a satisfactory growth of 10.7% to HK\$842.1 million. The Group has started to streamline its supply chain by implementing a series of reforms spanning from product development, material supplies, production planning, stock replenishment and warehouse management over the past two years. In order to enhance brand-building efforts, the Group has engaged celebrities in Mainland China and Hong Kong to endorse its brands, and launched all kinds of online and offline media campaigns to strengthen the Group's brand recognition in Mainland China. Through all of the above initiatives, single-store performance has been enhanced, and the growth in overall same-store-sales has been boosted, as demonstrated by the double-digit same-store-sales growth for the past six consecutive quarters. Given the increasing market recognition of the premium brand LINEA ROSA, and the rapid development of e-commerce business in China, Mainland China will continue to be the largest contributor to the Group's revenue.

E-commerce

With the rapid development of mobile communications, online-sale model has become an indispensable sales channel in Mainland China. During the period under review, the Group had successfully transformed CNE into an online brand and continued to strengthen its management of product development, supply chain, customer services and sales platforms. Attributable to these initiatives, revenue from the e-commerce segment surged by over 200% year-on-year, and e-commerce has become the new growth engine of the Group's retail business in Mainland China. To facilitate long-term development of e-commerce business, the Group has established a warehouse and logistics centre designated for e-commerce at the beginning of this year, thereby optimising the supply chain management and enhancing the utilization of the resource of the online operation. The Group is optimistic about the future development of e-commerce and believes that its contribution to the Group's retail revenue will be more significant.

Hong Kong and Macau

During the period under review, in view of spiraling shop rentals in Hong Kong and Macau, the Group consolidated its retail networks in both regions, thereby bringing the total number of outlets down to 21, representing a net reduction of 2 outlets. Furthermore, as the retail market in Hong Kong has weakened remarkably, the Group's retail business in Hong Kong and Macau dropped with a year-on-year sales decrease of 9.9% to HK\$95.7 million. The Group expects the sales contribution from Hong Kong and Macau will gradually decline in the long run.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUTURE OUTLOOK AND LONG-TERM STRATEGY

The Group has sustained a double-digit same-store-sales growth for six consecutive quarters with remarkable growth in gross profit margin. The latter demonstrated that the revenue growth was not brought by sales promotions or discounts. Instead, all these reflected the enhancements implemented in the past two years had taken effect gradually. As the retail market has not yet fully recovered, the Group will still focus on enhancing single-store efficiency by replacing underperforming outlets with highly efficient ones in the near future.

Being a mid- to high-end brand manufacturer and operator of quality fashion products, the Group strongly strives for stable long-term development and growth with firm and clear positioning. As high quality and fashionable products are key to a solid foundation, the Group will comprehensively raise the standards of its operations in all aspects ranging from designs, raw materials, finished products and quality assurance. Looking forward, the Group will strengthen its cooperation with Italian leather footwear experts in respect of technical trainings, production and quality control, products development and design. In addition, to cope with the development of its e-commerce business, the Group has decided to upgrade all its computer and communication systems with the aim of maximising their effectiveness and efficiency in providing market data and information in the fastest and most accurate manner. Since the upgraded enterprise resources planning ("ERP") system has become fully operational at the production bases, it has made vital contributions to the Group's replenishment efficiency and same-store-sales growth. Moreover, the Group plans to upgrade the point of sale ("POS") systems of the outlets in the near future so as to further improve their operating efficiency and enhance their core competitiveness. The Group will invest 60 million Hong Kong dollars in the above projects in the coming two years.

