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 2013

FINANCIAL HIGHLIGHTS

		Six months ended 31 August **2013**	2012	change	change in %
Revenue	*HK$ million*	**874.1**	743.3	130.8	17.6
Gross profit	*HK$ million*	**577.5**	476.1	101.4	21.3
Profit attributable to equity holders of the Company	*HK$ million*	**76.4**	61.1	15.3	25.2
Basic earnings per share	*HK cents*	**11.96**	9.55	2.41	25.2
Dividends per share					
- interim	*HK cents*	**7.0**	4.0		
- special	*HK cents*	**-**	1.5		

**For identification purpose only*

The board (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 (together the "Group") for the six months ended 31 August 2013. The unaudited condensed consolidated interim results for the six months ended 31 August 2013 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 2013

		Unaudited	
		Six months ended 31 August	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**874,090**	743,345
Cost of sales		**(296,613)**	(267,236)
Gross profit		**577,477**	476,109
Other income	*5*	**2,051**	1,307
Other gains	*5*	**4,152**	4,168
Selling and distribution expenses		**(382,268)**	(318,550)
General and administrative expenses		**(100,531)**	(82,418)
Operating profit	*6*	**100,881**	80,616
Finance income		**3,807**	2,154
Share of profit of a jointly controlled entity		**130**	248
Profit before income tax		**104,818**	83,018
Income tax expense	*7*	**(28,142)**	(22,815)
Profit for the period		**76,676**	60,203
Profit attributable to:			
- equity holders of the Company		**76,446**	61,067
- non-controlling interest		**230**	(864)
		76,676	60,203
Earnings per share attributable to the equity holders of the Company *(express in HK cents)*			
- Basic	*8*	**11.96**	9.55
- Diluted	*8*	**11.93**	9.55
Dividends	*9*	**44,752**	35,162

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2013

	Unaudited Six months ended 31 August	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**76,676**	60,203
Other comprehensive income		
Currency translation differences	**14,656**	(9,166)
Other comprehensive income for the period, net of tax	**14,656**	(9,166)
Total comprehensive income for the period	**91,332**	51,037
Total comprehensive income for the period, attributable to:		
- equity holders of the Company	**90,899**	51,997
- non-controlling interest	**433**	(960)
	91,332	51,037

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2013

	Note	**Unaudited 31 August 2013** *HK$'000*	Audited 28 February 2013 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**89,563**	89,563
Property, plant and equipment		**230,981**	237,589
Land use rights		**32,376**	32,629
Long-term deposits and prepayments		**15,963**	18,137
Interest in a jointly controlled entity		**35,840**	35,112
Interest in and amount due from an available-for-sale financial asset		**-**	-
Deferred tax assets		**49,984**	51,807
		454,707	464,837
Current assets			
Inventories		**492,502**	469,492
Trade and other receivables	*10*	**177,783**	198,837
Deposits and prepayments		**44,139**	41,618
Cash and bank balances		**475,659**	435,661
		1,190,083	1,145,608
Total assets		**1,644,790**	1,610,445
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**63,931**	63,931
Reserves			
Proposed dividend		**44,752**	55,620
Others		**1,224,410**	1,170,643
		1,333,093	1,290,194
Non-controlling interest		**12,271**	11,838
Total equity		**1,345,364**	1,302,032

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 31 August 2013

	Note	**Unaudited 31 August 2013 *HK$'000***	Audited 28 February 2013 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**28,780**	31,743
Current liabilities			
Trade payables and accruals	*11*	**212,999**	217,773
Amount due to a jointly controlled entity		**38,055**	37,419
Current income tax liabilities		**19,592**	21,478
		270,646	276,670
Total liabilities		**299,426**	308,413
Total equity and liabilities		**1,664,790**	1,610,445
Net current assets		**919,437**	868,938
Total assets less current liabilities		**1,374,144**	1,333,775

NOTES:

1 GENERAL INFORMATION

Le Saunda Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in manufacturing and sales of shoes. The Group mainly operates in Hong Kong, Macau and Mainland China.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 28 October 2013.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2013 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 28 February 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2013, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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

(a) Amended standard adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning 1 January 2013 but either have no significant impact to the Group's results and financial position or are not currently relevant to the Group:

- HKAS 1 (Amendment) - Presentation of Financial Statements
- HKAS 19 (2011) - Employee Benefits
- HKAS 27 (2011) - Separate Financial Statements

