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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 2014

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2014	2013	change	change in %
Revenue	*HK$ million*	**941.1**	874.1	67.0	7.7%
Gross profit	*HK$ million*	**629.4**	577.5	51.9	9.0%
Operating profit	*HK$ million*	**128.5**	100.9	27.6	27.4%
Profit attributable to equity holders of the Company	*HK$ million*	**96.9**	76.4	20.5	26.8%
Gross profit margin	*Percentage*	**66.9**	66.1	0.8	
Operating profit margin	*Percentage*	**13.7**	11.5	2.2	
Profit margin attributable to equity holders of the Company	*Percentage*	**10.3**	8.7	1.6	
Basic earnings per share	*HK cents*	**15.15**	11.96	3.19	26.7%
Dividend per share - interim	*HK cents*	**8.0**	7.0		

**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 2014. The unaudited condensed consolidated interim results for the six months ended 31 August 2014 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 2014

		Unaudited Six months ended 31 August	
		2014	2013
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**941,121**	874,090
Cost of sales		**(311,713)**	(296,613)
Gross profit		**629,408**	577,477
Other income	*5*	**17,929**	2,051
Other gains, net	*5*	**2,337**	4,152
Selling and distribution expenses		**(403,894)**	(382,268)
General and administrative expenses		**(117,239)**	(100,531)
Operating profit	*6*	**128,541**	100,881
Finance income		**5,833**	3,807
Share of profit of a joint venture		**200**	130
Profit before income tax		**134,574**	104,818
Income tax expense	*7*	**(36,616)**	(28,142)
Profit for the period		**97,958**	76,676
Profit attributable to:			
- equity holders of the Company		**96,935**	76,446
- non-controlling interest		**1,023**	230
		97,958	76,676
Earnings per share attributable to the equity holders of the Company *(express in HK cents)*			
- Basic	*8*	**15.15**	11.96
- Diluted	*8*	**15.00**	11.93
Dividend	*9*	**51,328**	44,752

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2014

	Unaudited	
	Six months ended 31 August	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period	**97,958**	76,676
Other comprehensive income		
Currency translation differences	**1,119**	14,656
Other comprehensive income for the period, net of tax	**1,119**	14,656
Total comprehensive income for the period	**99,077**	91,332
Total comprehensive income for the period, attributable to:		
- equity holders of the Company	**98,073**	90,899
- non-controlling interest	**1,004**	433
	99,077	91,332

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2014

	Note	**Unaudited 31 August 2014 *HK$'000***	Audited 28 February 2014 *HK$'000*
ASSETS			
Non-current assets			
Investment properties		**91,586**	91,586
Property, plant and equipment		**207,176**	218,996
Land use rights		**26,422**	26,818
Long-term deposits and prepayments		**19,018**	15,141
Interest in a joint venture		**36,273**	36,137
Interest in and amount due from an available-for-sale financial asset		-	-
Deferred tax assets		**56,627**	56,627
		437,102	445,305
Current assets			
Inventories		**580,032**	483,568
Trade and other receivables	*10*	**207,270**	198,647
Deposits and prepayments		**54,890**	46,401
Cash and bank balances		**582,707**	696,211
		1,424,899	1,424,827
Non-current assets classified as held-for-sale		-	6,963
		1,424,899	1,431,790
Total assets		**1,862,001**	1,877,095
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**64,160**	63,931
Reserves			
Proposed dividend		**51,328**	127,863
Others		**1,366,659**	1,308,343
		1,482,147	1,500,137
Non-controlling interest		**13,677**	13,471
Total equity		**1,495,824**	1,513,608

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2014

	Note	**Unaudited 31 August 2014 *HK$'000***	Audited 28 February 2014 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**40,656**	38,280
Current liabilities			
Trade payables and accruals	*11*	**272,955**	262,097
Amount due to a joint venture		**34,056**	34,119
Current income tax liabilities		**18,510**	28,991
		325,521	325,207
Total liabilities		**366,177**	363,487
Total equity and liabilities		**1,862,001**	1,877,095
Net current assets		**1,099,378**	1,106,583
Total assets less current liabilities		**1,536,480**	1,551,888

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 27 October 2014.