The Group expects its growth in the next three years to come from the following aspects:

- I. LINEA ROSA. Since its launch in the fall/winter season of 2011, this fashion brand characterised by high-end and unique brand position, trend-setting designs and excellent quality, has already gained the market awareness and high reputation during the past three years. Having the highest same-store-sales growth within the Group last year, LINEA ROSA will be one of the Group's key developments for the next three years. It will focus on the first-and-second-tier cities with high consumption power. By the end of this year, the total number of stores will be increased to 50 and then further increased to 100 by the middle of next year. LINEA ROSA will become one of the major revenue contributors with market size and brand recognition comparable to that of the Group's core brand, le saunda.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUTURE OUTLOOK AND LONG-TERM STRATEGY (CONTINUED)

- II. E-commerce. It was launched with the Group's forward-looking and pioneering efforts three years ago. It now has a separate professional team of over 100 staffs covering various functions from design, purchasing, sales and marketing to logistics. Apart from le saunda which has always been pursued by e-commerce customers, CNE has also achieved initial success in its transformation since the beginning of the year by emerging as one of the top 30 brands on the Tmall platform. By boosting CNE's online brand recognition and increasing its exclusive designs, the Group aims at turning CNE into a fast-fashion footwear brand that offers quality, fashionable and high value-for-money shoes to consumers, while sharing the cost saved from transformation with the customers. In addition to the online channel, the Group believes that the opening of new online-to-offline ("O2O") image stores will further take CNE to new heights and turn it into a leading e-commerce brand. As a result, the e-commerce business will be the key segment to be developed by the Group in multiple ways such as strengthening cooperation with third-party sales platforms as well as more promotion and marketing on electronic media. The contribution of e-commerce this year is anticipated to account for a double-digit percentage of the Group's total sales. Furthermore, the e-commerce business is expected to expand at a high-double-digit growth rate in the next three years and contribute a higher proportion of the Group's total sales.
- III. le saunda. Two years ago, le saunda commenced a campaign to boost its single-store growth and efficiency through stores consolidation, increasing brand recognition by engaging celebrity as brand representative as well as products optimisation. This campaign was a huge success and will be continued to enhance stores structure, brand image, products mix and quality so as to turn le saunda into a leading mid-to-high-end ladies' footwear brand. Meanwhile, le saunda MEN also stepped up its efforts in consolidating its stores and improving its product quality last year. Such efforts have made certain progress in 2014, resulting in a mid-double-digit same-store-sales growth during the first half of the year. The Group envisages gradually rising contributions from men's footwear.

In an ever-changing retail market, all players must keep abreast of market trend and sustain their competitiveness so as to survive in the long run. Looking forward, the Group will continue to take a broad and long-term perspective and adhere to its principle of "Steady Progress" in expanding its business. Its veteran management team will nurture new talents with high potential and endeavour, with a flexible and responsive mechanism, to deliver sustainable and stable growth to the shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 August 2014, bank deposits of HK\$4.5 million (28 February 2014: HK\$3.0 million) have been pledged as rental deposits for certain subsidiaries of the Company.

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 2014: HK\$230.0 million), of which HK\$8.4 million (28 February 2014: HK\$5.6 million) was utilised as at 31 August 2014.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK8.0 cents per ordinary share for the six months ended 31 August 2014 (2013: HK7.0 cents) payable on Friday, 21 November 2014 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 12 November 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2014, the Group had a staff force of 5,726 people (28 February 2014: 5,446 people). Of this number, 182 were based in Hong Kong and Macau and 5,544 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate to the level of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total staff costs for the six months ended 31 August 2014, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK\$233.5 million (2013: HK\$216.8 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 2014

	Note	Unaudited	
		Six months ended 31 August	
		2014	2013
		HK\$'000	HK\$'000
Revenue	6	941,121	874,090
Cost of sales		<u>(311,713)</u>	<u>(296,613)</u>
Gross profit		629,408	577,477
Other income	7	17,929	2,051
Other gains, net	7	2,337	4,152
Selling and distribution expenses		<u>(403,894)</u>	<u>(382,268)</u>
General and administrative expenses		<u>(117,239)</u>	<u>(100,531)</u>
Operating profit	8	128,541	100,881
Finance income		5,833	3,807
Share of profit of a joint venture		<u>200</u>	<u>130</u>
Profit before income tax		134,574	104,818
Income tax expense	9	<u>(36,616)</u>	<u>(28,142)</u>
Profit for the period		<u>97,958</u>	<u>76,676</u>
Profit attributable to:			
— equity holders of the Company		96,935	76,446
— non-controlling interest		<u>1,023</u>	<u>230</u>
		<u>97,958</u>	<u>76,676</u>
Earnings per share attributable to equity holders of the Company (HK cents)			
— Basic	10	<u>15.15</u>	<u>11.96</u>
— Diluted	10	<u>15.00</u>	<u>11.93</u>
Dividend	11	<u>51,328</u>	<u>44,752</u>