•	HKAS 28 (2011)	-	Investment in Associates and Joint Ventures
•	HKFRS 1 (Amendment)	-	Government Loans
•	HKFRS 10	-	Consolidated Financial Statements
•	HKFRS 11	-	Joint Arrangements
•	HKFRS 12	-	Disclosure of Interests in Other Entities
•	HKFRS 13	-	Fair Value Measurements
•	HKFRS 10, HKFRS 11, and HKFRS 12 (Amendment)	-	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
•	Annual Improvement Project	-	Improvements to HKFRSs 2011
•	HK(IFRIC) - Int 20	-	Stripping Costs in the Production of a Surface Mine

(b) The following new and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

•	HKAS 32 (Amendment)	-	Offsetting Financial Assets and Financial Liabilities[1]
•	HKAS 36 (Amendment)	-	Recoverable amount disclosures for non-financial assets[1]
•	HKAS 39 (Amendment)	-	Novation of derivatives and continuation of hedge accounting[1]
•	HKFRS 9	-	Financial Instruments[2]
•	Additions to HKFRS 9	-	Financial Instruments - financial liabilities[2]
•	HKFRS 7 and HKFRS 9 (Amendment)	-	Mandatory Effective Date and Transition Disclosure[2]
•	HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	-	Investment Entities[1]
•	HK(IFRIC) - Int 21	-	Levies[1]

1 Changes effective for annual periods beginning on or after 1 January 2014
2 Changes effective for annual periods beginning on or after 1 January 2015

4 REVENUE AND SEGMENT INFORMATION

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

The Executive Directors review the Group's financial information mainly from retail and 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, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a jointly controlled entity, 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.

(i) The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2013 is as follows:

	Unaudited Six months ended 31 August 2013			
	Retail		Export	Total
	HK & Macau	Mainland China	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**106,163**	**760,848**	**7,079**	**874,090**
Reportable segment profit	**5,008**	**87,744**	**2,116**	**94,868**
Other income				**2,051**
Other gains				**4,152**
Finance income				**3,807**
Share of profit of a jointly controlled entity				**130**
Unallocated expenses				**(190)**
Profit before income tax				**104,818**
Income tax expense				**(28,142)**
Profit for the period				**76,676**
Depreciation and amortisation	**3,229**	**23,252**	**124**	**26,605**
Additions to non-current assets (Other than deferred tax assets)	**2,519**	**14,080**	**17**	**16,616**

The segment information provided for the six months ended 31 August 2012 is as follows:

	Unaudited Six months ended 31 August 2012			
	Retail		Export	Total
	HK & Macau	Mainland China	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	94,641	618,035	30,669	743,345
Reportable segment profit	4,579	61,852	8,798	75,229
Other income				1,307
Other gains				4,168
Finance income				2,154
Share of profit of a jointly controlled entity				248
Unallocated expenses				(88)
Profit before income tax				83,018
Income tax expense				(22,815)
Profit for the period				60,203
Depreciation and amortisation	3,623	21,359	307	25,289
Additions to non-current assets (Other than deferred tax assets)	1,154	20,960	47	22,161

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

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 of shoes mainly relates to the Group's own brands, le saunda, le saunda MEN, CNE and Linea Rosa. The export sales of shoes related to the Group's own brands and other shoe brands which are not owned by the Group.

An analysis of the Group's assets and liabilities as at 31 August 2013 by reportable segment is set out below:

	Unaudited As at 31 August 2013			
	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**180,266**	**1,361,756**	**16,702**	**1,558,724**
Interest in a jointly controlled entity				**35,840**
Interest in and amount due from an available-for-sale financial assets				**-**
Deferred tax assets				**49,984**
Unallocated assets				**242**
Total assets per consolidated balance sheet				**1,644,790**
Segment liabilities	**24,275**	**185,813**	**2,900**	**212,988**
Amount due to a jointly controlled entity				**38,055**
Current income tax liabilities				**19,592**
Deferred tax liabilities				**28,780**
Unallocated liabilities				**11**
Total liabilities per condensed consolidated balance sheet				**299,426**

An analysis of the Group's assets and liabilities as at 28 February 2013 by reportable segment is set out below:

	Audited As at 28 February 2013			
	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	183,187	1,304,870	35,225	1,523,282
Interest in a jointly controlled entity				35,112
Interest in and amount due from an available-for-sale financial assets				-
Deferred tax assets				51,807
Unallocated assets				244
Total assets per condensed consolidated balance sheet				1,610,445
Segment liabilities	22,067	189,350	6,332	217,749
Amount due to a jointly controlled entity				37,419
Current income tax liabilities				21,478
Deferred tax liabilities				31,743
Unallocated liabilities				24
Total liabilities per condensed consolidated balance sheet				308,413