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 2014 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 2014, 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 2014, 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 March 2014 but either have no significant impact to the Group's results and financial position or are not currently relevant to the Group:

- HKAS 32 (Amendment) - Financial instruments: presentation – offsetting financial assets and financial liabilities
- HKAS 39 (Amendment) - Novation of derivatives and continuation of hedge accounting

• HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	-	Investment entities
• HK(IFRIC) 21	-	Levies

(b) The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 March 2014 and have not been early adopted:

• HKAS 16 and HKAS 38 (Amendment)	-	Classification of acceptable methods of depreciation and amortisation[2]
• HKAS 19 (Amendment)	-	Employee benefits: defined benefit plans – employee contributions[1]
• HKFRS 9	-	Financial Instruments[4]
• HKFRS 11 (Amendment)	-	Accounting for acquisition of interest in joint operations[2]
• HKFRS 14	-	Regulatory deferral accounts[2]
• HKFRS 15	-	Revenue from contracts with customers[3]
• HKFRS (Amendment)	-	Annual improvement 2010-2012 cycle[1]
• HKFRS (Amendment)	-	Annual improvement 2011-2013 cycle[1]

[1] Changes effective for annual periods beginning on or after 1 March 2015
[2] Changes effective for annual periods beginning on or after 1 March 2016
[3] Changes effective for annual periods beginning on or after 1 March 2017
[4] Changes effective date to be determined

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 non-retail 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 and other gains, net, finance income, share of profit of a joint venture and unallocated expenses.

Segment assets mainly exclude interest in a joint venture, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a joint venture, 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 2014 is as follows:

	Unaudited Six months ended 31 August 2014			
	Retail		Others	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**95,701**	**842,053**	**3,367**	**941,121**
Reportable segment profit	**175**	**107,061**	**1,232**	**108,468**
Other income				**17,929**
Other gains, net				**2,337**
Finance income				**5,833**
Share of profit of a joint venture				**200**
Unallocated expenses				**(193)**
Profit before income tax				**134,574**
Income tax expense				**(36,616)**
Profit for the period				**97,958**
Depreciation and amortisation	**2,002**	**25,500**	**39**	**27,541**
Additions to non-current assets (Other than deferred tax assets)	**2,377**	**15,210**	**4**	**17,591**

The segment information provided for the six months ended 31 August 2013 is as follows:

	Unaudited Six months ended 31 August 2013			
	Retail		Others	Total
	HK & Macau	Mainland China		
	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 joint venture				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

Revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, CNE and LINEA ROSA.

An analysis of the Group's assets and liabilities as at 31 August 2014 by reportable segment is set out below:

	Unaudited As at 31 August 2014			
	Retail		Others	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**276,436**	**1,475,532**	**16,896**	**1,768,864**
Interest in a joint venture				**36,273**
Interest in and amount due from an available-for-sale financial assets				**-**
Deferred tax assets				**56,627**
Unallocated assets				**237**
Total assets per condensed consolidated balance sheet				**1,862,001**
Segment liabilities	**28,062**	**242,782**	**2,098**	**272,942**
Amount due to a joint venture				**34,056**
Current income tax liabilities				**18,510**
Deferred tax liabilities				**40,656**
Unallocated liabilities				**13**
Total liabilities per condensed consolidated balance sheet				**366,177**

An analysis of the Group's assets and liabilities as at 28 February 2014 by reportable segment is set out below:

	Audited As at 28 February 2014			
	Retail		Others	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	307,863	1,457,281	18,946	1,784,090
Interest in a joint venture				36,137
Interest in and amount due from an available-for-sale financial assets				-
Deferred tax assets				56,627
Unallocated assets				241
Total assets per condensed consolidated balance sheet				1,877,095
Segment liabilities	24,844	235,011	2,217	262,072
Amount due to a joint venture				34,119
Current income tax liabilities				28,991
Deferred tax liabilities				38,280
Unallocated liabilities				25
Total liabilities per condensed consolidated balance sheet				363,487

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

REVENUE

	Unaudited Six months ended 31 August	
	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**76,618**	88,973
Mainland China	**842,053**	760,848
Macau	**19,083**	17,190
Other countries	**3,367**	7,079
Total	**941,121**	874,090

For the six months ended 31 August 2014, 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 2013: 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 2014	Audited 28 February 2014
	HK$'000	*HK$'000*
Hong Kong	**16,056**	13,993
Mainland China	**269,777**	280,966
Macau	**94,642**	93,719
Total	**380,475**	388,678

5 OTHER INCOME AND OTHER GAINS, NET

	Unaudited Six months ended 31 August	
	2014	2013
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	**1,959**	2,051
Government incentives	**15,970**	-
	17,929	2,051
Other gains, net		
Net exchange (loss)/ gain *(Note (a))*	**(3,292)**	4,152
Gain on disposal of a property *(Note (b))*	**5,629**	-
	2,337	4,152
	20,266	6,203

(a) *Net exchange gain or loss 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.*

(b) *On 1 July 2014, the Group disposed of a property at a consideration of RMB12,317,000 and recognized a net gain of HK$5,629,000 net of transaction costs.*

