



le saunda holdings ltd.

利信達集團有限公司

interim report 2004/2005





CORPORATE INFORMATION

Executive Directors

Lee Tze Bun, Marces
(Chairman)

Wan Tat Wah *(President)*

Chui Kwan Ho, Jacky
(Managing Director)

Tsui Oi Kuen

Lau Shun Wai
*(resigned on
10 August 2004)*

Independent Non-Executive Directors

Wong Kong Chi

Law King Wan

Leung Wai Ki, George
*(appointed on
28 September 2004)*

Audit Committee Members

Wong Kong Chi *(Chairman)*

Law King Wan

Leung Wai Ki, George
*(appointed on
28 September 2004)*

Company Secretary

Lau Yin Wan

Bankers

Standard Chartered Bank
(HK) Ltd.

The Hongkong and
Shanghai Banking
Corporation Limited
Bank of America (Asia) Ltd.

Auditors

PricewaterhouseCoopers

Legal Advisers

Arculli and Associates

Registered Office

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal Office

30th Floor, Hing Wai Centre
7 Tin Wan Praya Road
Aberdeen
Hong Kong

Registrar (in Bermuda)

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

Registrar (in Hong Kong)

Computershare Hong Kong
Investor Services Ltd.
46th Floor
Hopewell Centre
183 Queen's Road East
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The Board of Directors of Le Saunda Holdings Limited (“the Company”) presents the Group’s Interim Report and unaudited condensed consolidated accounts of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 31 August 2004

	Note	Six months ended 31 August	
		2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Turnover	2	205,270	182,962
Cost of sales		(99,715)	(108,904)
Gross profit		105,555	74,058
Other revenues		1,286	1,237
Selling and distribution costs		(47,999)	(50,976)
General and administrative expenses		(34,726)	(25,825)
Operating profit/(loss)	4	24,116	(1,506)
Finance costs		(119)	(120)
Share of profit of jointly controlled entity		5,296	13,047
Profit before taxation		29,293	11,421
Taxation	5	(2,165)	(6,549)
Profit attributable to shareholders		27,128	4,872
Interim dividend	6	9,035	–
Basic earnings per share	7	6.0 cents	1.09 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2004

		31 August 2004 (Unaudited) HK\$'000	29 February 2004 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Fixed assets		124,630	127,673
Investment in jointly controlled entity		59,292	65,168
Other investment		4,948	4,712
Deferred tax assets		10,584	7,584
		199,454	205,137
Current assets			
Properties under development for sale		29,328	23,957
Completed properties held for sale		8,117	11,260
Inventories		111,279	64,263
Trade and other receivables	8	34,426	41,603
Deposits and prepayments		24,970	19,881
Dividend receivable from jointly controlled entity		9,425	–
Cash and bank balances		73,062	92,272
		290,607	253,236
Current liabilities			
Creditors and accruals	9	76,974	61,116
Taxation payable		839	4,225
Short term bank loans		5,901	6,488
		83,714	71,829
Net current assets			
		206,893	181,407
Total assets less current liabilities			
		406,347	386,544
Financed by:			
Share capital	10	45,177	44,862
Reserves	11		
Interim dividend		9,035	–
Proposed dividend		–	8,972
Others		352,135	332,710
Shareholders' funds			
		406,347	386,544

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY**

For the six months ended 31 August 2004

	<i>Note</i>	Six months ended 31 August	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Total equity at 1 March, as previously stated		386,544	346,255
Change in accounting policy on deferred taxation		–	4,621
Total equity at 1 March, as restated		386,544	350,876
Final dividend paid for the year ended 29 February 2004	11	(8,972)	–
Exercise of share options	10	315	–
Share premium on exercise of share options	11	1,332	–
Profit for the period	11	27,128	4,872
Total equity at 31 August		406,347	355,748

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 August 2004

	Six months ended 31 August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(9,253)	(5,891)
Net cash outflow from investing activities	(1,939)	(1,280)
Net cash (outflow)/inflow from financing activities	(8,018)	9,369
(Decrease)/Increase in cash and cash equivalents	(19,210)	2,198
Cash and cash equivalents at 1 March	92,272	43,279
Cash and cash equivalents at 31 August	73,062	45,477
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	73,062	45,477

NOTES TO CONDENSED ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim accounts should be read in conjunction with the annual accounts for the year ended 29 February 2004.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim accounts are consistent with those used in the annual accounts for the year ended 29 February 2004 except for the change in accounting policy for inventories.

In prior years, the cost of inventories was determined on the weighted average basis. On 1 March 2004, the directors adopted the first-in, first-out basis for inventory cost determination as they considered that it would be more appropriate to the Group’s circumstances. This basis has been applied prospectively as this change does not have a material impact on the state of affairs of the Group or its results for the year ended 29 February 2004 and the six months ended 31 August 2004.

Certain comparative figures have been reclassified to conform to current period’s presentation.

