le saunda holdings ltd.

利信達集團有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 738)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2008

The board of Directors of Le Saunda Holdings Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 29 February 2008 are as follows :

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
Continuing operations:			
Revenue	2	781,993	724,284
Cost of sales	5	(391,091)	(341,748)
Gross profit		390,902	382,536
Other income and gains	4	46,385	60,045
Selling and distribution costs	5	(247,946)	(248,088)
General and administrative expenses	5	(105,720)	(85,208)
Operating profit		83,621	109,285
Finance income		5,318	1,991
Finance costs		(294)	(321)
Finance income, net		5,024	1,670
Share of profit of a jointly controlled entity		14,509	1,925
Profit before taxation		103,154	112,880
Taxation charge	6	(7,092)	(5,729)
Profit for the year from continuing operations		96,062	107,151
Loss for the year from discontinued operations	3	(17,986)	(1,425)
Profit attributable to equity holders of the Company		78,076	105,726
Dividends	7	47,864	46,800

	Note	2008 HK$'000	2007 HK$'000
Basic earnings/(losses) per share attributable to the equity holders of the Company			
- continuing operations	8	15.1 cents	18.3 cents
- discontinued operations	8	(2.8) cents	(0.2) cents
		12.3 cents	18.1 cents
Diluted earnings/(losses) per share attributable to the equity holders of the Company			
- continuing operations	8	15.0 cents	17.9 cents
- discontinued operations	8	(2.8) cents	(0.2) cents
		12.2 cents	17.7 cents

CONSOLIDATED BALANCE SHEET
AS AT 29 FEBRUARY 2008

	Note	**2008** *HK$'000*	**2007** *HK$'000*
ASSETS			
Non-current assets			
Investment properties		72,617	56,132
Property, plant and equipment		99,550	83,330
Leasehold land and land use rights		51,879	40,697
Long-term deposits and prepayments		12,657	16,734
Investment in a jointly controlled entity		56,251	57,829
Interests in and amount due from available-for-sale financial assets		24,255	7,189
Deferred tax assets		38,680	36,339
		355,889	298,250
Current assets			
Inventories		147,663	188,871
Trade and other receivables	9	90,696	81,494
Deposits and prepayments		19,702	24,903
Dividend receivable from a jointly controlled entity		—	10,090
Amount due from available-for-sale financial assets		—	15,135
Amount due from a jointly controlled entity		—	10,311
Cash and cash equivalents		282,940	147,853
		541,001	478,657
Non-current assets classified as held for sale	3(a)	—	39,718
		541,001	518,375
Total assets		896,890	816,625

	Note	2008	2007
		HK$'000	HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		63,826	62,406
Reserves			
Proposed final dividend		28,722	28,083
Others		694,256	645,174
Total equity		786,804	735,663
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		5,166	3,450
Current liabilities			
Creditors and accruals	10	102,585	68,561
Amount due to a jointly controlled entity		767	—
Taxation payable		1,568	2,097
Short-term bank loans, secured		—	3,409
		104,920	74,067
Liabilities directly associated with non-current assets classified as held for sale	3(a)	—	3,445
		104,920	77,512
Total liabilities		110,086	80,962
Total equity and liabilities		896,890	816,625
Net current assets		436,081	440,863
Total assets less current liabilities		791,970	739,113

Notes:

1. **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention modified by the revaluation of investment properties and certain financial assets and financial liabilities, which are measured at fair value, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following new standard, amendment to standard and interpretations of HKFRS are effective for the year ended 29 February 2008:

HKAS 1 (Amendment)	Presentation of Financial Statements - Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions

Except for HKAS 1 (Amendment) and HKFRS 7, the adoption of the above interpretations do not have material impact to the Group's principal accounting policies or presentation of financial statements.

The adoption of HKFRS 7 and the complementary amendment to HKAS 1 has resulted in new disclosures relating to financial instruments and how the Group manages its capital resources, but has no impact on the results or financial position of the Group.

The following revision to standard and interpretations of HKFRS have been issued but are not yet effective for the financial year ended 29 February 2008 and have not been early adopted by the Group. The Group anticipates that the adoption of these revision to standard and interpretations of HKFRS will not result in a significant impact on the results and financial position of the Group.

