le saunda holdings ltd.

利信達集團有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 0738)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2008

The board of Directors of Le Saunda Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2008. The unaudited condensed consolidated interim results for the six months ended 31 August 2008 have not been audited by the Company's auditors, but were reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
For the six months ended 31 August 2008

		Unaudited	
		Six months ended 31 August	
	Note	**2008**	2007
		HK$'000	*HK$'000*
Continuing operations:			
Revenue	3	**408,144**	353,706
Cost of sales		**(194,599)**	(180,802)
Gross profit		**213,545**	172,904
Other income and gains	4	**7,557**	8,937
Selling and distribution costs		**(121,460)**	(114,196)
General and administrative expenses		**(57,260)**	(44,484)
Operating profit	5	**42,382**	23,161
Finance income		**2,474**	2,009
Finance costs		**—**	(172)
Share of profit of a jointly controlled entity		**—**	11,720
Profit before taxation		**44,856**	36,718
Taxation charge	6	**(4,655)**	(4,712)

	Note	Unaudited Six months ended 31 August **2008** ***HK$'000***	 2007 *HK$'000*
Profit for the period from continuing operations		**40,201**	32,006
Discontinued operations			
Loss for the period from discontinued operations		**—**	(11,346)
Profit attributable to equity holders of the Company		**40,201**	20,660
Profit for the period earned by:			
Company and subsidiaries		**40,201**	8,940
Jointly controlled equity		**—**	11,720
		40,201	20,660
Interim dividend	7	**19,172**	19,016
Basic earnings/(loss) per share attributable to the equity holders of the Company			
- continuing operations	8	**6.3 cents**	5.1 cents
- discontinued operations	8	**—**	(1.8) cents
		6.3 cents	3.3 cents
Diluted earnings/(loss) per share attributable to the equity holders of the Company			
- continuing operations	8	**6.3 cents**	5.1 cents
- discontinued operations	8	**—**	(1.8) cents
		6.3 cents	3.3 cents

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2008

	Note	**Unaudited 31 August 2008** *HK$'000*	Audited 29 February 2008 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**72,617**	72,617
Property, plant and equipment		**153,000**	99,550
Leasehold land and land use rights		**51,748**	51,879
Long-term deposits and prepayments		**10,558**	12,657
Investment in a jointly controlled entity		**37,496**	56,251
Interests in and amount due from available-for-sale financial assets		**25,344**	24,255
Deferred tax assets		**36,539**	38,680
		387,302	355,889
Current assets			
Inventories		**208,509**	147,663
Trade and other receivables	9	**94,882**	90,696
Deposits and prepayments		**25,128**	19,702
Cash and cash equivalents		**233,392**	282,940
		561,911	541,001
Total assets		**949,213**	896,890

	Note	Unaudited 31 August 2008 HK$'000	Audited 29 February 2008 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**63,907**	63,826
Reserves			
Proposed dividend		**19,172**	28,722
Others		**724,794**	694,256
Total equity		**807,873**	786,804
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**5,409**	5,166
Current liabilities			
Creditors and accruals	10	**134,944**	102,585
Amount due to a jointly controlled entity		**802**	767
Taxation payable		**185**	1,568
		135,931	104,920
Total liabilities		**141,340**	110,086
Total equity and liabilities		**949,213**	896,890
Net current assets		**425,980**	436,081
Total assets less current liabilities		**813,282**	791,970

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 31 August 2008 has been prepared in accordance with International Accounting Standards ("IAS")/Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 29 February 2008**,** which have been prepared in accordance with International Financial Reporting Standards ("IFRSs")/Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 29 February 2008, as described in those annual financial statements.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 March 2008 but are not currently relevant for the Group.

- IFRIC/HK(IFRIC) -Int 11, 'IFRS/HKFRS 2 — Group and treasury share transactions'
- IFRIC/HK(IFRIC) -Int 12, 'Service concession arrangements'
- IFRIC/HK(IFRIC) -Int 14, 'IAS/HKAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 March 2008 and have not been early adopted:

- IFRS/HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS/HKFRS 8 replaces IAS/HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.

- IAS/HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

- IFRS/HKFRS 2 (amendment), 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group.