NOTES TO CONDENSED ACCOUNTS**2. SEGMENT INFORMATION**

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

(i) By geographical segment:

	Six months ended 31 August 2004			
	Hong Kong	Mainland China	Others	Total
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	72,998	96,066	36,206	205,270
Segment results	12,142	7,816	4,158	24,116
Finance costs				(119)
Share of profit of jointly controlled entity		5,296		5,296
Profit before taxation				29,293
Taxation				(2,165)
Profit attributable to shareholders				27,128

NOTES TO CONDENSED ACCOUNTS**2. SEGMENT INFORMATION (continued)**

(i) By geographical segment (continued):

	Six months ended 31 August 2003			
		Mainland		
	Hong Kong (Unaudited) HK\$'000	China (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Turnover	51,263	105,325	26,374	182,962
Segment results	(7,234)	4,700	1,028	(1,506)
Finance costs				(120)
Share of profit of jointly controlled entity		13,047		13,047
Profit before taxation				11,421
Taxation				(6,549)
Profit attributable to shareholders				4,872

(ii) By business segment:

	Six months ended 31 August			
	2004		2003	
	Turnover (Unaudited) HK\$'000	Segment results (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Segment results (Unaudited) HK\$'000
Manufacture and sales of shoes	201,171	25,158	153,178	(1,836)
Sales of cosmetic products	127	(442)	1,447	(1,941)
Property development	3,972	(600)	28,337	2,271
	205,270	24,116	182,962	(1,506)

NOTES TO CONDENSED ACCOUNTS**3. DISCONTINUING OPERATIONS**

On 1 December 2003, the Group planned to terminate the cosmetic products segment located in Mainland China. The operations of the subsidiaries comprising this segment were terminated on 1 May 2004 and reported in the annual accounts for the year ended 29 February 2004 as discontinuing operations. The sales, results and net assets of the cosmetic products segment were as follows:

	Six months ended 31 August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover	127	1,447
Operating costs	(569)	(3,388)
Loss for the period	(442)	(1,941)
	31 August	29 February
	2004	2004
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Total assets	1,835	2,265
Total liabilities	(398)	(397)
Net assets	1,437	1,868

The cash flows contributed by the discontinuing operation business were not material for the both periods presented.

NOTES TO CONDENSED ACCOUNTS**4. OPERATING PROFIT/(LOSS)**

	Six months ended 31 August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating profit/(loss) is arrived at after crediting and charging the following:		
Crediting:		
Reversal of provision for closure of retail outlet	3,100	–
Net exchange gain/(loss)	4	(129)
Gain/(Loss) on disposal of fixed assets	8	(22)
Charging:		
Auditors' remuneration	496	427
Depreciation	5,147	6,942
Operating lease rentals in respect of land and buildings	21,901	23,998
Outgoings in respect of investment properties	332	282
Staff costs (including directors' emoluments)	36,463	33,105

NOTES TO CONDENSED ACCOUNTS**5. TAXATION**

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	Six months ended 31 August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Company and subsidiaries		
Mainland China	(3,418)	(3,876)
Deferred taxation relating to the origination and reversal of temporary differences	3,000	1,632
	(418)	(2,244)
Share of taxation attributable to the jointly controlled entity		
Mainland China	(1,747)	(4,305)
	(2,165)	(6,549)

Hong Kong profits tax has not been provided as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the period (six months ended 31 August 2003: no estimated assessable profit).

Taxation on profits in Mainland China has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in Mainland China in which certain Group companies and the jointly controlled entity operate.

NOTES TO CONDENSED ACCOUNTS**6. INTERIM DIVIDEND**

	Six months ended 31 August	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend of HK2.0 cents (six months ended 31 August 2003: Nil) per share	9,035	–

At the board meeting held on 26 November 2004, the board of Directors has resolved to declare an interim dividend of HK2.0 cents per share. This interim dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 28 February 2005.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit from ordinary activities attributable to shareholders for the period of HK\$27,128,000 (six months ended 31 August 2003: HK\$4,872,000) and on the weighted average of 448,999,108 shares (six months ended 31 August 2003: 448,619,600 shares) in issue during the six months ended 31 August 2004.

In the event that the share options outstanding at 31 August 2004 were exercised in full, the diluted earnings per share for the six months ended 31 August 2004 would not be significantly different from the basic earnings per share as disclosed in the consolidated profit and loss account. The diluted earnings per share for the six months ended 31 August 2003 is not presented as the exercise prices of the outstanding share options of the Company are higher than the market price.

NOTES TO CONDENSED ACCOUNTS**8. TRADE AND OTHER RECEIVABLES**

The Group's credit terms on credit sales range from 30 to 60 days. The ageing analysis of trade receivables is as follows:

	31 August 2004 (Unaudited) HK\$'000	29 February 2004 (Audited) HK\$'000
Trade receivables		
– Current to 30 days	28,238	28,127
– 31 to 60 days	2,135	4,894
– 61 to 90 days	484	2,507
– Over 90 days	10	2,647
	30,867	38,175
Other receivables	3,559	3,428
Total	34,426	41,603

9. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors and their ageing analysis is as follows:

	31 August 2004 (Unaudited) HK\$'000	29 February 2004 (Audited) HK\$'000
Trade creditors		
– Current to 30 days	34,870	29,712
– 31 to 60 days	8,135	1,850
– 61 to 90 days	2,207	–
– 91 to 120 days	597	17
– Over 120 days	1,572	135
	47,381	31,714
Accruals	29,593	29,402
Total	76,974	61,116

NOTES TO CONDENSED ACCOUNTS**10. SHARE CAPITAL**

	31 August 2004		29 February 2004	
	No. of Shares (Unaudited)	Amount (Unaudited) HK\$'000	No. of Shares (Audited)	Amount (Audited) HK\$'000
Authorised:				
Ordinary shares of \$0.10 each	800,000,000	80,000	800,000,000	80,000
Issued and fully paid:				
At the beginning of the period	448,619,600	44,862	448,619,600	44,862
Exercise of share options (note (a))	3,150,000	315	-	-
	451,769,600	45,177	448,619,600	44,862

Share Options

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 20 November 1992 (the "Old Scheme") and the adoption of the new share option scheme (the "New Scheme") pursuant to Chapter 17 of the Listing Rules.