		Effective for accounting periods beginning on or after
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HK(IFRIC)-Int 12	Service Concession Arrangements	1 January 2008
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

The following new standard, amendment/revisions to standards have been issued but are not yet effective and have not been early adopted by the Group. The Group has already commenced an assessment of the impact of these changes. The expected impact is still being assessed in detail by management.

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations	1 January 2009
HKFRS 3 (Revised)	Business Combinations	1 July 2009
HKFRS 8	Operating Segments	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009

2 Revenue and segment information

Primary reporting format - business segments

The Group is organised into two main business segments:

- Manufacture and sales of shoes *(note (a))*
- Property development

There were no sales and transfers between the business segments.

(a) The segment results include gross rental income and fair value gains from investment properties of HK$2,056,000 (2007: HK$2,106,000) and HK$16,485,000 (2007: HK$28,206,000) respectively. The segment assets include investment properties amounted to HK$72,617,000 (2007: HK56,132,000).

Secondary reporting format - geographical segments

The Group’s business segments operate in three main geographical areas:

- Mainland China - manufacturing and retailing of shoes, property development and holding of investment properties
- Hong Kong - retailing of shoes and holding of investment properties
- Macau - retailing of shoes and holding of investment property

(i) *Primary reporting format - business segments*

	Manufacture and sales of shoes 2008 *HK$'000*	Property development 2008 *HK$'000*	Others 2008 *HK$'000*	Total 2008 *HK$'000*
Revenue	781,993	—	—	781,993
Segment results	88,078	(4,457)	—	83,621
Finance income	5,289	29	—	5,318
Finance costs	(294)	—	—	(294)
Share of profit of a jointly controlled entity	—	14,509	—	14,509
Profit before taxation	93,073	10,081	—	103,154
Taxation charge	(7,092)	—	—	(7,092)
Profit/(loss) for the year from:				
- Continuing operations	85,981	10,081	—	96,062
- Discontinued operations	—	2,731	(20,717)	(17,986)
	85,981	12,812	(20,717)	78,076
Segment assets	768,000	32,236	1,723	801,959
Investment in a jointly controlled entity	—	56,251	—	56,251
Unallocated assets				
Deferred tax assets				38,680
Total assets				896,890
Segment liabilities	96,798	5,120	1,434	103,352
Unallocated liabilities				
Taxation payable				1,568
Deferred tax liabilities				5,166
Total liabilities				110,086
Capital expenditure	47,220	—	256	47,476
Depreciation	22,143	3	1,383	23,529
Amortisation	1,139	—	—	1,139

	Manufacture and sales of shoes 2007 *HK$'000*	Property development 2007 *HK$'000*	Others 2007 *HK$'000*	Total 2007 *HK$'000*
Revenue	724,284	—	—	724,284
Segment results	94,165	15,120	—	109,285
Finance income	1,989	2	—	1,991
Finance costs	(321)	—	—	(321)
Share of profit of a jointly controlled entity	—	1,925	—	1,925
Profit before taxation	95,833	17,047	—	112,880
Taxation (charge)/credit	(5,733)	4	—	(5,729)
Profit/(loss) for the year from:				
- Continuing operations	90,100	17,051	—	107,151
- Discontinued operations	—	10,266	(11,691)	(1,425)
	90,100	27,317	(11,691)	105,726
Segment assets	623,574	42,975	16,190	682,739
Investment in a jointly controlled entity	—	57,829	—	57,829
Non-current assets classified as held for sale	—	39,718	—	39,718
Unallocated assets				
Deferred tax assets				36,339
Total assets				816,625
Segment liabilities	69,680	71	2,219	71,970
Liabilities directly associated with non-current assets classified as held for sale	—	3,445	—	3,445
Unallocated liabilities				
Taxation payable				2,097
Deferred tax liabilities				3,450
Total liabilities				80,962
Capital expenditure	35,086	20	856	35,962
Depreciation	20,388	247	1,794	22,429
Amortisation	1,012	—	—	1,012

(ii) *Secondary reporting format - geographical segments*

	Revenue 2008 *HK$'000*	Segment results 2008 *HK$'000*	Total assets 2008 *HK$'000*	Capital expenditure 2008 *HK$'000*
Hong Kong *(note (a))*	167,578	8,850	163,719	2,347
Mainland China	421,039	23,078	630,422	43,717
Macau *(note (a))*	16,372	7,377	36,990	1,412
Other *(note (b))*	177,004	44,316	27,079	—
	781,993	83,621	858,210	47,476
Unallocated assets				
Deferred tax assets			38,680	
Total assets			896,890	