- IFRS/HKFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS/HKAS 27, 'Consolidated and separate financial statements', IAS/HKAS 28, 'Investments in associates' and IAS/HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.

- IAS/HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

- IAS/HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS/HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.

- IFRIC/HK(IFRIC) — Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. Management is evaluating the effect of this interpretation on its revenue recognition.

- IFRS 1 and IAS 27 (amendment)[1] 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

3 REVENUE AND SEGMENT INFORMATION

Primary reporting format - business segments:

The Group is organised into two main business segments:

(1) Manufacturing and sales of shoes; and

(2) Property development.

There were no sales and transfers between the business segments.

The segment results are as follows:

	Unaudited Six months ended 31 August 2008			
	Manufacture and sales of shoes	**Property development**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**408,144**	**—**	**—**	**408,144**
Segment results	**42,382**	**—**	**—**	**42,382**
Finance income	**2,474**	**—**	**—**	**2,474**
Profit before taxation	**44,856**	**—**	**—**	**44,856**
Taxation charge	**(4,655)**	**—**	**—**	**(4,655)**
Profit for the period from:				
- continuing operations	**40,201**	**—**	**—**	**40,201**
- discontinued operations	**—**	**—**	**—**	**—**
	40,201	**—**	**—**	**40,201**

Other segment terms included in the income statements are as follows:

	Unaudited Six months ended 31 August 2008			
	Manufacture and sales of shoes	**Property development**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Continuing operations				
Depreciation	**10,860**	**—**	**—**	**10,860**
Amortisation	**676**	**—**	**—**	**676**
Discontinued operations	**—**	**—**	**—**	**—**

The segment results are as follows:

	Unaudited Six months ended 31 August 2007			
	Manufacture and sales of shoes	Property development	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	353,706	—	—	353,706
Segment results	23,101	60	—	23,161
Finance income	2,009	—	—	2,009
Finance costs	(172)	—	—	(172)
Share of profit of a jointly controlled entity	—	11,720	—	11,720
Profit before taxation	24,938	11,780	—	36,718
Taxation charge	(4,712)	—	—	(4,712)
Profit/(loss) for the period from:				
- continuing operations	20,226	11,780	—	32,006
- discontinued operations	—	2,731	(14,077)	(11,346)
	20,226	14,511	(14,077)	20,660

Other segment terms included in the income statements are as follows:

	Unaudited Six months ended 31 August 2007			
	Manufacture and sales of shoes	Property development	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations				
Depreciation	10,961	2	—	10,963
Amortisation	495	—	—	495
Discontinued operations				
Depreciation	—	68	811	879
Amortisation	—	12	—	12

The unaudited segment assets and liabilities as at 31 August 2008 and unaudited capital expenditure for the six months ended are as follows:

	Manufacture and sales of shoes	**Property development**	**Others**	**Investment In JV**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Continuing operations						
Total assets	**867,299**	**7,879**	**—**	**37,496**	**36,539**	**949,213**
Total liabilities	**130,794**	**4,335**	**—**	**802**	**5,409**	**141,340**
Capital expenditure	**60,599**	**—**	**—**	**—**	**—**	**60,599**
Discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**

The segment assets and liabilities as at 29 February 2008 and unaudited capital expenditure for the six months ended 31 August 2007 are as follows:

	Manufacture and sales of shoes	Property development	Others	Investment In JV	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations						
Total assets	768,000	32,236	—	56,251	38,680	895,167
Total liabilities	96,798	5,120	—	—	6,734	108,652
Capital expenditure	6,489	—	—	—	—	6,489
Discontinued operations						
Total assets	—	—	1,723	—	—	1,723
Total liabilities	—	—	1,434	—	—	1,434
Capital expenditure	—	18	242	—	—	260

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, investment properties, inventories, receivables and operating cash, and mainly exclude investments in jointly controlled entities and deferred tax assets.

Segment liabilities comprise operating liabilities and exclude taxation and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and investment properties.