NOTES TO CONDENSED ACCOUNTS

10. SHARE CAPITAL (continued)

Share Options (continued)

Details of the movements of the outstanding share options granted to certain Directors and employees under the Old Scheme and the New Scheme during the six months ended 31 August 2004 are as follows:

Date of share options granted	Number of Share Options			Outstanding as at 31 August 2004	Exercise price per share	Exercise period
	Outstanding as at 1 March 2004	Exercised during the period	Lapsed/Cancelled during the period			
Under the Old Scheme						
19 August 1994	650,000	600,000 <i>(note a)</i>	50,000 <i>(note b)</i>	-	HK\$0.767	19 August 1995- 18 August 2004
8 February 1996	750,000	750,000 <i>(note a)</i>	-	-	HK\$0.67	8 February 1997- 7 February 2006
Under the New Scheme						
13 April 2004	7,800,000	1,800,000 <i>(note a)</i>	-	6,000,000	HK\$0.38	26 July 2004- 12 April 2014
13 April 2004	7,800,000	-	900,000 <i>(note c)</i>	6,900,000	HK\$0.38	26 July 2005- 12 April 2014
13 April 2004	10,400,000	-	1,200,000 <i>(note c)</i>	9,200,000	HK\$0.38	26 July 2006- 12 April 2014
13 April 2004	4,065,000	-	30,000 <i>(note d)</i>	4,035,000	HK\$0.38	13 April 2005- 12 April 2014
13 April 2004	4,065,000	-	30,000 <i>(note d)</i>	4,035,000	HK\$0.38	13 April 2006- 12 April 2014
13 April 2004	5,420,000	-	40,000 <i>(note d)</i>	5,380,000	HK\$0.38	13 April 2007- 12 April 2014

Note:

- (a) During the period, the share options under the Old Scheme and New Scheme were exercised as follows:

Date of share options exercised	Number of share options exercised
Under the Old Scheme	
3 August 2004	600,000
4 August 2004	750,000
Under the New Scheme	
27 July 2004	400,000
9 August 2004	1,400,000
	<u>3,150,000</u>

NOTES TO CONDENSED ACCOUNTS**10. SHARE CAPITAL (continued)****Share Options (continued)**

- (b) 50,000 share options granted to an employee at an exercise price of HK\$0.767 were lapsed on 18 August 2004 and there was no outstanding share option under the Old Scheme as at 31 August 2004.
- (c) Upon an Executive Director's resignation on 10 August 2004, the aggregate of 2,100,000 share options of the Company granted to her at an exercise price of HK\$0.38 per share were lapsed and cancelled.
- (d) During the period, an employee granted with 100,000 share options of the Company at an exercise price of HK\$0.38 per share had resigned. Upon resignation of such employee, such share options of the Company were lapsed and cancelled.

11. RESERVES

	Share premium HK\$'000	Exchange translation reserve HK\$'000	Retained profit HK\$'000	Capital reserve HK\$'000	Total HK\$'000
At 1 March 2003 (Audited, as previously reported)	253,319	3,490	40,323	4,261	301,393
Change in accounting policy on deferred taxation	-	-	4,621	-	4,621
At 1 March 2003, as restated	253,319	3,490	44,944	4,261	306,014
Profit for the year	-	-	35,668	-	35,668
At 29 February 2004 and 1 March 2004 (Audited)	253,319	3,490	80,612	4,261	341,682
Share premium on exercise of share options	1,332	-	-	-	1,332
Final dividend paid for the year ended 29 February 2004	-	-	(8,972)	-	(8,972)
Profit for the period	-	-	27,128	-	27,128
At 31 August 2004 (Unaudited)	254,651	3,490	98,768	4,261	361,170

12. CONTINGENT LIABILITIES

The Company and several subsidiaries have jointly given guarantees in favour of banks for banking facilities granted to certain subsidiaries to the extent of HK\$67,500,000 (29 February 2004: HK\$63,500,000) of which HK\$14,161,000 (29 February 2004: HK\$18,071,000) was utilised as at 31 August 2004.

NOTES TO CONDENSED ACCOUNTS**13. COMMITMENTS****(a) Capital commitments**

	31 August 2004 (Unaudited) HK\$'000	29 February 2004 (Audited) HK\$'000
Contracted but not provided for in respect of investment in jointly controlled entity	1,461	1,461

(b) Commitments under operating lease

- (i) The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	31 August 2004 (Unaudited) HK\$'000	29 February 2004 (Audited) HK\$'000
Land and buildings: Not later than one year	32,337	36,070
Later than one year and not later than five years	18,875	19,630
	51,212	55,700

The above operating lease commitments included commitments for fixed rent only. Rentals payable in some cases include an additional rent, calculated according to gross revenue, in excess of a fixed rent.