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

REVENUE

	Unaudited Six months ended 31 August	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**88,973**	79,662
Mainland China	**760,848**	618,035
Macau	**17,190**	14,979
Russia	**4,032**	23,056
Other countries *(Note (a))*	**3,047**	7,613
Total	**874,090**	743,345

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

For the six months ended 31 August 2013, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (for the six months ended 31 August 2012: 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 2013	Audited 28 February 2013
	HK$'000	*HK$'000*
Hong Kong	**29,421**	31,252
Mainland China	**287,359**	293,003
Macau	**87,943**	88,775
Total	**404,723**	413,030

5 OTHER INCOME AND OTHER GAINS

	Unaudited Six months ended 31 August	
	2013	2012
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	**2,051**	1,307
Other gains		
Net exchange gain *(Note (a))*	**4,152**	4,168
	6,203	5,475

(a) *Net exchange gain 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.*

6 OPERATING PROFIT

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

	Unaudited Six months ended 31 August	
	2013	2012
	HK$'000	*HK$'000*
Auditors' remuneration	**994**	841
Amortisation of land use rights	**460**	456
Depreciation of property, plant and equipment	**26,145**	24,833
Loss on disposal of property, plant and equipment	**563**	1,007
Costs of inventories recognised as expenses included in cost of sales	**233,000**	208,701
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**60,694**	47,999
- contingent rents	**731**	1,697
Freight charges	**7,082**	6,837
Concessionaire fees	**155,210**	122,252
(Write back of impairment)/impairment losses on inventories	**(2,289)**	1,382
Direct operating expenses arising from investment properties that generated rental income	**200**	122
Staff costs (including directors' emoluments and value of employees services	**216,752**	177,007

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August	
	2013	2012
	HK$'000	*HK$'000*
Current income tax		
People's Republic of China ("PRC") corporate income tax	**29,241**	24,256
Deferred taxation	**(1,099)**	(1,441)
	28,142	22,815

No provision for Hong Kong profits tax has been made as there were available tax losses brought forward from prior years to offset the assessable profits.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2012: 25%). The preferential income tax rate enjoyed by the Group's Shunde plant had expired by the end of 2011.

8 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	
	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**76,446**	61,067
Weighted average number of ordinary shares in issue *('000)*	**639,314**	639,314
Basic earnings per share *(HK cents)*	**11.96**	9.55

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.

For the period ended 31 August 2013, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

For the period ended 31 August 2012, the diluted earnings per share was the same as the basic earnings per share as the Company's share options outstanding during the period was anti-dilutive potential ordinary shares.

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	
	2013	2012
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**76,446**	61,067
Weighted average number of ordinary shares in issue (*'000*)	**639,314**	639,314
Adjustments for share options (*'000*)	**1,288**	-
Weighted average number of ordinary shares for diluted earnings per share (*'000*)	**640,602**	639,314
Diluted earnings per share (*HK cents*)	**11.93**	9.55

9 DIVIDENDS

	Unaudited Six months ended 31 August	
	2013	2012
	HK$'000	*HK$'000*
Interim dividend of HK7.0 cents (six months ended 31 August 2012: HK4.0 cents) per ordinary share	**44,752**	25,573
No special dividend (six months ended 31 August 2012: HK1.5 cents) per ordinary share	-	9,589
	44,752	35,162

A dividend of HK$55,620,000 that related to the financial year ended 28 February 2013 was paid in August 2013 (2012: HK$55,620,000).

At the Board of Directors' meeting held on 28 October 2013, the Board of Directors has resolved to declare an interim dividend of HK7.0 cents per share. This interim dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2014.

10 TRADE AND OTHER RECEIVABLES

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

Trade receivables *(Note (a))*	**Unaudited 31 August 2013** ***HK$'000***	Audited 28 February 2013 *HK$'000*
Current to 30 days	**147,250**	164,845
31 to 60 days	**12,118**	14,053
61 to 90 days	**3,564**	2,984
Over 90 days	**3,877**	3,685
	166,809	185,567
Other receivables	**10,974**	13,270
Total	**177,783**	198,837

(a) The Group's concessionaire sales through department stores are generally collectible within 30 to 60 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.