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

	Unaudited Six months ended 31 August			
	2008		2007	
	Revenue	**Segment results**	Revenue	Segment results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**79,939**	**398**	77,870	(3,514)
Mainland China	**208,313**	**21,021**	174,614	2,588
Macau	**7,927**	**1,010**	4,717	1,482
Other (a)	**111,965**	**19,953**	96,505	22,605
	408,144	**42,382**	353,706	23,161

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

Total Assets	**Unaudited 31 August 2008**	Audited 29 February 2008
	HK$'000	*HK$'000*
Hong Kong	**210,037**	163,719
Mainland China	**663,449**	630,422
Macau	**39,188**	36,990
Other	**—**	27,079
	912,674	858,210
Unallocated assets		
Deferred tax assets	**36,539**	38,680
	949,213	896,890

Total assets are allocated based on where the assets are located.

Capital expenditures	Unaudited Six months ended 31 August 2008 HK$'000	2007 HK$'000
Hong Kong	**653**	1,167
Mainland China	**59,896**	5,582
Macau	**50**	—
	60,599	6,749

Capital expenditure is allocated based on where the assets are located.

Analysis of sales by category	Unaudited Six months ended 31 August 2008 Revenue HK$'000	2008 Segment results HK$'000	2007 Revenue HK$'000	2007 Segment results HK$'000
Sales of goods	**408,144**	**42,382**	353,706	23,161

4 OTHER INCOME AND GAINS

	Unaudited Six months ended 31 August 2008 HK$'000	2007 HK$'000
Gross rental income from investment properties	**1,028**	1,012
Net exchange gain	**6,529**	7,925
	7,557	8,937

5 OPERATING PROFIT

Operating profit is arrived at after charging :

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration	**998**	1,041
Amortization of leasehold land and land use rights	**676**	507
Depreciation of property, plant and equipment	**10,860**	11,842
Loss on disposal of property, plant and equipment	**471**	201
Cost of inventories recognised as expenses included in cost of sales	**190,800**	177,985
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**37,733**	44,514
- contingent rent	**679**	620
Freight charges	**3,645**	5,815
Concessionaire fee	**28,460**	22,759
Provision for impairment of inventories	**703**	4,101
Direct operating expenses arising from investment properties that generated rental income	**514**	327
Staff costs (including directors' emoluments)	**76,332**	63,947

6 TAXATION CHARGE

The amount of taxation charged to the condensed consolidated income statements represents :

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	*HK$'000*
Current taxation		
Mainland China enterprise income tax	**(2,196)**	(2,686)
Deferred taxation relating to the origination and reversal of temporary differences	**(2,459)**	(2,026)
	(4,655)	(4,712)

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 2007: Nil).

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 operate.

7 INTERIM DIVIDEND

	Unaudited	
	Six months ended 31 August	
	2008	2007
	HK$'000	*HK$'000*
Interim dividend of HK3.0 cents (six months ended 31 August 2007 : HK3.0 cents) per share	**19,172**	19,016

A dividend that relates to the period to 29 February 2008 and that amounts to HKD28,757,952 was paid in August 2008 (2007: HKD28,522,152).

At the board meeting held on 17 November 2008, the board of Directors has resolved to declare an interim dividend of HK3.0 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 2009.

8 EARNINGS PER SHARE

Basic

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

	Unaudited Six months ended 31 August	
	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders		
- continuing operations	**40,201**	32,006
- discontinued operations	**—**	(11,346)
	40,201	20,660
Weighted average number of ordinary shares in issue ('000)	**638,933**	629,562
Basic earnings/(loss) per share (HK cents)		
- continuing operations	**6.3**	5.1
- discontinued operations	**—**	(1.8)
	6.3	3.3

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 period 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.

	Unaudited	
	Six months ended 31 August	
	2008	2007
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders		
- continuing operations	**40,201**	32,006
- discontinued operations	**—**	(11,346)
	40,201	20,660
Weighted average number of ordinary shares in issue ('000)	**638,933**	629,562
Adjustments for share options ('000)	**24**	7,827
Weighted average number of ordinary shares for diluted earnings per share ('000)	**638,957**	637,389
Diluted earnings/(loss) per share (HK cents)		
- continuing operations	**6.3**	5.1
- discontinued operations	**—**	(1.8)
	6.3	3.3

9 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2008	Audited 29 February 2008
	HK$'000	*HK$'000*
Trade receivables (note (a))		
Current to 30 days	**52,220**	65,023
31 to 60 days	**27,896**	15,188
61 to 90 days	**12,185**	6,811
Over 90 days	**1,950**	2,262
	94,251	89,284
Less : Provision for impairment of receivables (note (b))	**(362)**	(921)
	93,889	88,363
Other receivables	**993**	2,333
Total	**94,882**	90,696

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

(b) The individually impaired receivables mainly relate to customers which are in unexpected financial difficulties. The ageing of these impaired receivables was over 90 days.