The notes on pages 28 to 48 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 2014

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period	<u>97,958</u>	76,676
Other comprehensive income		
Item that will be reclassified to profit or loss		
– Currency translation differences	<u>1,119</u>	14,656
Other comprehensive income for the period, net of tax	<u>1,119</u>	14,656
Total comprehensive income for the period	<u>99,077</u>	<u>91,332</u>
Total comprehensive income for the period, attributable to:		
– equity holders of the Company	<u>98,073</u>	90,899
– non-controlling interest	<u>1,004</u>	433
	<u>99,077</u>	<u>91,332</u>

The notes on pages 28 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2014

	Note	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
ASSETS			
Non-current assets			
Investment properties	12	91,586	91,586
Property, plant and equipment	12	207,176	218,996
Land use rights	12	26,422	26,818
Long-term deposits and prepayments		19,018	15,141
Interest in a joint venture		36,273	36,137
Interest in and amount due from an available-for-sale financial asset	13	—	—
Deferred tax assets		56,627	56,627
		<u>437,102</u>	<u>445,305</u>
Current assets			
Inventories		580,032	483,568
Trade and other receivables	14	207,270	198,647
Deposits and prepayments		54,890	46,401
Cash and bank balances		582,707	696,211
		<u>1,424,899</u>	<u>1,424,827</u>
Non-current assets classified as held-for-sale			
		—	6,963
		<u>1,424,899</u>	<u>1,431,790</u>
Total assets		<u><u>1,862,001</u></u>	<u><u>1,877,095</u></u>

The notes on pages 28 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2014

	Note	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	64,160	63,931
Reserves			
Dividends		51,328	127,863
Others		1,366,659	1,308,343
		<u>1,482,147</u>	<u>1,500,137</u>
Non-controlling interest		<u>13,677</u>	<u>13,471</u>
Total equity		<u>1,495,824</u>	<u>1,513,608</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		<u>40,656</u>	<u>38,280</u>
Current liabilities			
Trade payables and accruals	15	272,955	262,097
Amount due to a joint venture		34,056	34,119
Current income tax liabilities		18,510	28,991
		<u>325,521</u>	<u>325,207</u>
Total liabilities		<u>366,177</u>	<u>363,487</u>
Total equity and liabilities		<u>1,862,001</u>	<u>1,877,095</u>
Net current assets		<u>1,099,378</u>	<u>1,106,583</u>
Total assets less current liabilities		<u>1,536,480</u>	<u>1,551,888</u>

The notes on pages 28 to 48 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 2014

	Unaudited											
	Attributable to equity holders of the Company											
	Share capital	Share premium	Exchange Translation reserve	Statutory reserve	Retained earnings	Capital reserve	Employee share-based		Employment benefit reserve	Total	Non-controlling interest	Total equity
							compensation reserve	reserve				
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 2014	63,931	416,695	115,073	50,867	815,680	4,261	33,668	(38)	1,500,137	13,471	1,513,608	
Profit for the period	-	-	-	-	96,935	-	-	-	96,935	1,023	97,958	
Other comprehensive income												
– Currency translation differences	-	-	1,138	-	-	-	-	-	1,138	(19)	1,119	
Total comprehensive income for the period ended 31 August 2014	-	-	1,138	-	96,935	-	-	-	98,073	1,004	99,077	
Employees share option scheme:												
– value of employee services	-	-	-	-	-	-	6,732	-	6,732	-	6,732	
– exercise of share options	229	5,281	-	-	-	-	-	-	5,510	-	5,510	
Dividends relating to 2014 paid in July 2014 (Note 11)	-	-	-	-	(128,305)	-	-	-	(128,305)	(798)	(129,103)	
	229	5,281	-	-	(128,305)	-	6,732	-	(116,063)	(798)	(116,861)	
Balance at 31 August 2014	64,160	421,976	116,211	50,867	784,310	4,261	40,400	(38)	1,482,147	13,677	1,495,824	
Representing:												
Share capital											64,160	
2014 interim dividend											51,328	
Others											1,366,659	
Non-controlling interest											13,677	
											<u>1,495,824</u>	