11 TRADE PAYABLES AND ACCRUALS

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

Trade creditors	**Unaudited 31 August 2013** ***HK$'000***	Audited 28 February 2013 *HK$'000*
Current to 30 days	**43,268**	23,626
31 to 60 days	**24,718**	26,158
61 to 90 days	**6,343**	15,630
91 to 120 days	**1,365**	6,687
Over 120 days	**5,591**	8,141
	81,285	80,242
Accruals	**131,714**	137,531
Total	**212,999**	217,773

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Carrying forward the lackluster of last year, the overall economic growth of China further slowed down in the first half of 2013. The retail market remained sluggish during the period, manifested by shrinking consumer goods demand, weak spending sentiment and low consumer confidence. In response to such unfavorable market condition, the Group has adjusted timely its strategies since last year. It has implemented some improvements on operation, including streamlining its supply chain and focusing on increasing the same-store-sales of existing stores. After a year of efforts, the Group achieved remarkable results both on its financial indicators and operational indicators. This comparatively outperformed the retail market during the period.

Coupled with the improvement initiatives mentioned above, the Group managed to get a breakthrough in three aspects, namely brand, products and supply chain. The Group's brands always stand for fine quality and elegant designs in the consumer market. Nonetheless, during the period under review, the Group has put extra efforts in strengthening its brand image. To expand its customer base in youth market, the Group has also extended separate products offerings for this target segment. Benefited from the upgraded production ERP system, the supply chain of the Group has greatly improved, evidenced by a shortened replenishment cycle and increased proportion of replenishment orders. All these contributed to the achievements of a same-store-sales growth rate of 16.1% and a 7-day year-on-year decrease in inventory turnover days in the first half of the financial year.

I. FINANCIAL REVIEW

Operating Results

In the first half of the 2013/14 fiscal year, the total revenue of the Group increased by 17.6% year-on-year to HK$874.1 million (2012/13: HK$743.3 million). Despite the prolonged recovery of the retail market, the Group managed to raise its consolidated gross profit by 21.3% to HK$577.5 million and recorded a remarkable growth in overall gross profit margin of 2.0 percentage points to 66.1%, as compared to that of last year. Although selling and distribution expenses have been on the rise, operating profit increased by 25.1% year-on-year to HK$100.9 million (2012/13: HK$80.6 million) and operating profit margin rose by 0.7 percentage point year-on-year to 11.5%. All these were attributable the Group's constant efforts in cost reduction and efficiency enhancement. Consolidated profit attributable to equity holders of the Company surged by 25.2% to HK$76.4 million (2012/13: HK$61.1 million).

HK$ million	**1H 2013/14**	**1H 2012/13**		**Change**
Revenue	874.1	743.3		17.6%
Gross profit	577.5	476.1		21.3%
Gross profit margin	66.1%	64.1%		0.2 percentage point
Operating profit	100.9	80.6		25.1%
Operating profit margin	11.5%	10.8%		0.7 percentage point
Consolidated profit attributable to equity holders	76.4	61.1		25.2%
Basic earnings per share (HK cents)	11.96	9.55		25.2%
Interim dividend (HK cents)	7.0	5.5	*	1.5 cents
Dividend pay-out ratio	58.5%	57.6%		0.9 percentage point

* *Interim dividend for 2012/13 included an interim dividend and a special dividend of HK4.0 cents and HK1.5 cents, respectively*

Gross Profit & Profitability

During the period under review, although the retail market remained sluggish, the Group managed to boost sales with its outstanding brand value and excellent product positioning, other than with huge discounts and promotions. Beyond that, change in business mix also had a positive effect on the gross profit margin. During the period, gross profit grew by 21.3% year-on-year to HK$577.5 million (2012/13: HK$476.1 million) while overall gross profit margin jumped by 2.0 percentage points to a new height of 66.1%, partly attributable to the significant scaling down of the export business which had a lower gross profit margin, would increase the overall margin too.

Selling and distribution expenses increased by 20.0% year-on-year to HK$382.3 million (2012/13: HK$318.6 million) mainly due to the increases in shop rentals and promotional expenses. During the period, the overall rental expenses still suffered from the steady rise in the concessionaire rate of department stores and high shop rentals in Hong Kong. Since last year, the Group has stepped up its brand-building efforts by inviting Mr. Louis Koo Tin Lok, a well-known movie star in Asia, to endorse the le saunda brand. This generated positive market response and raised the brand's awareness effectively. During the period, the Group continued to engage Mr. Louis Koo Tin Lok as the brand's endorser. With more different marketing campaigns deployed, the overall selling expenses increased and the ratio of advertising and promotional expenses to revenue rose to 2.3%. This percentage was still at a relatively low level compared to the industry average and the increase was an inevitable outcome for brand-building. In terms of sales ratio, selling and distribution expenses accounted for 43.7% of total revenue (2012/13: 42.9%), representing an increase of 0.8 percentage point, and the rate of increase was largely eased.