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

10 CREDITORS AND ACCRUALS

The credit periods granted by suppliers are generally range from 7 to 60 days. The ageing analysis of the trade creditors was as follows:

	Unaudited 31 August 2008 *HK$'000*	Audited 29 February 2008 *HK$'000*
Trade creditors		
Current to 30 days	**24,780**	19,360
31 to 60 days	**21,365**	13,082
61 to 90 days	**6,237**	2,287
91 to 120 days	**4,852**	2,261
Over 120 days	**4,669**	1,905
	61,903	38,895
Accruals	**73,041**	63,690
Total	**134,944**	102,585

BUSINESS REVIEW

RETAIL OPERATIONS

During the period under review, the contribution from retail operations continued to be the major revenue of the Group, accounting for 72.6% of the consolidated turnover. Footwear remained the major product of the Group's retail operations while handbag is expanding with huge growth potential.

During the period, the turnover of footwear increased by 12.7% year-over-year driven by increasing purchasing power in both Mainland China and Hong Kong markets arisen from steady economic growth. The Group successfully capitalized on the opportunities leveraging its strategic plans of repositioning *Le Saunda* and *CnE* as modern European-style footwear brands as well as closure of underperforming retail outlets. After brand repositioning, *Le Saunda* mainly targets on premium, stylish and contemporary executive market, whereas *CnE* is primarily for modern lady market. To reinforce customer loyalty and further attract new customers, the Group focused on product development to extend product range and mix.

The Group believed men's footwear has drastic growth potential as the purchasing power of male consumers in Mainland China has been on the rise in recent years. As of 31 August 2008, there were 17 self-owned men's footwear outlets in Mainland China targeting at male consumers aged 25 to 35 who are metropolitan, contemporary and elite. During the period from September to October 2008, the Group opened more self-owned men's footwear outlets, bringing total to 21.

Hong Kong and Macau

During the period, the Group closed down 2 existing retail outlets in Hong Kong that underperformed. Despite the closure coupled with less frequent and aggressive stock clearance, the total turnover in Hong Kong and Macau increased by 6.4% year-over-year to HK$87.8 million with an increase of 4.8% in same store sales. As of 31 August 2008, the Group operated 21 retails outlets in Hong Kong and Macau.

Mainland China

During the period under review, Mainland China continued to be the largest market for the Group's footwear business with material presence in major cities including Beijing, Tianjin, Shanghai, Wuhan, Changsha, Guangzhou, Shenzhen, Chengdu and Chongqing. As of 31 August 2008, there were 165 self-owned *Le Saunda* and *CnE* outlets as well as 123 franchised outlets in Mainland China. During the period under review, the Group opened 24 new self-owned outlets and 25 new franchised outlets, and closed down 12 self-owned outlets and 6 franchised outlets that underperformed. As of 31 August 2008, the Group has upgraded and refurbished 50% of self-owned *Le Saunda* and *CnE* outlets with new store design and layout. The Group targets to complete this exercise before the upcoming Spring Summer season of 2009.

Thanks to the successful retail outlets consolidation, better product mix and strengthened brand awareness, the total turnover in Mainland China increased by 19.3% year-over-year to HK$208.3 million with an increase of 34.2% in average selling price and an increase of 10.0% in same store sales whilst operating profit in Mainland China trebled during the period under review.

While the Group endeavored to further grow the footwear business, it also put great efforts on developing the handbag business, an enormous market with ample room for growth. The Group opened 4 new ladies' handbag outlets in Mainland China in September 2008 targeting at women aged 25 to 35 with unique taste and strong purchasing power. The initial market response is in line with the Group's expectation.

MANUFACTURING

During the period under review, OEM accounted for 27.4% of the consolidated turnover. In face of the stronger domestic demands in the Mainland China market, more resources were allocated to retail operations. In spite of this, the total turnover of OEM business grew by 16.0% and operating profit was at par with last year.