The notes on pages 28 to 48 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 translation reserve	Statutory reserve	Retained earnings	Capital reserve	Revaluation reserve	Employee share-based compensation reserve	Total	Non-controlling interest	Total equity
	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
Dividend 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 28 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2014

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Net cash inflows from operating activities	9,378	103,498
Net cash inflows/(outflows) from investing activities	59,719	(19,337)
Net cash outflows from financing activities	(123,503)	(55,587)
Net (decrease)/increase in cash and cash equivalents	(54,406)	28,574
Effect of foreign exchange rate changes, net	118	4,897
Cash and cash equivalents at 1 March	621,193	426,551
Cash and cash equivalents at 31 August	566,905	460,022
Analysis of the cash and bank balances:		
Cash and cash equivalents	566,905	460,022
Term deposits within initial term over three months	11,352	12,685
Cash restricted for specific purposes	4,450	2,952
Cash and bank balances at 31 August	582,707	475,659

The notes on pages 28 to 48 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 Mainland China, Hong Kong and Macau.

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 27 October 2014.

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 2014 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 2014, 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 2014, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 March 2014 but either have no significant impact to the Group's results and financial position or are not currently relevant to the Group:

- HKAS 32 (Amendment) Financial instruments: presentation — offsetting financial assets and financial liabilities
- HKAS 39 (Amendment) Novation of derivatives and continuation of hedge accounting
- HKFRS 10, 12 and HKAS 27 (2011) (Amendment) Investment entities
- HK(IFRIC) 21 Levies

(b) The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 March 2014 and have not been early adopted:

- HKAS 16 and HKAS 38 (Amendment) Classification of acceptable methods of depreciation and amortisation²
- HKAS 19 (Amendment) Employee benefits: defined benefit plans — employee contributions¹
- HKFRS 9 Financial instruments⁴
- HKFRS 11 (Amendment) Accounting for acquisition of interest in joint operations²
- HKFRS 14 Regulatory deferral accounts²
- HKFRS 15 Revenue from contracts with customers³
- HKFRS (Amendment) Annual improvement 2010–2012 cycle¹
- HKFRS (Amendment) Annual improvement 2011–2013 cycle¹

¹ Changes effective for annual periods beginning on or after 1 March 2015

² Changes effective for annual periods beginning on or after 1 March 2016

³ Changes effective for annual periods beginning on or after 1 March 2017

⁴ Changes effective date to be determined

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2014.

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 2014.

There have been no changes in the risk management policies of the Group since the year ended 28 February 2014.

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 2014 HK\$'000	28 February 2014 HK\$'000
Less than 1 year		
Trade payables and accruals	272,955	262,097
Amount due to a joint venture	34,056	34,119
	<u>307,011</u>	<u>296,216</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 non-retail perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau). 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 and other gains, net, finance income, share of profit of a joint venture and unallocated expenses.