	Revenue 2007 *HK$'000*	Segment results 2007 *HK$'000*	Total assets 2007 *HK$'000*	Capital expenditure 2007 *HK$'000*
Hong Kong *(note (a))*	187,375	23,981	145,103	8,738
Mainland China	400,094	33,572	548,369	27,224
Macau *(note (a))*	11,959	26,760	33,488	—
Other *(note (b))*	124,856	24,972	13,608	—
	724,284	109,285	740,568	35,962
Non-current assets classified as held for sale			39,718	
Unallocated assets				
Deferred tax assets			36,339	
Total assets			816,625	

(a) The segment results include the fair value gains on investment properties.

(b) Mainly related to export sales generated in Europe and in other parts of the world, including Russia, Spain, Italy, Japan, Australia and New Zealand.

3 Non-current assets held for sale and discontinued operations

The results of discontinued operations are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Property development (note (a))	2,731	10,266
Apparel retailing (note (b))	(20,717)	(11,691)
	(17,986)	(1,425)

(a) On 17 May 2007, pursuant to a sale and purchase agreement entered into between the Group and Manful Regent Limited, an investment holding company owned as to 80% by Mr. Lee (a substantial shareholder and Director of the Company), the Group's management and shareholders approved the disposal of its entire equity interest in a subsidiary, 佛山市順德區信達房地產開發有限公司 ("信達房地產"), which is engaged in the property development business, for a consideration of HK$31,345,000. The gain on disposal of subsidiary amounted to HK$3,455,000. The transaction was completed on 25 July 2007.

As at 28 February 2007, the recognition criteria for discontinued operation had been met, and the assets and liabilities related to 信達房地產 were presented as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale.

An analysis of the results of the discontinued operation related to信達房地產is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue	908	33,040
Expenses	(1,632)	(17,612)
(Loss)/profit before taxation	(724)	15,428
Taxation charge		
Mainland China enterprise income tax	—	(5,162)
(Loss)/profit for the year	(724)	10,266
Gain on disposal of a subsidiary, 信達房地產	3,455	—
	2,731	10,266

	2008	2007
	HK$'000	*HK$'000*
Non-current assets classified as held for sale:		
Property, plant and equipment	—	281
Properties under development for sale		
- land use rights	—	26,347
- development costs	—	1,149
Completed properties held for sale		
- land use rights	—	292
- development costs	—	552
Trade and other receivables	—	1,864
Deposits	—	37
Cash and cash equivalents	—	9,196
	—	39,718
Liabilities directly associated with non-current assets classified as held for sale:		
Creditors and accruals	—	3,445

(b) During the year ended 29 February 2008, the Group discontinued the operation of the apparel brand, Antinori (classified as "others" in segment information), and the last Antinori shop was closed on 24 February 2008. The operation of this segment is reported in these financial statements as discontinued operation. As at year end, there are no material assets and liabilities related to the discontinued operation.

An analysis of the results of the discontinued operation related to Antinori is as follows:

	2008	2007
	HK$'000	*HK$'000*
Revenue	13,276	15,447
Expenses	(33,993)	(27,138)
Loss for the year	(20,717)	(11,691)

4 **Other income and gains**

	2008	**2007**
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	2,056	2,106
Dividend income from available-for-sale financial assets	—	14,694
	2,056	16,800
Other gains		
Fair value gains on investment properties	16,485	28,206
Net exchange gain (Note (a))	27,844	15,039
	44,329	43,245
	46,385	60,045

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

5 Expenses by nature

Expenses included in cost of sales, selling and distribution costs and general and administrative expenses of continuing operations are analysed as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Auditor's remuneration	2,161	1,958
Amortisation of leasehold land and land use rights	1,139	1,012
Depreciation of property, plant and equipment	22,145	20,406
Loss on disposal of property, plant and equipment	393	515
Costs of inventories recognised as expenses included in cost of sales	383,834	341,102
Operating lease rentals in respect of land and buildings		
- minimum lease payments	78,438	68,932
- contingent rent	2,646	2,056
Freight charges	9,638	13,093
Advertising and promotional expenses	6,721	19,497
Concessionaire fee	57,624	63,173
Provision for impairment of inventories	4,970	—
Direct operating expenses arising from investment properties that generated rental income	550	552
Staff costs (including directors' emoluments)	133,039	112,553
Other expenses	41,459	30,195
	744,757	675,044