NOTES TO CONDENSED ACCOUNTS**13. COMMITMENTS (continued)****(b) Commitments under operating lease (continued)**

- (ii) The Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	31 August 2004 (Unaudited) HK\$'000	29 February 2004 (Audited) HK\$'000
Land and buildings:		
Not later than one year	1,844	1,945
Later than one year and not later than five years	1,109	1,919
	2,953	3,864

14. RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which were carried out in the normal course of the Group's business are summarised as follows:

	Six months ended 31 August 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Rental expenses to a related party (<i>note a</i>)	433	600
Rental expenses to a related company (<i>note b</i>)	321	–

Notes:

- (a) 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. The amount is mutually agreed.
- (b) During the period, Genda Investment Limited, being a company controlled by Mr. Lee, rented out its investment property located in Mainland China to a subsidiary of the Group. The amount of the aforesaid rental was mutually agreed by the parties.

INTERIM DIVIDEND

At the board meeting held on 26 November 2004, the Board of Directors has resolved to declare the payment of an interim dividend of HK2.0 cents per share for the year ending 28 February 2005 (six months ended 31 August 2003: Nil).

BUSINESS REVIEW

Reaping the benefit of business consolidation in the past year and economic recovery in Hong Kong, the Group realised a 457% increase in net profit for the first half of the year ending 28 February 2005 ("Year"). In addition, the Group also availed itself of the relatively slow market in Mainland China, where peak sales season normally comes in the second half of the Year, to further solidify its business foundation.

During the period under review, the Group's turnover amounted to HK\$205 million, representing a 12% increase from that of the same period last year. When taking account of turnover from the Group's main business – shoes operations – alone, it surged by 31% from that of the same period last year to HK\$201 million. This satisfactory result was mainly attributable to the substantial increase of 42% in turnover from the Hong Kong operations during the period.

Gross profit during the period also increased by 43% to HK\$106 million as compared to that of the same period last year. Overall gross profit margin rose by 27% to 51% from that of the same period last year.

The Group reduced the number of retail outlets in Hong Kong during the period under review, after it streamlined its sales network in the past year. This move prepared the Group for consolidating its market presence in Hong Kong through establishing mega stores at favourable locations. The decrease of HK\$3 million in selling and distribution costs from HK\$51 million to HK\$48 million is mainly the reversal of provision for closure of retail outlet amounting to HK\$3 million during the period. On the other hand, general and administrative expenses amounted to HK\$35 million as against HK\$26 million of the same period last year, mainly due to higher operating expenses incurred in the Mainland China operations. The Group's operating profit for the period under review thus reached HK\$24 million, as compared with the Group's operating loss of HK\$2 million of the same period last year.

BUSINESS REVIEW (continued)

With a strong sales performance from shoes operations and streamlined retail network, the Group's net profit for the period under review jumped by 457% to HK\$27 million as compared with that of the same period last year.

Shoes operations continued to be the major contributor to the Group's turnover and operating profit respectively, accounting for 98% and 104% respectively.

During the period under review, the Group operated its shoes business under the brand names of *Le Saunda* 萊爾斯丹 and *Comfort and Easy (CnE)*. The former being positioned as an Italian brand was targeted at mid to high-end market, while *CnE* was a young line characterised with a Japanese style.

Mainland China

Mainland China remained the Group's largest market, accounting for 47% of its turnover during the period under review. Turnover and operating profit from this market segment for the period under review were HK\$96 million and HK\$8 million as compared to HK\$105 million and HK\$5 million of the same period last year. The adjustment in turnover and operating profit were mainly due to a retreat of HK\$24 million in turnover from property development in Mainland China, which also reported a loss during the period as opposed to a profit in the same period last year.

Shoes operations

In the first half of the Year, the Group continued to consolidate its business and enhance its local competitiveness. The Group pushed ahead with the refurbishment of existing stores and streamlined its sales network by closing under-performed shops. Although the aforesaid measures had certain impact on the turnover during the period under review, they are, in the long run, beneficial to the Group's shoes operations in Mainland China. In addition to strengthening the market network of self-operated stores, the Group also made effort in augmenting the quality of its franchisees by introducing a new performance target system.

The Group's outlets are strategically located in Mainland China through self-operated stores and franchise operations. During the period, the Group had self-operated stores in major cities such as Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin and Chengdu, while its franchised stores were mainly concentrated in Hangzhou, Wenzhou and Shenyang.

BUSINESS REVIEW (continued)

Mainland China (continued)

Shoes operations (continued)

As at the end of the period under review, the Group had certain stores operated under the brand names of *Le Saunda*萊爾斯丹 and *CnE*. The two brands each sustained stable growth in sales in Mainland China.

The original equipment manufacturing (“OEM”) business continued to sustain growth in turnover during the period. In response to the increase in OEM orders and demand from internal operation, the Group raised the capacity utilisation of its production facilities in Shunde, Mainland China to almost its designated capacity level. During the period, the Group’s OEM clients were mainly from countries such as Russia, the US, Japan and Europe.

Cosmetics

As disclosed in its 2004 Annual Report, the Group, after taking into account the severe market competition and requirements for special technology and expertise, ceased the operation of its cosmetics business in May 2004.

Property development

The Group’s jointly controlled entity in Mainland China, 佛山市順德區雙強房地產開發有限公司, contributed a profit of HK\$5 million (net profit after taxation of HK\$4 million) for the period under review.

During the period, turnover from the sales of 陽光花園, a residential property developed by the Group’s Shunde-based wholly-owned subsidiary, 佛山市順德區信達房地產開發有限公司, was HK\$4 million.