Segment assets mainly exclude interest in a joint venture, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a joint venture, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2014 is as follows:

	Unaudited			
	Six months ended 31 August 2014			
	Retail		Others	Total
	Mainland China	HK & Macau		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>842,053</u>	<u>95,701</u>	<u>3,367</u>	<u>941,121</u>
Reportable segment profit	<u>107,061</u>	<u>175</u>	<u>1,232</u>	<u>108,468</u>
Other income				17,929
Other gains, net				2,337
Finance income				5,833
Share of profit of a joint venture				200
Unallocated expenses				<u>(193)</u>
Profit before income tax				134,574
Income tax expense				<u>(36,616)</u>
Profit for the period				<u>97,958</u>
Depreciation and amortization	<u>25,500</u>	<u>2,002</u>	<u>39</u>	<u>27,541</u>
Additions to non-current assets (Other than deferred tax assets)	<u>15,210</u>	<u>2,377</u>	<u>4</u>	<u>17,591</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) (Continued)

The segment information provided for the six months ended 31 August 2013 is as follows:

	Unaudited			
	Six months ended 31 August 2013			
	Retail		Others	Total
	Mainland China	HK & Macau		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	<u>760,848</u>	<u>106,163</u>	<u>7,079</u>	<u>874,090</u>
Reportable segment profit	<u>87,744</u>	<u>5,008</u>	<u>2,116</u>	94,868
Other income				2,051
Other gains				4,152
Finance income				3,807
Share of profit of a joint venture				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>23,252</u>	<u>3,229</u>	<u>124</u>	<u>26,605</u>
Additions to non-current assets (other than deferred tax assets)	<u>14,080</u>	<u>2,519</u>	<u>17</u>	<u>16,616</u>

Revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, CNE and LINEA ROSA.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) (Continued)

An analysis of the Group's assets and liabilities as at 31 August 2014 by reportable segment is set out below:

	Unaudited			
	As at 31 August 2014			
	Retail		Others	Total
	Mainland China	HK & Macau		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>1,475,532</u>	<u>276,436</u>	<u>16,896</u>	1,768,864
Interest in a joint venture				36,273
Interest in and amount due from an available-for-sale financial assets				—
Deferred tax assets				56,627
Unallocated assets				<u>237</u>
Total assets per condensed consolidated balance sheet				<u><u>1,862,001</u></u>
Segment liabilities	<u>242,782</u>	<u>28,062</u>	<u>2,098</u>	272,942
Amount due to a joint venture				34,056
Current income tax liabilities				18,510
Deferred tax liabilities				40,656
Unallocated liabilities				<u>13</u>
Total liabilities per condensed consolidated balance sheet				<u><u>366,177</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) (Continued)

An analysis of the Group's assets and liabilities as at 28 February 2014 by reportable segment is set out below:

	Audited			
	As at 28 February 2014			
	Retail		Others	Total
	Mainland China	HK & Macau		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,457,281	307,863	18,946	1,784,090
Interest in a joint venture				36,137
Interest in and amount due from an available-for-sale financial assets				—
Deferred tax assets				56,627
Unallocated assets				241
Total assets per condensed consolidated balance sheet				<u>1,877,095</u>
Segment liabilities	235,011	24,844	2,217	262,072
Amount due to a joint venture				34,119
Current income tax liabilities				28,991
Deferred tax liabilities				38,280
Unallocated liabilities				25
Total liabilities per condensed consolidated balance sheet				<u>363,487</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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	
	2014	2013
	HK\$'000	HK\$'000
Mainland China	842,053	760,848
Hong Kong	76,618	88,973
Macau	19,083	17,190
Other countries	3,367	7,079
Total	<u>941,121</u>	<u>874,090</u>

For the six months ended 31 August 2014, 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 2013: 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
	2014	2014
	HK\$'000	HK\$'000
Mainland China	269,777	280,966
Hong Kong	16,056	13,993
Macau	94,642	93,719
Total	<u>380,475</u>	<u>388,678</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 OTHER INCOME AND OTHER GAINS, NET

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Other income		
Gross rental income from investment properties	1,959	2,051
Government incentives	15,970	—
	17,929	2,051
Other gains, net		
Net exchange (loss)/gain (Note (a))	(3,292)	4,152
Gain on disposal of a property (Note (b))	5,629	—
	2,337	4,152
	20,266	6,203

- (a) Net exchange gain or loss 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.
- (b) On 1 July 2014, the Group disposed of a property at a consideration of RMB12,317,000 and recognized a net gain of HK\$5,629,000 net of transaction costs.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OPERATING PROFIT