Expenses included in discontinued operations are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
Auditor's remuneration	16	9
Depreciation of property, plant and equipment	1,384	2,023
Loss on disposal of property, plant and equipment	760	44
Costs of inventories recognised as expenses included in cost of sales	13,283	17,759
Operating lease rentals in respect of land and buildings		
- minimum lease payments	8,112	8,347
Building management fee and rates	2,241	1,304
Advertising and promotional expenses	757	2,042
Concessionaire fee	163	511
Staff costs	6,301	8,819
Other expenses	2,608	3,892
	35,625	44,750

6 Taxation charge

The amount of taxation charged to the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current taxation		
People's Republic of China ("PRC") enterprise income tax	(7,717)	(8,765)
Deferred taxation	625	3,036
	(7,092)	(5,729)

Certain companies within the Group are subject to Hong Kong profits tax. The Group did not recognise any current Hong Kong profits tax as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the year (2007: Nil).

Certain companies within the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 33% from 1 March 2007 to 31 December 2007, and tax rate of 25% from 1 January 2008 to 29 February 2008 (2007: 33%) of the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except for certain subsidiaries of the Group, which were exempted from tax or taxed at preferential rates of 15% to 27% (2007: 15% to 27%).

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

7 **Dividends**

	2008	**2007**
	HK$'000	*HK$'000*
Interim, paid, of HK3.0 cents (2007: HK3.0 cents) per ordinary share	19,142	18,717
Final, proposed, of HK4.5 cents (2007: HK4.5 cents) per ordinary share	28,722	28,083
	47,864	46,800

At a meeting held on 16 June 2008, the Directors proposed a final dividend of HK4.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 28 February 2009.

8 **Earnings per share**

Basic

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2008	**2007**
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders		
- continuing operations	96,062	107,151
- discontinued operations	(17,986)	(1,425)
	78,076	105,726
Weighted average number of ordinary shares in issue ('000)	633,688	583,645
Basic earnings/(losses) per share (HK cents)		
- continuing operations	15.1	18.3
- discontinued operations	(2.8)	(0.2)
	12.3	18.1

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had share options outstanding during the year 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 as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2008	**2007**
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders		
- continuing operations	96,062	107,151
- discontinued operations	(17,986)	(1,425)
	78,076	105,726
Weighted average number of ordinary shares in issue ('000)	633,688	583,645
Adjustments for share options ('000)	4,133	13,041
Weighted average number of ordinary shares for diluted earnings per share ('000)	637,821	596,686
Diluted earnings/(losses) per share (HK cents)		
- continuing operations	15.0	17.9
- discontinued operations	(2.8)	(0.2)
	12.2	17.7

9 **Trade and other receivables**

	2008	**2007**
	HK$'000	*HK$'000*
Trade receivables	89,284	79,941
Less: Provision for impairment of receivables	(921)	(847)
Trade receivables — net	88,363	79,094
Other receivables	2,333	2,400
	90,696	81,494

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on average credit period of 90 days.

The carrying amounts of trade and other receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

At 29 February 2008, the ageing analysis of the trade receivables based on invoice date, was as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Current to 30 days	65,023	69,924
31 to 60 days	15,188	6,793
61 to 90 days	6,811	1,130
Over 90 days	2,262	2,094
	89,284	79,941

10 **Creditors and accruals**

	2008	**2007**
	HK$'000	*HK$'000*
Trade creditors	38,895	34,788
Accruals	63,690	33,773
	102,585	68,561

The credit period granted by suppliers are generally ranged from 7 to 60 days. At 29 February 2008, the ageing analysis of the trade creditors was as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Current to 30 days	19,360	18,913
31 to 60 days	13,082	11,978
61 to 90 days	2,287	2,628
91 to 120 days	2,261	740
Over 120 days	1,905	529
	38,895	34,788

BUSINESS REVIEW

During the year under review, the Group maintained a stable business growth despite a challenging operational environment. In the first half of the fiscal year, the Group embarked on an aggressive stock clearance and business restructuring plan to further boost operational efficiency and profitability. In addition, a brand revamping program was rolled out to cope with the Group's strategic store network consolidation and expansion goal — actions that will better position us to capture the ever growing market demand for quality footwear and leather products in Hong Kong and Mainland China. The second half of the fiscal year was characterized by outstanding performance, underpinned by our success in retail store consolidation and stock clearance, as well as new product launches and a rationalization of the existing product range.