General and administrative expenses jumped by 22.0% to HK$100.5 million (2012/13: HK$82.4 million) compared with that of last year. During the period under review, the Group continued to adopt strict control of its administrative and back-office expenses. The ratio of general and administrative expenses to revenue grew by 0.4 percentage point year-on-year to 11.5% (2012/13: 11.1%). Since minimum wage policy has been implemented in Mainland China, the Group has made several salary increments for its staff and improved the working environments and benefits over the past few years so as to maintain its competitiveness in the long run. During the period under review, the recruitment of additional management and retail talents have also caused an increase in the overall staff costs.

During the period under review, income tax expenses grew by 23.3% year-on-year to HK$28.1 million (2012/13: HK$22.8 million). The preferential tax treatment enjoyed by the Group's production base in Shunde had expired. With effect from 2012, all business entities of the Group in Mainland China are subject to income tax rate of 25%, while the profit tax rate for the Hong Kong operations remains at 16.5%. Together with the withholding tax of 5-10% payable on dividends remitted by a Chinese subsidiary to its foreign parent companies, the Group's effective tax rate for the period was 26.8%. However, due to the Group's contributions to local economic development and the creation of job opportunities, the Group was entitled to some supportive and preferential policies as provided by the local governments in certain regions in which the Group operates. Such incentives have been included in "Other Income" since last fiscal year, but the tax rate would not be lowered in general.

Consolidated profit attributable to equity holders of the Company increased by 25.2% year-on-year to HK$76.4 million (2012/13: HK$61.1 million). Basic earnings per share rose by 25.2% year-on-year to HK11.96 cents (2012/13: HK9.55 cents). The Board has resolved to declare an interim dividend of HK7.0 cents (2012/13: HK5.5 cents) per ordinary share, thereby maintaining a high dividend payout ratio of 58.5% (2012/13: 57.6%).

Inventory & Supply Chain Management

As at 31 August 2013, the Group's inventory balance was HK$492.5 million, which approximated to HK$492.0 million for the corresponding period last year. Inventory turnover days of finished goods shortened by 7 days year-on-year to 234 days (31 August 2012: 241 days). A breakdown of inventory balance as at the end of the period is as follows:

HK$ (million)	As at 31 August 2013	As at 31 August 2012	Changes in value	Changes in %
Raw materials and work-in-progress	71.0	79.8	(8.8)	(11.0%)
Finished goods	421.5	412.2	9.3	2.3%
Total	492.5	492.0	0.5	0.1%

Starting from last year, the Group has fully adopted an upgraded production ERP system, which effectively helped to enhance the management of each of the production processes, resulting in shortened replenishment cycle. Although the retailers are consistently facing the problem of high inventory levels in recent years due to weak consumer confidence and consumption demand, the Group managed to steadily reduce its inventory level through improving its supply chain and optimising its product mix. As at 31 August 2013, the inventory balance of finished goods slightly increased by 2.3% year-on-year while the inventory turnover days of finished goods reduced by 7 days year-on-year, demonstrating that the inventory pressure on the Group has been relieved continuously. During the period, the Group achieved its stock clearance target with the opening of 14 new factory outlets as well as the use of e-commerce channels. Furthermore, the Group has maintained strict control over the age of its inventory, so that approximately 80% of the stock of finished goods were aged less than one year and approximately 28% of the overall inventory balance was related to the latest fall/winter collections.

Liquidity and Financial Resources

The Group's financial position has always been strong and healthy. As at 31 August 2013, the Group's cash and bank balance amounted to HK$475.7 million (28 February 2013: HK$435.7 million), representing an increase of 9.2%. The quick ratio was 2.4 times (28 February 2013: 2.3 times). As at the end of the reporting period, the Group had no bank loan (28 February 2013: HK$Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the period. In addition, working capital requirements for the business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

As at 31 August 2013, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in several leading banks with maturities of less than one year.

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

II. BUSINESS REVIEW

The Group, which has adopted a vertically-integrated business model, engages in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and fashion accessories in Hong Kong, Macau and Mainland China. The major self-owned brands of the Group include le saunda, le saunda MEN, CNE and Linea Rosa, aiming to appeal to diversified target customer groups with their distinct product lines.