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

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Auditors' remuneration	1,019	994
Amortisation of land use rights	373	460
Depreciation of property, plant and equipment	27,168	26,145
Loss on disposal of property, plant and equipment	1,732	563
Cost of inventories recognised as expenses		
included in cost of sales	239,359	233,000
Operating lease rentals in respect of land and buildings		
— minimum lease payments	60,774	60,694
— contingent rents	1,257	731
Freight charges	5,495	7,082
Concessionaire fees	167,988	155,210
Impairment losses/(write back of impairment) on inventories	1,396	(2,289)
Direct operating expenses arising from investment properties that generated rental income	192	200
Staff costs (including directors' emoluments and value of employee services)	233,450	216,752
Impairment losses on trade receivables	3,358	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Current income tax		
People's Republic of China ("PRC") corporate		
income tax	34,253	29,241
Deferred taxation	2,363	(1,099)
	<u>36,616</u>	<u>28,142</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% (2013: 25%).

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	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to equity holders of the		
Company	<u>96,935</u>	<u>76,446</u>
Weighted average number of ordinary shares in		
issue ('000)	<u>639,947</u>	<u>639,314</u>
Basic earnings per share (HK cents)	<u>15.15</u>	<u>11.96</u>

Diluted

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 EARNINGS PER SHARE (CONTINUED)**Diluted (Continued)**

For the period ended 31 August 2014 and 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.

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	
	2014	2013
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	<u>96,935</u>	<u>76,446</u>
Weighted average number of ordinary shares in issue ('000)	<u>639,947</u>	639,314
Adjustments for share options ('000)	<u>6,268</u>	1,288
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>646,215</u>	<u>640,602</u>
Diluted earnings per share (HK cents)	<u>15.00</u>	<u>11.93</u>

11 DIVIDEND

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend of HK8.0 cents (six months ended 31 August 2013: HK7.0 cents) per ordinary share	<u>51,328</u>	<u>44,752</u>

A dividend of approximately HK\$128,305,000 that related to the financial year ended 28 February 2014 was paid in July 2014 (2013: HK\$55,620,000).

At the Board of Directors' meeting held on 27 October 2014, the Board of Directors has resolved to declare an interim dividend of HK8.0 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 2015.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited			
	Six months ended 31 August 2014			
	Investment properties	Property, plant and equipment	Land use rights	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2014	91,586	218,996	26,818	337,400
Additions	—	17,591	—	17,591
Disposals	—	(1,732)	—	(1,732)
Exchange differences	—	(511)	(23)	(534)
Depreciation and amortisation	—	(27,168)	(373)	(27,541)
At 31 August 2014	<u>91,586</u>	<u>207,176</u>	<u>26,422</u>	<u>325,184</u>

	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

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

	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
Unlisted shares, at fair value (Note (a))		
– Investment cost	3,153	3,159
– Provision for impairment	(3,153)	(3,159)
	—	—
Amount due from an available-for-sale financial asset (Note (b))	9,460	9,477
Less: Provision for impairment	(9,460)	(9,477)
	—	—
Total	—	—

(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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
Trade receivables (Note (a))		
Current to 30 days	176,532	165,265
31 to 60 days	9,890	16,400
61 to 90 days	8,239	5,865
Over 90 days	5,640	6,624
	200,301	194,154
Other receivables	6,969	4,493
Total	207,270	198,647

- (a) The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days from the invoice date.

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.