Hong Kong

For the period under review, the Hong Kong operations displayed exceptionally outstanding performance, with 42% growth in turnover and an operating profit of HK\$12 million as opposed to a loss of HK\$7 million when compared with those of the same period last year. This geographical market accounted for 36% and 50% of the Group’s turnover and operating profit for the first half of the Year respectively, and remained as the second major market of the Group.

BUSINESS REVIEW (continued)

Hong Kong (continued)

The encouraging result evidenced the fruits of the Group's perseverance with the consolidation of its sales network, which included closing of under-performed stores and relocation of outlets, and image enhancement such as shop refurbishment in the past year. All these efforts together with the Group's sales strategy in maintaining sufficient stock to meet demand at any given time enabled the Group to leverage the improved economic environment and consumers' confidence to increase its sales volume during the period under review.

The resources released from the closure of some retail outlets in Hong Kong are intended for use in opening new mega stores, which are part of the image enhancement programme.

Others

Turnover from sales of shoes outside Mainland China and Hong Kong amounted to HK\$36 million, representing a 37% increase from that of the same period last year. During the period under review, the Group operated an outlet in Macau and sold its products to countries including Japan, Russia, the US and Europe.

FINANCIAL POSITION

The Group's cash position remained sound during the period under review. Its cash and bank balances amounted to HK\$73 million as at 31 August 2004, as compared with HK\$92 million at the start of the period. The Group obtained total banking facilities of HK\$68 million (29 February 2004: HK\$64 million). The Group's investment properties and other properties with net book value amounting to HK\$43 million (29 February 2004: HK\$43 million) have been pledged to secure bank loan facilities of HK\$68 million (29 February 2004: HK\$64 million) granted to certain subsidiaries of the Group. Out of such facilities, the Group's total short term bank borrowings were HK\$6 million as of 31 August 2004, compared with HK\$6 million as of 29 February 2004. As at 31 August 2004, the Group's net worth amounted to HK\$406 million (29 February 2004: HK\$387 million), while gearing ratio stood at 0.015 against 0.017 as at the start of the period. The calculation of the Group's gearing ratio was based on the total bank borrowings of HK\$6 million and net worth of HK\$406 million as at 31 August 2004.

FINANCIAL POSITION (continued)

The Group's liquidity position also remained healthy, with a current ratio of 3.5 times (29 February 2004: 3.5 times) and a quick ratio of 1.2 times (29 February 2004: 1.6 times) as at 31 August 2004.

During the period under review, the Group increased its inventory level to ensure sufficient quantities and styles were available to meet market demand. As a result, the Group's inventory turnover rose from 88 days to 143 days, and the amount of inventory increased from HK\$64 million to HK\$111 million during the period.

Bank loans and overdrafts of the Group were taken out in Hong Kong dollars, US dollars and Euro. The annual interest rate of the borrowings during the period under review ranged from 2.5% to 4.0%. Forward contracts were used, if necessary, for hedging of purchases from overseas, related debts and bank borrowings. During the period under review, the Group was not exposed to material foreign exchange risk regarding Renminbi currency exposures on revenues generated or assets located in Mainland China as the exchange rate of Hong Kong dollars against Renminbi was relatively stable. In addition, working capital requirements for business in Mainland China were financed, if necessary, by local bank loans denominated in Renminbi as far as possible for hedging purpose.

The Group believes that its cash holding, liquid asset value, future revenue and available banking facilities will be sufficient to fund the working capital requirements.

During the period under review, the Group did not have material acquisitions or disposals of subsidiaries or associated companies. In the second half of the Year, other than the establishment of a new apparel line and related outlets in certain parts of China as well as several shoes stores as disclosed in the Prospects of the Business Review, the Group does not have plan for material investments or change of capital assets.

CONTINGENT LIABILITIES

In conjunction with the annual accounts for the year ended 29 February 2004, the local tax authorities in Mainland China had completed investigations in connection with certain tax payments made by the Group's subsidiaries operating in Mainland China. All further payments for taxes were fully paid to the local tax authorities in Mainland China during the period for the six months ended 31 August 2004. The Directors consider that there is no further liabilities.

Details of contingent liabilities of the Group at the balance sheet date are set out in note 12 to the condensed accounts.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2004, the Group had a total of 2,211 employees of which 173 were based in Hong Kong and 2,038 were based in Mainland China. Total staff costs including directors' emoluments and net pension contributions for the period under review amounted to HK\$36 million (six months ended 31 August 2003: HK\$33 million). The Group has structured training programmes provided for all employees. Outside consultants are also invited as lecturers to enrich the scope of the programmes.

Competitive remuneration packages commensurate with individual responsibilities, qualifications, experience and performance are structured. In addition, the Group has adopted a share option scheme and discretionary bonus policy for eligible employees of the Group.

PROSPECTS

Much stronger sales performance is expected in the second half of the Year with the opening of more strategically located new stores and the coming of the peak sales season – Christmas and Chinese New Year – in both Hong Kong and Mainland China markets.

In Mainland China, the Group will start to launch its franchise of the *CnE* line in the second half of the Year. In addition, the Group will open a number of self-operated stores under the brand names of *Le Saunda* 萊爾斯丹, *CnE* and *Antinori*. *Antinori* is a ladies wear line that goes for high-end fashion. It marks the Group's diversification into the apparel business. Made with expensive materials and unique design, *Antinori* clothing looks elegant, sexy and avant-garde, and each piece is ideal for mix and match. An *Antinori* store was officially opened in Shanghai in October 2004, and more stores under this brand are expected to open in Shanghai, Guangzhou and Shenzhen in the second half of the Year. In this business, the Group is mainly engaged in the high profit margin activities such as design and merchandising, while outsourcing the lower margin production process.

