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 2010

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 2010. The unaudited condensed consolidated interim results for the six months ended 31 August 2010 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 2010

		Unaudited Six months ended 31 August	
		2010	**2009**
	Note	*HK$'000*	*HK$'000*
Revenue	3	533,683	412,400
Cost of sales		(214,569)	(174,899)
Gross profit		319,114	237,501
Other income	4	899	1,695
Other gains	4	1,357	4,448
Selling and distribution costs		(183,495)	(138,584)
General and administrative expenses		(68,776)	(60,000)
Operating profit	5	69,099	45,060
Finance income		813	533
Share of profit of a jointly controlled entity		8,029	-
Profit before income tax		77,941	45,593
Income tax expense	6	(17,424)	(9,311)
Profit for the period		60,517	36,282

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (CONTINUED)
For the six months ended 31 August 2010

		Unaudited Six months ended 31 August	
		2010	**2009**
	Note	*HK$'000*	*HK$'000*
Profit attributable to:			
- equity holders of the Company		60,365	36,282
- non-controlling interests		152	-
		60,517	36,282
Earnings per share attributable to equity holders of the Company			
- Basis (HK cents)	7	9.4	5.7
- Diluted (HK cents)	7	9.4	5.7
Interim dividend	8	27,488	19,172

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 August 2010

	Unaudited Six months ended 31 August	
	2010	**2009**
	HK$'000	*HK$'000*
Profit for the period	60,517	36,282
Other comprehensive income		
Currency translation differences	2,319	2,632
Other comprehensive income for the period, net of tax	2,319	2,632
Total comprehensive income for the period	62,836	38,914
Total comprehensive income for the period, attributable to:		
- equity holders of the Company	62,661	38,914
- non-controlling interests	175	-
	62,836	38,914

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2010

	Note	Unaudited 31 August 2010 *HK$'000*	Audited 28 February 2010 *HK$'000* *(Restated)*
ASSETS			
Non-current assets			
Investment properties		43,964	43,964
Property, plant and equipment		224,945	218,990
Leasehold land and land use rights		33,837	34,226
Long-term deposits and prepayments		7,814	9,621
Interest in a jointly controlled entity		46,329	38,109
Interest in and amount due from an available-for-sale financial asset		4,575	4,553
Deferred tax assets		24,243	24,407
		385,707	373,870
Current assets			
Inventories		369,185	244,884
Trade and other receivables	9	120,980	141,257
Deposits and prepayments		29,428	19,394
Cash and bank balances		248,220	285,308
		767,813	690,843
Total assets		1,153,520	1,064,713

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2010

	Note	Unaudited 31 August 2010 *HK$'000*	Audited 28 February 2010 *HK$'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		63,926	63,926
Reserves			
Proposed dividend		27,488	44,749
Others		837,430	802,257
		928,844	910,932
Non-controlling interests		5,865	-
Total equity		934,709	910,932
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		4,697	4,697
Current liabilities			
Trade payables and accruals	10	205,944	139,165
Current income tax liabilities		8,170	9,919
		214,114	149,084
Total liabilities		218,811	153,781
Total equity and liabilities		1,153,520	1,064,713
Net current assets		553,699	541,759
Total assets less current liabilities		939,406	915,629

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 2010 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 28 February 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2010, 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.

(a) **Amended standard adopted by the Group**

The following amendment to standard is mandatory for the first time for the financial year beginning 1 March 2010:

- HKAS 17 (amendment), 'Leases', removes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "leasehold land and land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 March 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 March 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land and land use rights from operating lease to finance lease.

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.
- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as follows:

	31 August 2010	**28 February 2010**
	HKD'000	*HKD'000*
Increase in property, plant and equipment	7,696	7,800
Decrease in leasehold land and land use rights	(7,696)	(7,800)

(b) **Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group**

- HKAS 27 (amendment) — Consolidated and separate financial statements
- HKAS 39 (amendment) — Eligible hedged items
- HKFRS 1 (amendment) — Additional exemptions for first-time adopters
- HKFRS 2 (amendment) — Group cash-settled share-based payment transactions
- HKFRS 3 (revised) — Business combinations
- HKFRS 5 (amendment) — Non-current assets held for sale and discontinued operations
- HK(IFRIC) — Int 17 — Distributions of non-cash assets to owners
- Second improvements to HKFRS (2009)