During the year under review, the Group successfully upheld its competitive edge, enhanced its market penetration and increase its brand awareness by setting up an extensive sales network in Hong Kong and in the first- and second-tier cities in China. The expansion of retail outlets coupled with the retention of our loyal customer base had accelerated the growth of the Group's retail and OEM/ODM businesses.

In terms of financials for the year ended 29 February 2008, the Group's consolidated turnover increased by 8% to HK$782.0 million when compared to last year. The modest turnover growth was a direct result of the strong growth in export sales for the footwear manufactured in Mainland China. The Group's efforts to clear inventory had significantly reduced the stock turnover days from 159 as at 28 February 2007 to 90 days as at 29 February 2008. This, however, slightly lowered the overall gross profit margin from 53% to 50% during the year under review. Consolidated profit attributable to equity holders reached HK$78.1 million, a decrease of 26% over the previous year. The decrease in net profit was mainly due to the inclusion of the loss from the discontinued business operations, the decrease in fair value gains on investment properties and more discounted sales from stock clearance during the first half of the fiscal year. Without the discontinued business operations, consolidated profit for the year from continuing operations amounted to HK$96.1 million, which was 10% behind last year. Without the fair value gains on investment properties and relevant deferred tax impact, consolidated profit from continuing operations would have been HK$82.5 million, which was almost at par with last year.

In addition, the Group successfully disposed of its entire interest in 佛山市順德區信達房地產開發有限公司 (Fo Shan City Shun De District Xin Da Property Development Company Limited) with a net gain of HK$3.5 million and discontinued its apparel brand *Antinori* during the year.

The Board of Directors has resolved to declare a final dividend of HK4.5 cents (2006/07: HK4.5 cents) per share. Together with the interim dividend of HK3.0 cents, the total dividend for the year was HK7.5 cents.

Footwear

The fiscal year 2007/08 was a year of "Innovation and Change" for the Group. A series of innovative measures and restructuring plans were carried out with the goal of further enhancing the market recognition and penetration of the *Le Saunda* and *CnE* brands.

To maximize the productivity and efficiency of its retail business, the Group reviewed the performance of its self-owned and franchised stores, which resulted in the closure of underperforming stores and the opening of new image stores and counters in high-traffic shopping malls and popular department stores in Hong Kong, Macau and China. All new outlets adopted a unified construction standard nationwide, with shop design in strict compliance with the Group's internal codes and manuals - a deliberate measure to enhance brand value and influence.

The Group also started to reallocate its resources to target a broader market segment and become more customer focused. The Group reinvigorated the *Le Saunda* and *CnE* brands, positioning them as premium, modern European-style footwear brands. Emphasis was placed on product development to broaden the range and enhance the product mix. A new product development team was formed to provide greater focus on the development of younger and trendier footwear products. The Group also strengthened the marketing activities in both Hong Kong and Mainland China, and launched a new line of luxury footwear brand in 2007.

Hong Kong

As a result of heavy discounting in the Hong Kong footwear market in the first half of the fiscal year, total revenue in Hong Kong decreased by 11% from the corresponding year.

During the year under review, the Group owned and operated a total of 23 retail stores in Hong Kong and Macau. The Group opened 2 new *Le Saunda* stores and closed 1 existing *Le Saunda* store. The Group successfully implemented a store consolidation plan for the *Le Saunda* outlets, to achieve higher sales and to offset higher rental and operational costs. In addition, the Group closed all *CnE* stores by February 2008.

Mainland China

During the year under review, China continued to be the largest market for the Group's footwear business. The Group's core business strategy for the China market continued to focus on strengthening its foothold in the major cities which enabled the Group to have a deeper market penetration and higher brand visibility.

For the year ended 29 February 2008, total revenue generated from China increased 5% when compared with last year. After the completion of the stock clearance in the first half of the fiscal year, the Group's retail business in China recorded strong profit growth in the second half of the fiscal year.