The OEM customers of the Group include renowned high-end market brands and the biggest department stores in Europe as well as other parts of the world, covering Russia, Spain, Italy, Japan, Australia, New Zealand and Lebanon. The Group maintained stable and long-term relationship with its clients and will continue to enhance its partnership with customers through design support and product development.

In addition, the Group has been actively exploring further cooperation opportunities with business partners in an aim to broaden the source of income. During the period, the Group's manufacturing facilities continued to operate at full capacity. The Group also made every attempt to optimize production capacity and enhance product mix in order to fulfill the requirements from customers.

BUSINESS COLLABORATION WITH FLORENCIA MARCO, S.L.

In April 2008, the Group entered into JV Agreements with Mr. José Juan Sanchis Busquier, the existing shareholder and Chairman of Florencia Marco, S.L. to form a joint venture. As not all the conditions of the JV Agreements would be satisfied or waived before 31 July 2008, the Group announced on 28 July 2008 that the JV Agreements have lapsed and would not complete. The Group believes that there is no material adverse impact arising from the lapse of the JV Agreements.

PROSPECTS

Due to the deepening of the US subprime mortgage crisis and credit crunch, the global economic outlook has undergone drastic changes. In face of the volatilities and uncertainties in the market, it is expected that the growth rate of global economy will slow down and thus overshadow the Group's financial performance and business operations in the second half of the fiscal year. However, given that the economics environment in Mainland China will remain relatively stable, the Group remains cautiously optimistic about the business environment in Mainland China and Hong Kong and sees expansion opportunities. On the back of the gradual improvement in purchasing power, the footwear market in Mainland China still shows growth potential. The Group will adopt a prudent approach towards business expansion by closely monitoring market circumstances. With experienced management team, devoted staff, well-established distribution networks and operations platform as well as innovative product development, the Group is confident to overcome the challenges ahead.

While the fiscal year 2007/08 was a year of "Innovation and Change", the fiscal year 2008/09 will be a year of "Consolidation and Development". Capitalizing on the foundation grounded last year, the Group will continue to focus on the expansion of its retail operations and franchise business in Mainland China and adopt a prudent and pragmatic approach towards retail network extension. In Hong Kong and Macau, the Group will continue to review the operations and close down underperforming outlets to maintain reasonable profitability and margin. In Mainland China, the Group targets to have a network of 800 outlets (inclusive of both self-owned and franchise outlets) by the end of 2010 depending on the actual operational environment and market sediment. The Group will focus on opening new self-owned outlets in first- and second-tier cities while adopting the franchising scheme for expansion into second- and third-tier cities. During the period from September to October 2008, the Group opened more new self-owned and franchised outlets to capture business opportunities from the upcoming Fall Winter season, bringing total to 357. With net cash balances of HK$233.4 million as at 31 August 2008 and with no bank debt, the strong and healthy financial position will enable the Group to further expand.

To strengthen the operational efficiency and the profitability of franchised outlets, the Group plans to offer more incentives and support to franchisees. Underperforming franchised outlets are strictly supervised and will be closed down if necessary.

In addition, the Group will continue to enrich product offerings and roll out a comprehensive brand revamp program by offering a higher-end product line and launching more in-house luxury brands to capture the opportunities in the mid to upper market segment. The Group will invest HK$10.0 million to upgrade and refurbish all *Le Saunda* and *CnE* outlets in Mainland China for the year 2008/09. Men's footwear is a growing market with huge potential. The Group plans to boost this business by opening more men's footwear counters. Different marketing campaigns will be initiated to propel sales growth and brand awareness. In the long run, the Group endeavors to increase its overall market share in Mainland China.

Apart from men's footwear, handbag is another expanding business. The Group sees the market has enormous growth potential and will take gradual steps to penetrate into the handbag products market. The Group aims to increase the distribution channels for its handbag products by setting up more retail counters in various regions. The Group will diversify its product portfolio by launching a series of new handbag products to cater to the taste of different customer segments. It is expected that handbag business will become the Group's key growth driver in the long run.

Seeing the outstanding results in the factory outlet set up in Tung Chung, Hong Kong, the Group considers bringing this business mode to Mainland China and set up trial factory outlets in several cities, aiming to penetrate further in different market segments and to broaden revenue source.