(c) **The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 March 2010 and have not been early adopted:**

- HKAS 24 (revised) — Related party disclosures
- HKAS 32 (amendment) — Classification of rights issues
- HKFRS 1 (amendment) — Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
- HKFRS 9 — Financial instruments
- HK(IFRIC) — Int 14 (amendment) — Prepayments of a minimum funding requirement
- HK(IFRIC) — Int 19 — Extinguishing financial liabilities with equity instruments
- Third improvements to HKFRS (2010)

3 REVENUE AND SEGMENT INFORMATION

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

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors review the Group's financial information mainly from retail and export perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Hong Kong, Macau and Mainland China). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes other income, net exchange gains, finance income, share of profit of a jointly controlled entity and unallocated expenses.

Segment assets mainly exclude interest in a jointly controlled entity, interest in and amount due from an available-for-sale financial asset, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude current income tax liabilities, deferred tax liabilities and other liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2010 is as follows:

	Unaudited Six months ended 31 August 2010			
	Retail		**Export**	**Total**
	HK & Macau	**Mainland China**	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	65,076	396,834	71,773	533,683
Reportable segment profit	6,516	50,069	10,312	66,897
Other income				899
Finance income				813
Net exchange gains				1,357
Share of profit of a jointly controlled entity				8,029
Unallocated expenses				(54)
Profit before income tax				77,941
Income tax expense				(17,424)
Profit for the period				60,517
Depreciation and amortisation	1,996	15,331	1,970	19,297
Additions to non-current assets *(Note (b))*	1,202	20,721	3,132	25,055

The segment information for the six months ended 31 August 2009 is as follows:

	Unaudited Six months ended 31 August 2009			
	Retail		**Export**	**Total**
	HK & Macau	**Mainland China**	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	61,790	277,884	72,726	412,400
Reportable segment profit	(6,674)	34,281	11,394	39,001
Other income				1,695
Finance income				533
Net exchange gains				4,448
Unallocated expenses				(84)
Profit before income tax				45,593
Income tax expense				(9,311)
Profit for the period				36,282
Depreciation and amortisation	2,386	9,064	2,712	14,162
Additions to non-current assets *(Note (b))*	1,760	20,566	1,711	24,037

(a) *The revenue from external customers of export are mainly derived from Europe and other parts of the world, including Russia, Spain, Italy, the Middle East, Japan, Australia and New Zealand.*

(b) *Amount comprises additions to property, plant and equipment (including prepayments).*

Revenues from external customers are derived from the sales of shoes on a retail and export basis. The breakdowns of retail and export results are provided above. The retail sales of shoes mainly relates to the Group's own brand, Le Saunda and CnE. The export sales of shoes relates to the Group's own brand and the other shoe brands which are not owned by the Group.

An analysis of the Group's assets and liabilities as at 31 August 2010 by reportable segment is set out below:

	Unaudited as at 31 August 2010			
	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	118,292	815,178	144,565	1,078,035
Interest in a jointly controlled entity				46,329
Interest in and amount due from an available-for-sale financial asset				4,575
Deferred tax assets				24,243
Unallocated assets				338
Total assets per condensed consolidated balance sheet				1,153,520
Segment liabilities	11,856	157,469	36,552	205,877
Current income tax liabilities				8,170
Deferred tax liabilities				4,697
Unallocated liabilities				67
Total liabilities per condensed consolidated balance sheet				218,811

An analysis of the Group's assets and liabilities as at 28 February 2010 by reportable segment is set out below:

	Audited as at 28 February 2010			
	Retail		**Export**	**Total**
	HK & Macau	**Mainland China**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	173,572	698,355	124,905	996,832
Interest in a jointly controlled entity				38,109
Interest in and amount due from an available-for-sale financial asset				4,553
Deferred tax assets				24,407
Unallocated assets				812
Total assets per condensed consolidated balance sheet				1,064,713
Segment liabilities	12,085	108,969	17,965	139,019
Current income tax liabilities				9,919
Deferred tax liabilities				4,697
Unallocated liabilities				146
Total liabilities per condensed consolidated balance sheet				153,781

The revenue from external customers of the Group by geographical segments is as follows:

REVENUE

	Unaudited Six months ended 31 August	
	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong	57,257	56,273
Mainland China	396,834	277,884
Macau	7,819	5,517
Russia	41,942	26,807
Italy	1,676	11,010
Other countries *(Note (a))*	28,155	34,909
Total	533,683	412,400

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

For the six months ended 31 August 2010, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2009: HK$ Nil).