Retail Business and Network

Retail business has always been the Group's principal revenue contributor. Total revenue of the retail segment increased by 21.7% year-on-year to HK$867.0 million (2012/13: HK$712.6 million), which was mainly driven by a strong same-store-sales growth. The contribution of the retail business to the Group's total revenue grew to 99.2% compared to that of last year, attributable to the significant reduction in the export business.

Consolidated Revenue	**Six months ended 31 August 2013** *(HK$ million)*	**% to Total**	**Six months ended 31 August 2012** *(HK$ million)*	**% to Total**	**Year-on-year change** *(%)*
Retail business:					
Mainland China	760.8	87.1%	618.0	83.2%	23.1%
Hong Kong and Macau	106.2	12.1%	94.6	12.7%	12.2%
Retail Sub-total	867.0	99.2%	712.6	95.9%	21.7%
Export	7.1	0.8%	30.7	4.1%	(76.9%)
Group's Total Revenue	874.1	100.0%	743.3	100.0%	17.6%

After several years of rapid network expansion, the Group believes that it is the right time to consolidate stores and enhance single-store efficiency. As at the end of the reporting period, the Group had a retail network comprising 997 outlets in Mainland China, Hong Kong and Macau, representing a net year-on-year increase of 100 outlets. Meanwhile, the Group continued to consolidate its CNE outlets, resulting in a slower pace of store opening. The geographical breakdown of the retail network as at 31 August 2013 is as follows:

Number of Outlets by Region	Self-owned (year-on-year changes)	Franchise (year-on-year changes)	Total (year-on-year changes)
Mainland China	804(+76)	170(+21)	974(+97)
• Northern, Northern East & Northern West	189(+23)	107(+13)	296(+36)
• Eastern	255(+31)	2(-2)	257(+29)
• Central and Southwestern	143(+14)	44(+5)	187(+19)
• Southern	217(+8)	17(+5)	234(+13)
Hong Kong and Macau	23(+3)	-	23(+3)
Total	827(+79)	170(+21)	997(+100)

Despite the unfavourable retail market sentiment, the Group maintained a steady growth at retail network. As at the end of the period, the Group's core brand, le saunda, had a year-on-year addition of 97 outlets, bringing the total number of outlets to 747. The Group's men's footwear brand, le saunda MEN, added 12 new stand-alone counters year-on-year, bringing the total number to 101. Since its launch two years ago, the high-end fashion brand Linea Rosa has already built up its brand value and customer loyalty with its fine quality and trend-setting products. The Group has carefully opened Linea Rosa stores at premium shopping locations that match its brand's image, and the total number of stores reached 23. In addition, the Group decisively closed down underperforming CNE outlets, resulting in a year-on-year reduction of 17 CNE outlets to 154. In the short run, improving its single-store sales and profitability remains the first priority of CNE agenda.

Mainland China

During the period under review, despite of the weak consumer confidence and the sluggish demand in the retail industry, the Group's sales in Mainland China surged by 23.1% to HK$760.8 million driven by significant growth in same-store-sales. The Group has started to streamline the supply chain, enhance brand-building efforts and implement better product management since last year, so the single-store sales have effectively increased. In addition, the Group has speeded up the penetration into second- and third-tier cities where the single-store-sales have in general higher growth, so as to drive up the overall same-store-sales growth effectively. Benefited by the early entry into the Mainland China market, the Group's brands have enjoyed high awareness and possessed a huge base of loyal customers. During the period, notwithstanding the poor consumption sentiment in the Chinese retail industry, the Group's ASP in Mainland China recorded a 4.9% rise, showing a strong recognition of its brands. By region, the revenue from Mainland China was the largest contributor to the Group, and its retail revenue growth remarkably outperformed that in Hong Kong and Macau.

Hong Kong and Macau

The Hong Kong retail industry slowed down clearly since last year and individual tourists from Mainland China have become more cautious about their spending. During the period under review, the Group's retail business in Hong Kong and Macau performed well with revenue up by 12.2% year-on-year to HK$106.2 million. This was mainly attributable to the less discounts offered in Hong Kong and Macau, the increase in ASP, and various innovative marketing campaigns such as sponsoring footwear in "Inferno 3D", the first 3D disaster movie in Hong Kong starring the Group's brand endorser, Mr. Louis Koo Tin Lok. During the period under review, the Group opened 3 stores in Hong Kong and Macau, bringing the total number of stores to 23. However, the Group will not step up the retail network expansion in the short term in view of the persistent high rent in the region.