Market expansion aside, the Group has begun to establish separate counters for shoes and handbags, which is in line with the prevailing trend for displaying merchandise in department stores in Mainland China. The Group's first exclusive handbag counter was set up in a Shenzhen department store at the end of October 2004. The Group anticipates that by giving each counter a distinguished identity of homogeneous products, more products can be displayed on shelf and therefore more can be sold at each counter, whether it is an exclusive shoes or handbag counter.

PROSPECTS (continued)

As to the Hong Kong market, the Group intends to open some mega stores in prestigious shopping malls, such super stores create a grandeur feeling and provides a comfortable shopping environment. The Group expects these mega stores not only to rejuvenate the brand's image but also serve as the showroom for displaying an enhanced image to local shoppers as well as visitors from Mainland China. Despite the relatively expensive rent for these mega stores, the Group does not expect much increase in rental expenses as the closure of a number of under-performed stores has more or less offset the difference.

All in all, the second half of the Year is expected to be a harvesting period of the Group's efforts in consolidating its business and strengthening market network.

DISCLOSURE OF INTERESTS

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

As at 31 August 2004, the interests and short positions of the Directors and chief executives of the Company in the shares of HK\$0.10 each in the capital of the Company ("Shares"), underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in Shares of the Company

Name of Directors	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Short positions	Other interests		
Mr. Lee Tze Bun, Marcus ("Mr. Lee")	27,270,000 <i>(note 1)</i>	30,000,000 <i>(note 2)</i>	5,000,000 <i>(note 1)</i>	205,000,000 <i>(notes 3 & 4)</i>	262,270,000	58.05%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4,150,000	-	-	50,000,000 <i>(note 5)</i>	54,150,000	11.99% <i>(note 6)</i>
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,856,000	-	-	50,000,000 <i>(note 5)</i>	51,856,000	11.48% <i>(note 7)</i>

DISCLOSURE OF INTERESTS (continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)****Long positions in Shares in associated corporation of the Company**

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares (note 8)	100% (in respect of non-voting deferred shares)

Notes:

1. Mr. Lee personally holds 27,270,000 Shares, out of which 5,000,000 Shares being short positions. Such Shares under short positions represent approximately 1.11% of the issued share capital of the Company.
2. 30,000,000 Shares are held by Succex Limited, a company which is owned as to 60% by Mr. Lee. Therefore, Mr. Lee is deemed to be interested in those Shares.
3. Lee Tze Bun Trustee Holding Corporation ("LTB Trustee"), being the trustee of a unit trust called The Lee Tze Bun Unit Trust ("LTB Trust"), holds 155,000,000 Shares, representing approximately 34.31% of the issued share capital of the Company. Mr. Lee is the appointor of the LTB Trust and all units in the LTB Trust (other than one unit which is beneficially owned by Mr. Lee) are beneficially owned by The Lee Keung Family Trust ("Lee Family Trust"), a discretionary trust. Therefore, Mr. Lee is deemed to be interested in those Shares.
4. Lee Keung Trustee Holding Corporation ("LK Trustee"), being the trustee of a unit trust called The Lee Keung Unit Trust ("LK Trust"), holds 50,000,000 Shares, representing approximately 11.07% of the issued share capital of the Company. Mr. Lee is the appointor of the LK Trust and all units of the LK Trust (other than one unit which is beneficially owned by Mr. Lee) are beneficially owned by the Lee Family Trust. Therefore, Mr. Lee is deemed to be interested in those Shares.

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Notes (continued):

5. Ms. Chui, Ms. Tsui and Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee"), the daughter of Mr. Lee, being the trustees of The Lee Keung Charitable Foundation ("the Charitable Foundation") jointly hold 50,000,000 Shares, representing approximately 11.07% of the issued share capital of the Company. Therefore, Ms. Chui, Ms. Tsui and Ms. Lee are deemed to be interested in those Shares.
6. Ms. Chui personally holds 4,150,000 Shares, other than the Shares mentioned in (5) above, she was also granted 2,100,000 share options by the Company. Upon exercise of these outstanding share options in full, Ms. Chui's interests in the Company will be increased from the existing 11.99% to 12.45% of the issued share capital of the Company.
7. Ms. Tsui personally holds 1,856,000 Shares, other than the Shares mentioned in (5) above, she was also granted 3,000,000 share options by the Company. Upon exercise of these outstanding share options in full, Ms. Tsui's interests in the Company will be increased from the existing 11.48% to 12.14% of the issued share capital of the Company.
8. Mr. Lee beneficially owns 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company, in which Mr. Lee holds 100% interests in respect of such non-voting deferred shares.

DISCLOSURE OF INTERESTS (continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)****Long positions in underlying shares of the equity derivatives and debentures of the Company***Share Option Scheme*

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 20 November 1992 (the "Old Scheme") and the adoption of the new share option scheme (the "New Scheme") pursuant to Chapter 17 of the Listing Rules.