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 2014 HK\$'000	Audited 28 February 2014 HK\$'000
Trade creditors		
Current to 30 days	72,849	53,855
31 to 60 days	19,387	20,672
61 to 90 days	2,569	5,698
91 to 120 days	2,774	4,525
Over 120 days	2,055	5,832
	99,634	90,582
Accruals	173,321	171,515
Total	272,955	262,097

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 SHARE CAPITAL

	Unaudited 31 August 2014		Audited 28 February 2014	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
Authorised:				
Shares of HK\$0.10 each	<u>800,000,000</u>	<u>80,000</u>	<u>800,000,000</u>	<u>80,000</u>
Issued and fully paid:				
At beginning of period/year	<u>639,313,600</u>	<u>63,931</u>	639,313,600	63,931
Exercise of share options (Note 17)	<u>2,292,000</u>	<u>229</u>	—	—
At end of period/year	<u>641,605,600</u>	<u>64,160</u>	<u>639,313,600</u>	<u>63,931</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 SHARE OPTIONS (CONTINUED)

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

	Unaudited		Audited	
	For the six months ended 31 August 2014		For the year ended 28 February 2014	
	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	3.464	30,940	3.447	31,400
Exercised	2.404	(2,292)	—	—
Lapsed	4.265	(750)	2.404	(500)
At end of period/year	3.530	<u>27,898</u>	3.464	<u>30,940</u>

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.

- (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 2014 (thousands)	28 February 2014 (thousands)
26 June 2021 (Note (a))	4.730	13,500	14,100
9 July 2022 (Note (b))	2.404	<u>14,398</u>	<u>16,840</u>

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 2014, a total share option expenses of HK\$6,732,000 were recognized and included in employee benefit expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2014: HK\$230,000,000) of which HK\$8,440,000 (28 February 2014: HK\$5,608,000) was utilized as at 31 August 2014.

19 COMMITMENTS**(a) Capital commitments**

	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
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Contracted but not provided for:

- purchase of property, plant and equipment

<u>409</u>	<u>742</u>
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(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 2014 HK\$'000	Audited 28 February 2014 HK\$'000
--	--	--

Land and buildings:

Not later than one year	91,697	85,257
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Later than one year and not later than five years	<u>89,208</u>	<u>80,771</u>
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<u>180,905</u>	<u>166,028</u>
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The above operating lease commitments include commitments for fixed rent only. Rentals payable in some cases include additional rent, calculated according to gross revenue, in excess of the fixed rent.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

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

	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
Land and buildings:		
Not later than one year	2,019	3,873
Later than one year and not later than five years	213	—
	<u>2,232</u>	<u>3,873</u>

20 PLEDGE OF ASSETS

As at 31 August 2014, bank deposits of HK\$4,450,000 (28 February 2014: HK\$2,977,000) have been pledged as rental deposits for certain subsidiaries of the Group.

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 2014 HK\$'000	2013 HK\$'000
Rental expenses charged by:		
— a related party (Note (i))	1,728	1,747
— related companies (Note (ii))	472	564
	<u>159</u>	<u>159</u>

	Unaudited 31 August 2014 HK\$'000	Audited 28 February 2014 HK\$'000
Amount due to a related company (Note (iii)):	<u>159</u>	<u>159</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

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

(b) Key management compensation

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK\$'000	HK\$'000
Salaries and other employee benefits	5,737	3,475
Contributions to retirement scheme	48	46
Staff option expense	4,878	5,480
	<u>10,663</u>	<u>9,001</u>

22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Details of the interim dividend are given in Note 11.

DISCLOSURE OF INTERESTS

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 2014, the interests and short positions of the Directors and chief executive 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange 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	43.16%
Ms. Lau Shun Wai ("Ms. Lau")	2,200,000	—	—	—	2,200,000	0.34% (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%

DISCLOSURE OF INTERESTS

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 31.95% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, Mr. Lee was deemed to be interested in these Shares.
4. Ms. Lau personally held 2,200,000 Shares and was entitled to 8,100,000 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 0.34% 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.

DISCLOSURE OF INTERESTS

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)	Number of Shares					Outstanding as at 31 August 2014	Exercise price per Share HK\$	Exercise period
		Balance as at 1 March 2014	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	—	400,000	—	—	766,000	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

DISCLOSURE OF INTERESTS

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)	Number of Shares					Outstanding as at 31 August 2014	Exercise price per Share HK\$	Exercise period
		Balance as at 1 March 2014	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>400,000</u>	<u>—</u>	<u>—</u>	<u>20,400,000</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.