Product Mix

Ladies' footwear remained the Group's major revenue contributor by product category. During the period under review, all the three major product categories of the Group delivered satisfactory growth. This was attributable to the Group's efforts to drive sales growth by strengthening product development, increasing product offerings and refining product designs so as to be more responsive to the latest market trends. Since last year, the Group has increased the number of sales fairs from 4 to 6 every year in order to keep abreast of market needs. The ERP system at the production base also allows the Group to speed up stock replenishment. During the period under review, the ladies' footwear segment achieved a year-on-year growth of 20.5% and accounted for 78.1% of the Group's retail revenue. Regarding the men's footwear segment, the Group has increased its effort in brand-building and engaged Mr. Louis Koo Tin Lok to endorse the brand. As a result, revenue from sales of men's footwear increased by 21.5% and accounted for 12.1% of the Group's retail revenue, representing a slight increase of 0.1 percentage point. Sales of handbags and accessories recorded a growth of 21.9% compared to that of last year and their proportion in the Group's retail revenue grew slightly to 9.8%, mainly attributable to the increasing product supplies and offerings.

Product Category	**Year-on-year Growth (%)**	**Sales Mix for the six month ended 31 August 2013 (%)**	**Sales Mix for the six month ended 31 August 2012 (%)**	**Changes in Sales Mix (percentage point)**
Ladies' Footwear	20.5	78.1	78.3	(-0.2)
Men's Footwear	21.5	12.1	12.0	0.1
Handbags and Accessories	21.9	9.8	9.7	0.1
Total		100	100	

E-Commerce

Online sales are more prevalent in Mainland China. It has become an important channel for retailers. During the period under review, e-commerce division enhanced the management in different aspects such as product development, logistics management, customer service, human resources and sales platforms. It has also modified its online supply chain for a more timely response to the market. These initiatives have effectively led to a year-on-year revenue growth of over 130%. In addition, the e-commerce division has devoted itself to expanding its most promising online sales platforms such as Tmall to ensure a better utilization of resources. The Group is optimistic about the future of e-commerce and expects a greater revenue contribution from e-commerce.

Export Business

During the period under review, the Group's export revenue decreased significantly by 76.9% year-on-year to HK$7.1 million (2012/13: HK$30.7 million), accounting for 0.8% (2012/13: 4.1%) of the Group's total revenue. The continual drop in the proportion of export business was attributable to the Group's focus on developing the retail business and the weak demand from overseas markets.

III. FUTURE OUTLOOK AND LONG-TERM STRATEGY

Short-Term Goal – Enhancing Store Efficiency, Lowing Inventory Level

Due to the slowdown in Chinese economic growth, the retailers have struggled against weakening demands and high operating costs during the period. The Group, however, was able to sustain a stable development and achieved satisfactory results in terms of financial and operational indicators. These were attributable to its internal adjustments adopted last year, which aim to improve operating efficiency and create a solid foundation for a stable long-term development.

After the upgraded ERP system has been put into full operation at the production bases, the replenishment efficiency and re-order period have been greatly improved, which in turn helped to shorten the Group's response time to market trends. This is crucial for controlling stock level and boosting same-store-sales. In order to further enhance its operating efficiency and core competitiveness, the Group has planned to upgrade the POS system at the retail frontline.

As at the end of the period, the inventory turnover days decreased by 7 days to 234 days from 241 days for the corresponding period last year as a result of the Group's continuous efforts in clearing up stocks. In the short run, the Group will persist in lowering the inventory turnover days to a healthy level of less than 200 days by speeding up response to the market, optimising product mix and further improving product quality.

Since the second half of last fiscal year, the Group's same-store-sales growth has rebounded notably, demonstrating that its adopted measures are guiding the Group back to the growth cycle. Facing the prolonged recovery in retail market, the Group will still strive to achieve higher sales growth through boosting single-store efficiency and replacing low efficient shops with high efficient ones in the short run.

Mid-to-long Term Goals – Improving Overall Operation Efficiency with Further Internal Reforms

A market-oriented product strategy is crucial for retailers to drive their sales. As such, they have to react to the market in a timely manner through shortening supply chain and accelerating stock replenishment cycle. In this regard, the Group has implemented a series of internal measures and obtained satisfactory outcome so far. The Group will further streamline its supply chain and enhance its brand value so as to capture greater market share.

le saunda, the Group's core brand, caters for office ladies who have higher expectation on quality and style of footwear. This target market segment has stable demand, which can provide a solid customer base to the Group. The brand has always enjoyed a high recognition and customer loyalty in Hong Kong and Mainland China. The Group's future goal is to further expand the retail network by penetrating into second- and third-tier cities as well as the shopping malls in the Mainland China.