An analysis of the non-current assets (other than deferred tax assets) of the Group by geographical segments is as follows:

NON-CURRENT ASSETS

	Unaudited 31 August 2010	**Audited 28 February 2010**
	HK$'000	*HK$'000*
Hong Kong	24,805	27,399
Mainland China	296,874	281,949
Macau	39,785	40,115
Total	361,464	349,463

4 OTHER INCOME AND OTHER GAINS

	Unaudited Six months ended 31 August	
	2010	**2009**
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	899	1,695
Other gains		
Net exchange gains *(Note (a))*	1,357	4,448
	2,256	6,143

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

5 OPERATING PROFIT

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

	Unaudited Six months ended 31 August	
	2010	**2009**
	HK$'000	*HK$'000*
		(Restated)
Auditors' remuneration	785	996
Amortisation of leasehold land and land use rights	446	229
Depreciation of property, plant and equipment	18,851	13,933
Loss on disposal of property, plant and equipment	1,463	2,934
Cost of inventories recognised as expenses included in cost of sales	185,980	147,988
Operating lease rentals in respect of land and buildings		
- minimum lease payments	28,921	32,264
- contingent rent	1,115	895
Freight charges	6,274	3,831
Concessionaire fee	71,381	46,452
Impairment/(write-back of impairment) of inventories	5,732	(257)
Direct operating expenses arising from investment properties that generated rental income	140	833
Staff costs (including directors' emoluments)	116,629	88,740

6 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August	
	2010	**2009**
	HK$'000	*HK$'000*
Current income tax		
People's Republic of China ("PRC") corporate income tax	17,259	6,921
Deferred taxation	165	2,390
	17,424	9,311

No Hong Kong profits tax has been provided for the period as the Group had sufficient tax losses brought forward to offset the estimated assessable profit (2009: HK$ Nil).

PRC corporate income tax is levied on the profits of the Group's subsidiaries in PRC at a range from 20% to 25% (2009: range from 18% to 25%), except for one of the subsidiaries of the Company established in the PRC that is entitled to two years' exemption from the PRC corporate income tax of 25% followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward (at most five years). Accordingly, the subsidiary was fully exempted from the PRC corporate income tax in 2007 and 2008, and subject to a reduced tax rate of 12.5% in 2009 and 2010.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign investment enterprises will be subject to a standard corporate income tax rate of 25% in a period of 5 years starting from 1 January 2008. According to the New CIT Law, enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

7 EARNINGS PER SHARE

Basic

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

	Unaudited Six months ended 31 August 2010 *HK$'000*	2009 *HK$'000*
Profit attributable to equity holders of the Company	60,365	36,282
Weighted average number of ordinary shares in issue ('000)	639,266	639,066
Basic earnings per share (HK cents)	9.4	5.7

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 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 2010 *HK$'000*	2009 *HK$'000*
Profit attributable to equity holders of the Company	60,365	36,282
Weighted average number of ordinary shares in issue ('000)	639,266	639,066
Adjustments for share options ('000)	31	4
Weighted average number of ordinary shares for diluted earnings per share ('000)	639,297	639,070
Diluted earnings per share (HK cents)	9.4	5.7

8 DIVIDENDS

	Unaudited Six months ended 31 August	
	2010	**2009**
	HK$'000	*HK$'000*
Interim dividend of HK4.3 cents (six months ended 31 August 2009: HK3.0 cents) per share	27,488	19,172

A dividend of HK$44,748,592 that related to the financial year ended 28 February 2010 was paid in July 2010 (2009: HK$28,757,952).

At the board of Directors meeting held on 27 October 2010, the board of Directors has resolved to declare an interim dividend of HK4.3 cents per share. This interim dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2011.