For the export business, the Group will continue to maintain a close and long-term relationship with its existing customers. At the same time, it will further develop premium markets in the Middle East and Eastern Europe.

In September 2008, the expansion of Shunde production base was completed with one production line in operation. The construction of the new production base in Gaoming, Foshan, will be accomplished by the second quarter of 2009. Operations of the Gaoming production base will be determined based on market condition. The Group will constantly review its production capacity and sales demand in a prudent manner.

Through all these expansion initiatives, the Group believes that it is strategically well-positioned to capture the vast business opportunities in the Mainland China market. It is dedicated to extending its foothold and operations as well as bringing an impressive shopping experience to customers. Le Saunda is confident that it will create solid returns to shareholders in the long term.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

The Group's cash position remains strong and healthy. Net cash balances as at 31 August 2008 amounted to HK$233.4 million. Total equity is maintained at HK$807.9 million, along with a quick ratio of 2.4 times.

Pledge of Assets

As at 31 August 2008, the Group has pledged certain of its properties and leasehold land with net book value amounting to HK$12.4 million (29 February 2008: HK$12.5 million) to secure Letters of Credit and bank loan facilities of HK$30.0 million (29 February 2008: HK$30.0 million), which has been or will be granted to certain subsidiaries of the Group.

Capital Structure and Financial Resources

During the six months ended 31 August 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. Forward contracts will be used, if necessary, for hedging of purchases from overseas, related debts, bank borrowings and deposit currencies. The Group was not exposed to material foreign exchange risk regarding Renminbi currency exposures on revenues generated or asset located in Mainland China. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2008, the Group had a staff force of 3,583 people. Of this, 201 were based in Hong Kong and 3,382 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 comprises basic salaries, bonuses and long-term incentives. Total staff costs for the six months ended 31 August 2008, including directors' emoluments and net pension contributions, amounted to HK$76.3 million (six months ended 31 August 2007: HK$63.9 million). The Group has all along organized structured and diversified training programmes for staff of different levels. Outside consultants would be invited to broaden the content of the programmes.

BANK GUARANTEE

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$68.4 million (29 February 2008: HK$30.0 million) of which HK$18.1 million (29 February 2008: HK$8.1 million) was utilised as at 31 August 2008.

INTERIM DIVIDEND

The Board of Directors has resolved to declare the payment of an interim dividend of HK3.0 cents per ordinary share for the six months ended 31 August 2008 (2007: HK3.0 cents) payable on Wednesday, 17 December 2008 to all shareholders of the Company whose names appear on the Register of Members of the Company on Wednesday, 10 December 2008.

CLOSURE OF REGISTER OF MEMBERS - INTERIM DIVIDEND PAYMENT

For the payment of interim dividend, the Register of Members of the Company will be closed from Monday, 8 December 2008 to Wednesday, 10 December 2008, both days inclusive, during such period no transfer of shares will be effected. In order to qualify for the interim dividend which will be payable on Wednesday, 17 December 2008, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 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 Friday, 5 December 2008.

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

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 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 period 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:

The Code Provision A2.1 stipulates that the roles of chairman of the board and chief executive officer (“CEO”) should be separated of and should not be performed by the same individual and that the division of responsibilities between the chairman and CEO 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 Group’s operations. Nevertheless, the Board will review the structure from time to time and take any appropriate action should circumstance require.

AUDIT COMMITTEE

During the six months ended 31 August 2008, the audit committee was constituted by three independent non-executive Directors, Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. No member of the audit committee is a member of the former or external auditors of the Company. One of the members possesses recognized professional qualifications in accounting and has wide experience in audit, accounting and financial management.

The primary responsibilities of the audit committee include overseeing the relationship with the Company’s external auditors, review of financial information of the Group, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the required standard set out in the Model Code during the six months ended 31 August 2008.

PUBLICATION OF DETAILED INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The interim 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 on or before 30 November 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.

By Order of the Board
Lee Tze Bun, Marces
Chairman

Hong Kong, 17 November 2008

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, Ms. Wong Sau Han and Mr. Wong Tai Chung, Kenneth; independent non-executive Directors are Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan.

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

* *For identification purpose only*