The Group devoted more efforts in marketing activities and promotions, including advertising in well-known magazines, outdoor advertising and joint promotion with shopping malls. These marketing initiatives received good market responses and effectively helped promote the brand image and market awareness of the Group during the fiscal year.

As at 29 February 2008, there were 153 self-owned *Le Saunda* and *CnE* stores and counters, and 104 franchised stores in China. During the year, the Group opened 16 self-owned outlets and 36 franchised outlets, and closed down 25 self-owned outlets and 40 franchised outlets that underperformed, and strategically relocated some of its retail outlets to more desirable locations.

The Group's franchise business, especially for its "*Le Saunda*" and "*CnE*" brands, in China during the year developed fast, and maintained a double-digit growth of 19%. To capture the growing entrepreneurial fever in China, the Group has been aggressively developing its franchise business in first- and second-tier cities in China recruiting potential investors and establishing long-term business relationship with department stores. Featuring "low risk and high return", the entire concept of the Group's franchise program was a proven success and contributed to the rapid growth of its PRC retail business. With a unified store design and layout, the Group also stringently implemented brand and store management guidelines and standardized pricing strategy to ensure consistency and quality sales services.

Business collaboration with Florencia Marco, S.L.

The Group also focused on developing high value-added products to capitalize on market opportunities, to achieve further expansion and profitability. Subsequently after year end, in April 2008, the Group further expanded its product portfolio to include high-end footwear products through collaboration with Florencia Marco, S.L. ("FM"), a renowned Spanish ladies' footwear designer and international wholesaler under the renowned international brands "*Rebeca Sanver*" and "*To Be*".

The collaboration involved the formation of a joint venture business between *Le Saunda* and Mr. José Juan Sanchis Busquier ("Mr. Sanchis"), the existing shareholder and Chairman of FM, with a total consideration of €4.5 million (equivalent to approximately HK$55.1 million). Upon completion, *Le Saunda* and Mr. Sanchis will each effectively hold 50% of the equity interest in the JV Company which, through its wholly owned subsidiaries (including FM), will own the *Rebeca Sanver* and *To Be* branded footwear design and worldwide wholesale business and the trademark in relation to the *Rebeca Sanver* and *To Be* brands.

Pursuant to the Agreements, both *Le Saunda* and Mr. Sanchis agreed, among other things, to provide a shareholder's loan of not more than €2.0 million (equivalent to approximately HK$24.5 million) each to the JV Group for retail business development in China. After completing the formation of the new JV Company, the JV Group plans to open 50 *Rebeca Sanver* retail outlets in China in the next 3 years. *Le Saunda* will manage the distribution and marketing of *Rebeca Sanver* in China.

Apparel & Handbag products

To further streamline its business operations, the Group has discontinued the apparel business and will focus on the footwear and handbag business going forward.

OEM

Despite intense market competition and rising operation costs, the Group continued to maintain the promising growth momentum of the OEM business, and achieved encouraging results of 42% sales growth during the year under review.

For the year ended 29 February 2008, the Group's manufacturing facilities in China continued to operate at full capacity, to support the extensive product portfolio and requirements from renowned brand owners. The Group had made serious efforts at optimizing production capacity, enhancing product mix, production efficiency as well as the economies of scale of its facilities. To understand and stay ahead of the market trend, the Group also put strong emphasis on product design and development, and consistency in quality.

In addition, the Group has been taking a proactive approach in establishing long-term relationship with its business partners and reputable clients to explore more business opportunities. Currently, our OEM customers include renowned high-end market brands and the biggest department stores in Europe and in other parts of the world, including Russia, Spain, Italy, Japan, Australia and New Zealand. During the reporting period, the Group developed a new OEM/export premium market in the Middle East and Eastern Europe. The Group will continue to enhance its strategic partnership with customers through design support and product development.

PROSPECTS

Looking forward, the management is optimistic about the business environment in both Mainland China and Hong Kong market. The Hong Kong and Macau retail business has established a good scale and its growth will be further driven by the continued influx of Mainland visitors and an overall improvement in the local economy. As China is experiencing a retail revolution and witnessing a fast-changing retail landscape, it is expected that the Chinese footwear market will continue to experience phenomenal growth in the coming years. We will continue our strategic and prudent approach towards network expansion by closely monitoring local and China market circumstances. We will continue to place a strong emphasis on same-store growth by improving our operational efficiency.