9 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2010	**Audited 28 February 2010**
	HK$'000	*HK$'000*
Trade receivables *(note (a))*		
Current to 30 days	97,062	111,277
31 to 60 days	13,053	23,859
61 to 90 days	4,682	2,354
Over 90 days	3,063	1,282
	117,860	138,772
Other receivables	3,120	2,485
Total	120,980	141,257

(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.

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 TRADE PAYABLES AND ACCRUALS

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

	Unaudited 31 August 2010 *HK$'000*	**Audited 28 February 2010** *HK$'000*
Trade creditors		
Current to 30 days	81,706	33,823
31 to 60 days	23,062	14,745
61 to 90 days	3,617	3,928
91 to 120 days	402	695
Over 120 days	2,970	1,535
	111,757	54,726
Accruals	94,187	84,439
Total	205,944	139,165

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group delivered a strong business performance for the first half of the fiscal year 2010/11. The rollout of a series of economic stimulus packages by the Chinese government in 2009 led to a robust rebound in China's economy and confidence, in particular, of the retail sector continued to pick up in the first half of 2010/11 fiscal year. The Group has successfully taken this opportunity to enlarge its retail market share in Mainland China. Meanwhile, the retail business in Hong Kong and Macau also saw a turnaround amidst increased consumer spending during the period under review.

For the six months ended 31 August 2010, the Group's consolidated revenue reached HK$533.7 million, a solid growth of 29.4% year-on-year. The increase was mainly attributable to the Group's strong retail operations in Mainland China, which achieved a growth of 42.8% year-on-year. Consolidated gross profit increased 34.4% to HK$319.1 million, while gross profit margin rose 2.2 percentage points to 59.8% in the period. Consolidated profit attributable to equity holders of the Company was HK$60.4 million, a year-on-year increase of 66.4%. The increase was the combined effect of the growth of underlying operating profit, which reflects the performance of the Group's core footwear business, of 71.5% to HK$66.9 million and a share of HK$8.0 million profit of a jointly controlled entity.

The Board resolved to declare an interim dividend of HK4.3 cents per ordinary share for the six months ended 31 August 2010 (2009: HK3.0 cents).

Note: Underlying operating profit is a performance indicator of the Group's core sale of footwear business. It is arrived at by excluding the rental income and foreign currency exchange gains from the operating profits of continuing operations.

BUSINESS REVIEW

Retail Operations

Our retail operations continued to be the major revenue contributor, accounting for 86.6 % of the consolidated revenue.

	Six months ended 31 August 2010		
Consolidated revenue	**(HK$ Million)**	**% to Total**	**Year-on-year Growth (%)**
Retail Operations:			
Mainland China	396.8	74.4	+42.8
Hong Kong and Macau	65.1	12.2	+5.3
Retail Sub-total	**461.9**	**86.6**	**+36.0**
Export	**71.8**	**13.4**	**-1.3**
Group's Total Revenue	**533.7**	**100.0**	**+29.4**

The network expansion strategy in Mainland China continued to roll out efficiently. To capture opportunities brought along by the improving consumer sentiment, the Group also set up more retail outlets in Hong Kong during the record period. As at 31 August 2010, the Group had a network of 647 retail outlets in Hong Kong, Macau and Mainland China, 165 more compared to last August.

	As at 31 August 2010		
Number of Outlets by Region	**Self-owned**	**Franchise**	**Total**
Mainland China	**480**	**152**	**632**
• Northern, Northern East & Northern West	87	94	181
• Eastern	148	12	160
• Central & Southern West	105	30	135
• Southern	140	16	156
Hong Kong and Macau	**15**	**—**	**15**
Total	**495**	**152**	**647**

In terms of product mix, ladies' footwear remained the Group's largest revenue contributor by product category, recording a 43.0% growth during the record period. Men's footwear also demonstrated enormous growth potential, recording a 24.0% growth in revenue.

Product Category	Retail Operations Year-on-Year Growth (%)	Sales Mix (%)
Ladies' footwear	+43.0	75.7
Ladies' handbags	+12.2	12.1
Men's footwear	+24.0	12.2
Total	+35.9	100.0

As at 31 August 2010, stock turnover days increased to 172 as compared with 150 last year, mainly as a result of opening of more outlets. Overall stock level remained healthy as over 85% of our stock ages within one year. To control the retail stock level, the Group also operated factory outlets in Mainland China to clear off-season items. During the period under review, factory outlets sales increased by 49.0% while the gross profit margin grew by 2.9 percentage points.