The Old Scheme

The movements of the outstanding share options granted to and accepted by certain Directors during the six months ended 31 August 2004 under the Old Scheme are as follows:

Name of Director	Date of share options granted	Number of Shares			Outstanding as at 31 August 2004	Exercise price per Share	Exercise period
		Outstanding as at 1 March 2004	Exercised during the period	Lapsed/ Cancelled during the period			
Ms. Chui	19 August 1994	600,000	600,000 (note 1)	-	-	HK\$0.767	19 August 1995- 18 August 2004
	8 February 1996	750,000	750,000 (note 1)	-	-	HK\$0.67	8 February 1997- 7 February 2006

Notes:

1. The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK\$0.867 per Share.
2. 50,000 share options granted to an employee at an exercise price of HK\$0.767 per Share were lapsed on 18 August 2004 and there was no outstanding share option under the Old Scheme as at 31 August 2004.

DISCLOSURE OF INTERESTS (continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)****Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)***The New Scheme*

Pursuant to the New Scheme, the Company has granted share options to certain Directors and employees of the Company to subscribe for Shares of the Company. The movements of the outstanding share options under the New Scheme during the six months ended 31 August 2004 is set out below:

Name or category of participant	Date of share options granted	Number of Shares			Outstanding as at 31 August 2004	Exercise price per Share	Exercise period
		Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period			
	<i>(note 1, 2)</i>		<i>(note 3)</i>				
Directors-							
Mr. Wan Tat Wah ("Mr. Wan") <i>(note 4, 5)</i>	13 April 2004	3,000,000	-	-	3,000,000	HK\$0.38	26 July 2004-12 April 2014
	13 April 2004	3,000,000	-	-	3,000,000	HK\$0.38	26 July 2005-12 April 2014
	13 April 2004	4,000,000	-	-	4,000,000	HK\$0.38	26 July 2006-12 April 2014
Ms. Chui	13 April 2004	900,000	900,000	-	-	HK\$0.38	26 July 2004-12 April 2014
	13 April 2004	900,000	-	-	900,000	HK\$0.38	26 July 2005-12 April 2014
	13 April 2004	1,200,000	-	-	1,200,000	HK\$0.38	26 July 2006-12 April 2014
Ms. Tsui	13 April 2004	900,000	-	-	900,000	HK\$0.38	26 July 2004-12 April 2014
	13 April 2004	900,000	-	-	900,000	HK\$0.38	26 July 2005-12 April 2014
	13 April 2004	1,200,000	-	-	1,200,000	HK\$0.38	26 July 2006-12 April 2014
Ms. Lau Shun Wai ("Ms. Lau") <i>(note 6)</i>	13 April 2004	900,000	900,000	-	-	HK\$0.38	26 July 2004-12 April 2014
	13 April 2004	900,000	-	900,000	-	HK\$0.38	26 July 2005 -12 April 2014
	13 April 2004	1,200,000	-	1,200,000	-	HK\$0.38	26 July 2006 -12 April 2014

DISCLOSURE OF INTERESTS (continued)**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)****Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)***The New Scheme (continued)*

Name or category of participant	Date of share options granted	Number of Shares			Outstanding as at 31 August 2004	Exercise price per Share	Exercise period
		Granted during the period	Exercised during the period	Lapsed/Cancelled during the period			
	(note 1, 2)		(note 3)				
Employees-							
Mr. Ven Kam Cheong, Eric ("Mr. Ven") (note 4)	13 April 2004	1,500,000	-	-	1,500,000	HK\$0.38	26 July 2004-12 April 2014
	13 April 2004	1,500,000	-	-	1,500,000	HK\$0.38	26 July 2005-12 April 2014
	13 April 2004	2,000,000	-	-	2,000,000	HK\$0.38	26 July 2006-12 April 2014
Other employees in aggregate (note 8)	13 April 2004	600,000	-	-	600,000	HK\$0.38	26 July 2004-12 April 2014
	13 April 2004	4,065,000	-	30,000	4,035,000	HK\$0.38	13 April 2005-12 April 2014
	13 April 2004	600,000	-	-	600,000	HK\$0.38	26 July 2005-12 April 2014
	13 April 2004	4,065,000	-	30,000	4,035,000	HK\$0.38	13 April 2006-12 April 2014
	13 April 2004	800,000	-	-	800,000	HK\$0.38	26 July 2006-12 April 2014
	13 April 2004	5,420,000	-	40,000	5,380,000	HK\$0.38	13 April 2007-12 April 2014

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 price of the Shares of the Company immediately before 13 April 2004 on which the share options were granted was HK\$0.40 per Share.
3. The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK\$0.808 per Share respectively.

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

The New Scheme (continued)

Notes (continued):

4. On 13 April 2004, 10,000,000 share options and 5,000,000 share options were granted to Mr. Wan and Mr. Ven respectively, which were in excess of the specified limit of 4,486,196 Shares, being 1% of the issued Shares as at 25 June 2004. Mr. Wan is an executive Director and Mr. Ven is an employee and a member of the Group's senior management. At the Annual General Meeting of the Company held on 26 July 2004, the shareholders of the Company approved the granting of such share options to Mr. Wan and Mr. Ven respectively.
5. Mr. Wan is entitled to 10,000,000 share options as at 31 August 2004. Upon exercise of these outstanding share options in full, Mr. Wan will be interested in approximately 2.21% of the issued share capital of the Company.
6. On 10 August 2004, Ms. Lau resigned as a Director. Upon Ms. Lau's resignation, the aggregate of 2,100,000 share options of the Company granted to her at an exercise price of HK\$0.38 per Share were lapsed and cancelled.
7. During the period, an aggregate of 15,550,000 share options (out of which 100,000 share options had lapsed and cancelled and excluding the share options granted to Mr. Ven) were granted by the Company to an aggregate of 36 employees who had entered into continuous employment contracts with the Company. Since such share options were granted to different employees, they have different vesting periods and exercise periods.
8. During the period, an employee granted with 100,000 share options of the Company at an exercise price of HK\$0.38 per Share had resigned. Upon resignation of such employee, such share options of the Company were lapsed and cancelled.