Although rental costs continue to be a major challenge, the Group strives to increase its turnover and gross profit margin to help offset the impact. In addition, leveraging the strong brand name of *Le Saunda* in Hong Kong, the Group will consider store relocation as an option in order to control rental costs upon lease renewal.

In contrast to the maturity and concentration of the Hong Kong market, the China market is still in a developing stage. To further capture the enthusiastic shopping atmosphere in China, the Group will focus on opening more self-owned retail stores in the major cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Wuhan and Chongqing, while it will adopt the franchising scheme for expansion into other cities. The Group targets to open not less than 50 men's premium counters and not less than 50 lady's premium handbag counters in Mainland China over the next 2 years. The Group also targets to open not less than 50 new "*Le Saunda*" and "*CnE*" stores in Mainland China in the next 2 years.

Apart from store roll out, the Group will devote increasing resources to improving product development and marketing efforts, enrich product portfolios through innovation and creativity, strengthen internal management, implement stringent cost control and strengthen overall operational efficiency. The Group will also continue to roll out a comprehensive brand revamp program by offering a higher-end product line and launching of more in-house luxury brands to capture the opportunities in the mid to upper market segment in Mainland China, and the improving local economy. The Group will invest HK$10.0 million to upgrade and refurbish all *Le Saunda* and *CnE* outlets in Mainland China by end of 2009.

In addition, the Group is confident that the business collaboration with FM will significantly enhance *Le Saunda's* market position and will offer the Group new revenue and profit growth, which is in line with the Group's business strategy. The high-end footwear design and product development capabilities, worldwide distribution network, brand building expertise, strong connections in the European markets and synergies created from the partnership will enhance *Le Saunda's* market penetration globally.

To cope with the long-term growth of its footwear business, the Group will continue to expand the production facilities for the Group's OEM business segment. The Group will further develop premium markets in Middle East and Eastern Europe and at the same time, actively seek strategic partnership with European premium brands to further expand its OEM/ODM markets. The Group targets to spend US$5.0 million to increase Shunde's existing annual capacity by 0.9 million pairs of shoes to 2.1 million pairs by end of 2009. The Group will also locate a new production base in Gaoming, Foshan, and spend US$10.0 million to increase the annual production capacity by 1.2 million pairs by end of 2010.

The Group endeavors to capture the immense business opportunities in Mainland China and create value to our customers. The Company is confident with its future development and will continue to strengthen its business on the back of its strong professional management team, in-depth market knowledge and the edge in innovative design and product development technology.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

The Group's cash position remains strong and healthy. Net cash balances as at 29 February 2008 increased to HK$282.9 million as compared with HK$144.4 million as at 28 February 2007. Total equity is maintained at HK$786.8 million, along with a quick ratio of 3.6 times (28 February 2007: 3.1 times).

Pledge of Assets

As at 29 February 2008, the Group pledged certain of its properties and leasehold land with net book value amounting to HK$12.5 million (28 February 2007: HK$26.4 million) to secure Letters of Credit and bank loan facilities of HK$30.0 million (28 February 2007: HK$50.0 million), which has been granted to certain subsidiaries of the Group.

Capital Structure and Financial Resources of the Group

During the year ended 29 February 2008, the Group's cash and bank balances were in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity dates falling within one year. Bank loans and overdrafts of the Group were taken out in Hong Kong dollars, US dollars and Euro. Forward contracts will be used, if necessary, for hedging of purchases from overseas, related debts and bank borrowings. The Group did not enter into any forward contract to hedge its foreign exchange risk during the year. In addition, working capital requirements for business operations in Mainland China will be financed, if necessary, by local bank loans, denominated in Renminbi to the extent possible for hedging purpose.

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

CONNECTED TRANSACTON

On 26 March 2007, the Group had entered into an agreement with the purchaser for the disposal of the entire equity interest in the registered and paid-up capital of 佛山市順德區信達房地產開發有限公司 (Fo Shan City Shun De District Xin Da Property Development Company Limited) at a consideration of HK$31.3 million. The shareholder resolution for the disposal had been approved at the special general meeting held on 17 May 2007, and the transaction was completed on 25 July 2007.