Linea Rosa, characterised by trend-setting designs and excellent quality, appeals to a wide range of consumers since its launch two years ago. The Group has introduced this brand into the most prestigious business districts in the first-tier cities in Mainland China and has obtained a reputation in the high-end market. This brand has a total of 23 stores and the Group will continue to open high efficient stores in premium shopping locations according to its brand's position. In addition, the Group will further enhance the product quality to increase its popularity and maintain its high-end stylish brand image.

CNE effectively improved its same-stores-sales growth through a series of reforms adopted last year, including brand repositioning and closing down of underperforming stores. In order to enhance the brand-building efforts, the Group has engaged G.E.M. (Gloria Tang Tze-kei) to endorse the brand and organise CNE fashion shows in different regions. The Group will expand the CNE customer base and market share by further reforms on stores consolidation, product mix optimization and marketing efforts enhancements.

le saunda MEN is still the Group's focus of future development. The Group has continuously engaged Mr. Louis Koo Tin Lok, a well-known movie star, to endorse the brand in order to further increase its market recognition. On the other hand, the handbag segment achieved good results in the period and the Group has planned to increase its revenue contribution too.

Looking forward, the Group will adhere to its core values and develop its business in a relatively prudent manner so as to achieve a long-term stable growth. With its veteran management team and flexible and responsive mechanism, the Group is confident to sustain its competitive edges in an ever-changing retail market. The Group is also well-prepared for any adversity ahead. The Group will continue to optimise its supply chain and enhance its core brand value on quality to constantly provide stylish products to the consumers. The Group would like to express its sincere gratitude to the shareholders for their long-term support and recognition and continues to reward its shareholders with a constant high dividend payout. In the future, the Group will strive to realise its intrinsic value and maximise the returns to its shareholders.

PLEDGE OF ASSETS

As at 31 August 2013, bank deposits of HK$3.0 million (28 February 2013: HK$2.9 million) have been pledged as rental deposits for certain subsidiaries of the Group.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of HK$230.0 million (28 February 2013: HK$230.0 million), of which HK$6.3 million (28 February 2013: HK$9.4 million) was utilised as at 31 August 2013.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK7.0 cents per ordinary share for the six months ended 31 August 2013 (2012: HK5.5 cents) payable on Monday, 25 November 2013 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Thursday, 14 November 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2013, the Group had a staff force of 5,809 people (28 February 2013: 5,453 people). Of this number, 189 were based in Hong Kong and Macau and 5,620 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate to the levels 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 2013, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$216.8 million (2012: HK$177.0 million). The Group has all along organized structured and diversified training programmes for staff at different levels. Outside consultants will be invited to broaden the contents of the training programmes.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

In order to ascertain the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 12 November 2013 to Thursday, 14 November 2013 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend is 14 November 2013. In order to qualify for the interim dividend for the six months ended 31 August 2013, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 11 November 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 August 2013.

AUDIT COMMITTEE

As at 31 August 2013 and the date of this announcement, the audit committee (the "Audit Committee") of the Board comprises three independent non-executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditor, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, internal control and risk management systems of the Group, and review the accounting principles and practices adopted by the Group. The full terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

The Audit Committee has reviewed this announcement, which was prepared based on (i) the accounting principles and practices adopted by the Group; and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2013. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 31 August 2013.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving and maintaining the highest standard of corporate governance. The Board and its management understand that it is their responsibility to establish a good corporate management system and practice and strictly comply with the principles of independence, accountability, responsibility and impartiality so as to improve the operation transparency of the Company, protect the interests of the Shareholders and create values for the Shareholders.

During the period under review, the Company has complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for deviation from code provision A.6.7 of CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 15 July 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Code of Conduct and the required standard set out in the Model Code during the six months ended 31 August 2013.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 August 2013 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) in due course on or before 30 November 2013.

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
Le Saunda Holdings Limited
James Ngai
Chairman

Hong Kong, 28 October 2013

As at the date of this announcement, the Company's executive Directors are Ms. Lau Shun Wai, Ms. Wong Sau Han, Ms. Chu Tsui Lan and Ms. An You Ying; non-executive Directors are Mr. James Ngai and Mr. Lee Tze Bun, Marces; 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.)