Save as disclosed above, as at 31 August 2004, none of the Directors or chief executives of the Company had or was deemed to have any interests and/or short positions in the Shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 August 2004, according to the register of interests in Shares and short positions of the Company required to be kept under 336 of the SFO, the Company had been notified of the following entities/persons who are interested or deemed to be interested in 5% or more of the issued share capital of the Company which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Long positions in Shares of the Company

Name	Note	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Short positions	Other interests		
HSBC International Trustee Limited ("HSBC")	1, 2 & 3	-	-	-	205,000,000	205,000,000	45.38%
Bermuda Trust (Cook Islands) Limited ("BTCL")	1, 2 & 3	-	-	-	205,000,000	205,000,000	45.38%
LTB Trustee as trustee of the LTB Trust	1, 2 & 3	-	-	-	155,000,000	155,000,000	34.31%
LK Trustee as trustee of the LK Trust	1, 2 & 3	-	-	-	50,000,000	50,000,000	11.07%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	4	-	-	-	50,000,000	50,000,000	11.07%
Mr. Lee	1, 2, 3 & 5	27,270,000	30,000,000	5,000,000	205,000,000	262,270,000	58.05%
Succex Limited	5	-	30,000,000	-	-	30,000,000	6.64%
Ms. Chui	6	4,150,000	-	-	50,000,000	54,150,000	11.99%
Ms. Tsui	7	1,856,000	-	-	50,000,000	51,856,000	11.48%
Ms. Lee	4	-	-	-	50,000,000	50,000,000	11.07%

Notes:

1. HSBC is the controlling shareholder of BTCL. By virtue of HSBC's interests in BTCL, HSBC is deemed to be interested in 205,000,000 Shares.
2. BTCL is the trustee of a unit trust called The Lee Keung Family Trust ("Lee Family Trust") which is the beneficial owner of LTB Trust and LK Trust. By virtue of BTCL's interests in the Lee Family Trust, BTCL was taken to be interested in 205,000,000 Shares of which 155,000,000 Shares are held by LTB Trust and 50,000,000 Shares are held by LK Trust.

SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in Shares of the Company (continued)

Notes (continued):

3. Mr. Lee is the appointor of the LTB Trust and LK Trust. All units in the LTB Trust and the LK Trust (other than one unit in each of the LTB Trust and LK Trust which are beneficially owned by Mr. Lee) are beneficially owned by the Lee Family Trust, a discretionary trust.
4. Ms. Lee, daughter of Mr. Lee, together with Ms. Chui and Ms. Tsui, being the trustees of the Charitable Foundation jointly hold 50,000,000 Shares, representing approximately 11.07% of the entire issued share capital of the Company. Accordingly, Ms. Lee is deemed to be interested in those Shares.
5. Mr. Lee personally holds 27,270,000 Shares, out of which 5,000,000 Shares are short positions, representing approximately 6.03% of the issued share capital of the Company. Succex Limited holds 30,000,000 Shares, in which Mr. Lee is a controlling shareholder. Together with the interests in the LTB Trust, LK Trust and Succex Limited, Mr. Lee is interested in an aggregate of 262,270,000 Shares, being approximately 58.05% of the issued share capital of the Company.
6. Ms. Chui holds an aggregate of 54,150,000 Shares, comprising 4,150,000 Shares personal interests and together with the 50,000,000 Shares jointly held with Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation, representing approximately 11.99% of the issued share capital of the Company. As disclosed under the heading "New Scheme", Ms. Chui is also entitled to an aggregate of 2,100,000 share options of the Company. Upon exercise of these outstanding share options in full, Ms. Chui's interests in the Company will be increased from the existing 11.99% to 12.45% of the issued share capital of the Company.
7. Ms. Tsui holds 51,856,000 Shares, comprising 1,856,000 Shares personal interests and together with the 50,000,000 Shares jointly held with Ms. Chui and Ms. Lee as trustees of the Charitable Foundation, representing approximately 11.48% of the issued share capital of the Company. As disclosed under the heading "New Scheme", Ms. Tsui is also entitled to 3,000,000 share options. Upon exercise of these outstanding share options in full, Ms. Tsui's interests in the Company will be increased from the existing 11.48% to 12.14% of the issued share capital of the Company.

Save as disclosed above, as at 31 August 2004 the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest directly or indirectly and/or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 15 December 2004 to Tuesday, 21 December 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend which will be payable on Wednesday, 22 December 2004, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Unit 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 14 December 2004.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 August 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated accounts for the six months ended 31 August 2004.

CODE OF BEST PRACTICE

With the exception that the independent non-executive Directors have not been appointed for a specific term of office but retire from office on a rotational basis, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the six months ended 31 August 2004.

By Order of the Board
Lee Tze Bun, Marces
Chairman





le saunda holdings ltd.

利信達集團有限公司

interim report 2004/2005