Hong Kong and Macau

With increased consumer spending, total revenue generated from Hong Kong and Macau increased 5.3% year-on-year to HK$65.1 million. Same-store sales recorded a growth of 38.3%, with some retail outlets recording same-store sales growth of over 50%.

Two new retail outlets were opened in the prime tourist spots of Hong Kong in the first half of 2010/11, one in Haiphong Road, Tsim Sha Tsui and another in Telford Plaza, Kowloon Bay, bringing the total number of outlets in Hong Kong and Macau to 15. The Group also rolled out a series of promotional activities and marketing initiatives, including fashion shows held in big shopping plazas, to enhance our brand image and recognition.

Mainland China

During the period, the Group continued to speed up its expansion in second-tier cities. The Group set up 109 outlets and closed 32 in the period. As at 31 August 2010, there were a total of 480 self-owned outlets and 152 franchised outlets. Currently, our presence spans across all provinces and municipalities in Mainland China with our foothold further extended to Wuxi, Yangzhou, Changshu, Hengyang, Zhang Jia Gang and Kunshan in the reporting period.

A combination of strong domestic consumption, expanded sales network, higher brand awareness and better product mix drove revenue from Mainland China operations up by as much as 42.8% to HK$396.8 million, accounting for 74.4% of the total revenue. Same-store sales in China grew by 13.0%.

To enhance brand awareness and publicity in the Mainland China, the Group actively carried out a series of marketing campaigns and promotional activities during the record period, including various star-studded fashion shows, store-opening events for retail outlets in the second-tier cities, new collections exhibitions and advertising campaigns.

To support the steady growth of our retail business, the Group successfully expanded the scale of its production bases in Shunde and Gaoming. The new production base in Gaoming started pilot production in July 2010 to supplement Shunde's production capacity.

Export Business

During the reporting period under review, our OEM segment, which the Group intends to phase out, was still adversely affected by the global financial crisis of 2008. The demand in Europe remained weak and directly hit our exports. The Group's revenue and gross profit in the OEM segment declined 36.5% and 48.1% respectively. To cope with the decline, the Group has vigorously monitored the overall production costs and administrative expenses.

In response to the changing market environment, we have broadened our revenue base by exploring the OBM market since mid-2009. During the reporting period, our OBM segment grew steadily with new orders from Switzerland, Turkey, U.S., New Zealand and Australia generating 4.8% of the total revenue of the Group. Through referrals and trade fairs, particularly the MICAM SHOEVENT in Milan, Italy in March 2010, the Group has successfully established our brand and reputation internationally. As at 31 August 2010, the Group had over 100 outlets selling Le Saunda branded products in Russia, Eastern Europe, Japan, Australia and New Zealand.

PROSPECTS

While the Group is optimistic about the consumer market, it sees challenges in the second half of this fiscal year, as there will be a gradual winding down of stimulus policies by the PRC government amidst increasing inflation risks. Rising labor and raw material costs, as well as rental expenses in Hong Kong are all expected to increase the Group's operating costs. Leveraging our successful business platform and brand values, we will adopt a cautious approach in consolidating our business position in the second half. However, the growth rate achieved in the first half of the current fiscal year may not be sustained in the second half, given the higher base last year.

The Group will continue to focus on developing its retail business in Mainland China, and seek for reasonably priced locations to set up new stores in first- and second-tier cities. To ensure the cost effectiveness of its store operations in Mainland China, the Group has fine-tuned its target to operate 750 stores by the end of this fiscal year. In view of the high purchasing power in big cities, and in line with its strategic development, the Group has planned to launch a series of mid- to high-end women shoes labels in fall and winter next year. The shoes are to be sold at specialty outlets which the Group plans to open at prime department stores or shopping malls in first- and second-tier cities. In addition, the Group will continue to monitor regularly the performances of its self-owned stores and franchised outlets to achieve operational efficiency.