We believe that the disposal represents a good opportunity for the Group to realize its investment in Mainland China properties in order to rationalise its business scope, allowing us to further focus solely on our footwear related operation. The sale proceeds from the disposal are intended for use as general working capital of the Group.

DIVIDEND

The Directors declared an interim dividend of HK3.0 cents (2007: HK3.0 cents) per ordinary share in respect of the year ended 29 February 2008.

The Directors recommend the payment of a final dividend of HK4.5 cents (2007: HK4.5 cents) per ordinary share for the year ended 29 February 2008.

BANK GUARANTEES

The Company and several subsidiaries have jointly given guarantees in favour of banks for banking facilities granted to certain subsidiaries on Letters of Credit and bank loan to the extent of HK$30.0 million (2007: HK$50.0 million) of which HK$8.0 million (2007: HK$14.7 million) was utilised as at 29 February 2008.

EMPLOYEES AND REMUNERATION POLICIES

As at 29 February 2008, the Group had a staff force of 2,982 people. Of this, 220 were based in Hong Kong and 2,762 in Mainland China. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total staff costs for the year ended 29 February 2008, including directors' emoluments and net pension contributions, amounted to HK$139.3 million of which HK$133.0 million were from continuing operations and HK$6.3 million from a discontinued operation (2007: HK$121.4 million). The Group has all along organised structured and diversified training programmes for staff of different levels. Outside consultants would be invited to broaden the content of the programmes.

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 year.

AUDIT COMMITTEE

During the year, the audit committee was constituted by three independent non-executive Directors, the current members are Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. No member of the audit committee is a member of the former or external auditors of the Company. One of the members possesses recognized professional qualifications in accounting and has wide experience in audit, accounting and financial management.

The primary responsibilities of the audit committee include overseeing the relationship with the Company's external auditors, review of financial information of the Group, including a review of the financial statements for the year ended 29 February 2008, oversight of the Group's financial reporting system, internal control procedures and risk management and making relevant recommendations to the Board.

The role and authorities of the audit committee were clearly set out in its terms of reference which are available on request to shareholders of the Company and are posted on the Company's website : http://www.lesaunda.com.hk.

REMUNERATION COMMITTEE

During the year, the remuneration committee was constituted by three independent non-executive Directors, the current members are Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one executive Directors, Mr. Lee Tze Bun, Marces.

The role and authorities of the remuneration committee were clearly set out in its terms of reference which are available on request to shareholders of the Company and are posted on the Company's website : http://www.lesaunda.com.hk.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 July 2008 to Monday, 4 August 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend which, if approved, will be payable on Friday, 8 August 2008, 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, Hong Kong for registration no later than 4:00 pm. on Wednesday, 30 July 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group continues to commit itself to maintaining a high standard of corporate governance with an emphasis on enhancing transparency and accountability and ensuring the application of these principles within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

During the year under review, the Company has complied with most of the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the deviation as expressly set out below :

A2.1- Code provision A.2.1 stipulates that the roles of chairman of the board and chief executive officer ("CEO") should be separate and should not be performed by the same individual and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Upon the resignation of Mr. Wan Tat Wah as the CEO of the Company effective on 1 October 2007, Mr. Lee Tze Bun Marces, the chairman of the Company, has been appointed as the CEO of the Company. The Board considers that, given the current state of development of the Company, vesting the roles of chairman and CEO in the same person would facilitate the execution of the Company's business strategies and maximize effectiveness of the Company's operations. Nevertheless, the Board will review the structure from time to time and take any appropriate action should circumstance require.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors since 4 October 2005. The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company, who, by reason of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Having made specific enquiry of all Directors, all Directors of the Company have confirmed their compliance with the required standard set out in the Model Code throughout the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Annual Report of the Company containing all the information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) on or before 30 June 2008.

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.

BOARD OF DIRECTORS

As at the date of this announcement, the Company's executive Directors are Mr. Lee Tze Bun, Marces, Ms. Chui Kwan Ho, Jacky, Ms. Tsui Oi Kuen, Ms. Lau Shun Wai and Ms. Wong Sau Han; independent non-executive Directors are Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan.

By Order of the Board
Lee Tze Bun, Marces
Chairman

Hong Kong, 16 June 2008

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

* *For identification purposes only*