DISCLOSURE OF INTERESTS

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)

Save as disclosed above, as at 31 August 2014, none of the Directors or chief executive (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 2014, (a) none of the Directors nor the chief executive 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.

DISCLOSURE OF INTERESTS

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

As at 31 August 2014, 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 Directors or chief executive 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		
Stable Gain	1	205,000,000	—	—	—	205,000,000	31.95%
Stable Profit	1	—	—	205,000,000	—	205,000,000	31.95%
HSBC Trustee	1, 2	—	—	—	205,060,000	205,060,000	31.96%
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	3	6,350,000	—	—	50,000,000	56,350,000	8.78%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4	1,700,000	—	—	50,000,000	51,700,000	8.05%
Ms. Tsui Oi Kuen ("Ms. Tsui")	5	1,140,000	—	—	50,000,000	51,140,000	7.97%
Ms. Lee, Ms. Chui and Ms. Tsui as trustees of The Lee Keung Charitable Foundation (the "Charitable Foundation")	6	—	—	—	50,000,000	50,000,000	7.79%

Notes:

1. Stable Gain held 205,000,000 Shares, representing approximately 31.95% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, HSBC Trustee and Stable Profit were deemed to be interested in these Shares.
2. HSBC Trustee held 205,060,000 Shares, of which 205,000,000 Shares were deemed to be interested as stated in the above note 1.
3. 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 8.78% of the issued share capital of the Company.

DISCLOSURE OF INTERESTS

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

Notes: (continued)

4. Ms. Chui was interested in an aggregate of 51,700,000 Shares (comprising 1,700,000 Shares personal interests and 50,000,000 Shares jointly held with Ms. Lee and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.05% of the issued share capital of the Company.
5. 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 7.97% of the issued share capital of the Company.
6. Ms. Lee, Ms. Chui and Ms. Tsui jointly held 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.79% 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 2014, the Company had not been notified of any other persons (other than the Directors or chief executive 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.

DISCLOSURE OF INTERESTS

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 2014 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 2014	Exercise price per Share HK\$	Exercise Period
		Balance as at 1 March 2014	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	–	400,000	–	–	2,365,000	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		20,800,000	–	400,000	–	–	20,400,000		
Employees	27 June 2011	533,000	–	–	–	200,000	333,000	4.730	27 June 2014– 26 June 2021
	27 June 2011	533,000	–	–	–	200,000	333,000	4.730	27 June 2015– 26 June 2021
	27 June 2011	534,000	–	–	–	200,000	334,000	4.730	27 June 2016– 26 June 2021
	10 July 2012	2,839,000	–	1,892,000	–	50,000	897,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	2,839,000	–	–	–	50,000	2,789,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	2,862,000	–	–	–	50,000	2,812,000	2.404	10 July 2016– 9 July 2022
Employees Sub-total		10,140,000	–	1,892,000	–	750,000	7,498,000		
Total		30,940,000	–	2,292,000	–	750,000	27,898,000		

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 51 to 52.

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 to 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 another business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 7 July 2014.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTOR’S INFORMATION

The changes in directorship and other changes in the information of the Director of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the year ended 28 February 2014 are set out below:

Name of Director	Details of change
Mr. Lee Tze Bun, Marces	<ul style="list-style-type: none"> Renewed service contract of the Company with 2 years’ fixed term commencing on 1 June 2014 and ending on 31 May 2016

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

As at 31 August 2014 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE (CONTINUED)

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 2014. 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 2014.

REMUNERATION COMMITTEE

As at 31 August 2014 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 2014 and the date of this report, the 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 and experience) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Group's assets.

During the six months ended 31 August 2014, 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, provided reports to the Audit Committee with highlighting observations and recommendations to improve the internal control system. The Audit Committee 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 the 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 2014 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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 2014.

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, 11 November 2014 to Wednesday, 12 November 2014 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend is 12 November 2014. In order to qualify for the interim dividend for the six months ended 31 August 2014, 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, 10 November 2014.

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, 27 October 2014