In view of the positive operating environment in Hong Kong, the Group has added a new retail outlet in Parklane Shopper's Boulevard, one of the busiest streets in Tsim Sha Tsui in September 2010 to capture more growth. However, as the rental cost is rising rapidly, the Group will adopt a more cautious store optimization strategy in establishing new retail outlets in prime locations.

In order to boost Le Saunda's brand awareness, the Group will put more resources in carrying out various kinds of brand-building initiatives, such as fashion shows, roadshows and exhibitions on latest product collection, and extensive advertising campaigns across our network.

The Group will also step up its efforts to expand its product portfolio. We will further broaden the product offering and collections of men's footwear and accessory products. New men's footwear and ladies' handbags, using both Italian design and materials, are expected to be unveiled in mid-2011.

Compared to the strong purchasing power in Mainland China, Europe and USA's markets were recovering slowly. The overall export business in the second half is expected to remain sluggish. The Group will continue to develop its OBM business through collaborations with big OBM partners.

The Group plans to add one production line in the new production base in Gaoming by the end of this fiscal year to meet the increasing demand from our retail business. We are also working on a series of reforms to improve supply chain management in order to further enhance operational efficiency.

Looking forward, we still see a promising outlook with growth potential despite challenges ahead posed by inflation risks and the withdrawal of stimulus policies. The Group is confident to tackle new challenges by implementing strategic operational initiatives in a timely manner.

FINANCIAL REVIEW

Liquidity Ratio

As at 31 August 2010, the Group's cash position remains strong and healthy with net cash balance of HK$248.2 million as compared with HK$285.3 million as at 28 February 2010. Total equity is maintained at HK$934.7 million, along with a quick ratio of 1.7 times.

Pledge of Assets

As at 31 August 2010, bank deposits of HK$1.7 million (28 February 2010: HK$1.7 million) have been pledged as rental deposits for certain subsidiaries of the Group.

Capital Structure and Financial Resources

During the six months ended 31 August 2010, 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. The Group did not borrow any bank loan during the period. 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 period. In addition, working capital requirements for business operations in Mainland China will be financed, if necessary, by local bank loans, denominated in Renminbi.

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.

CORPORATE GUARANTEES

The Company has 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$70.0 million (28 February 2010: HK$50.0 million) of which HK$51.8 million (28 February 2010: HK$20.4 million) was utilised as at 31 August 2010.

INTERIM DIVIDEND

The Board has resolved to declare the payment of an interim dividend of HK4.3 cents per ordinary share for the six months ended 31 August 2010 (2009: HK3.0 cents) payable on Friday, 26 November 2010 to all shareholders of the Company whose names appear on the Register of Members of the Company on Monday, 22 November 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2010, the Group had a staff force of 5,352 people. Of this, 165 were based in Hong Kong and 5,187 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 six months ended 31 August 2010, including directors' emoluments and net pension contributions, amounted to HK$116.6 million (2009: HK$88.7 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 contents of the programmes.

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 Friday, 19 November 2010 to Monday, 22 November 2010, 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 Friday, 26 November 2010, 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 4:30 p.m. on Thursday, 18 November 2010.

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 2010.

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 the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

AUDIT COMMITTEE

During the six months ended 31 August 2010, 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, overseeing the Group's financial reporting system, internal control procedures and risk management and making relevant recommendations to the Board.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information for the six months ended 31 August 2010.

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 six months ended 31 August 2010, the Remuneration 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, and one executive Director, Mr. Lee Tze Bun, Marces.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management and to ensure that executive Directors and senior management could be retained and motivated by being fairly rewarded for their individual contribution to the Group's overall performance as measured against corporate objectives, having regard to the interests of shareholders. The principal duties include the revision of the terms of the remuneration packages of all Directors and senior management as well as reviewing and approving performance-based remuneration on the basis of their merit, qualification and competence by reference to corporate goals and objectives resolved by the Board from time to time.

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board. No Director or senior management or any of his associate will be involved in deciding his own remuneration.

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.

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 2010.

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

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk). The interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders and available on the same website in due course.

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, 27 October 2010

As at the date of this announcement, the Company's executive Directors are Mr. Lee Tze Bun, Marces, Ms. Lau Shun Wai, Ms. Wong Sau Han and Ms. Chu Tsui Lan; 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*