6 OPERATING PROFIT

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

	Unaudited Six months ended 31 August	
	2014	2013
	HK$'000	*HK$'000*
Auditors' remuneration	**1,019**	994
Amortisation of land use rights	**373**	460
Depreciation of property, plant and equipment	**27,168**	26,145
Loss on disposal of property, plant and equipment	**1,732**	563
Costs of inventories recognised as expenses included in cost of sales	**239,359**	233,000
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**60,774**	60,694
- contingent rents	**1,257**	731
Freight charges	**5,495**	7,082
Concessionaire fees	**167,988**	155,210
Impairment losses on inventories/(write back of impairment)	**1,396**	(2,289)
Direct operating expenses arising from investment properties that generated rental income	**192**	200
Staff costs (including directors' emoluments and value of employees services)	**233,450**	216,752
Impairment losses on trade receivables	**3,358**	-

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August	
	2014	2013
	HK$'000	*HK$'000*
Current income tax		
People's Republic of China ("PRC") corporate income tax	**34,253**	29,241
Deferred taxation	**2,363**	(1,099)
	36,616	28,142

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% (2013: 25%).

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	
	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**96,935**	76,446
Weighted average number of ordinary shares in issue *('000)*	**639,947**	639,314
Basic earnings per share *(HK cents)*	**15.15**	11.96

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 2014 and 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.

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	
	2014	2013
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**96,935**	76,446
Weighted average number of ordinary shares in issue (*'000*)	**639,947**	639,314
Adjustments for share options (*'000*)	**6,268**	1,288
Weighted average number of ordinary shares for diluted earnings per share (*'000*)	**646,215**	640,602
Diluted earnings per share (*HK cents*)	**15.00**	11.93

9 DIVIDENDS

	Unaudited Six months ended 31 August	
	2014	2013
	HK$'000	*HK$'000*
Interim dividend of HK8.0 cents (six months ended 31 August 2013: HK7.0 cents) per ordinary share	**51,328**	44,752

A dividend of approximately HK$128,305,000 that related to the financial year ended 28 February 2014 was paid in July 2014 (2013: HK$55,620,000).

At the Board of Directors' meeting held on 27 October 2014, the Board of Directors has resolved to declare an interim dividend of HK8.0 cents per ordinary 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 2015.

10 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2014	Audited 28 February 2014
Trade receivables *(Note (a))*	***HK$'000***	*HK$'000*
Current to 30 days	**176,532**	165,265
31 to 60 days	**9,890**	16,400
61 to 90 days	**8,239**	5,865
Over 90 days	**5,640**	6,624
	200,301	194,154
Other receivables	**6,969**	4,493
Total	**207,270**	198,647

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

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:

	Unaudited 31 August 2014	Audited 28 February 2014
Trade creditors	***HK$'000***	*HK$'000*
Current to 30 days	**72,849**	53,855
31 to 60 days	**19,387**	20,672
61 to 90 days	**2,569**	5,698
91 to 120 days	**2,774**	4,525
Over 120 days	**2,055**	5,832
	99,634	90,582
Accruals	**173,321**	171,515
Total	**272,955**	262,097

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2014, the overall economic growth of China further slowed down, thereby giving pressure on the retail market growth inevitably. In addition, weak consumption sentiments, surging labour costs and spiraling rentals had aggravated the difficulties being faced by brand operators in the footwear market. Furthermore, the rapid development of e-commerce added variables to the market by intensifying competition as well as expanding sales channels at the same time. In response to the full of challenges and opportunities, the Group focused on improving the performance of the existing stores and stepped up the e-commerce business development by adopting the "Steady Progress" strategy. As a result, the Group had not only maintained a same-store-sales growth of 13.8%, but also recorded a satisfactory increase in profit attributable to shareholders of 26.8%.

By taking advantage of e-commerce business with proper online and offline strategies, the Group has successfully shifted its mid-end brand CNE from the offline market into the online market during the period. In terms of store network, the Group maintained a prudent development pace by replacing the underperforming stores with new potential stores. After the closure of CNE's physical stores, the Group had successfully controlled the increasing rate of the selling expenses and improved the overall stores performance. In addition to the continuous enhancement of back-office operation systems, the Group has, in search of excellence, pursued constructive improvements on various aspects of the supply chain including product development, production processes, product quality and stock replenishment.

I. FINANCIAL REVIEW

Operating Results

In the first half of the 2014/15 fiscal year, the total revenue of the Group increased by 7.7% year-on-year to HK$941.1 million (2013/14: HK$874.1 million). Despite the sluggish recovery of the retail market, the Group managed to raise its consolidated gross profit by 9.0% to HK$629.4 million, and recorded a growth in overall gross profit margin of 0.8 percentage point to 66.9%, as compared to that of last year. Attributable to the Group's efforts in cost reduction and efficiency enhancement, operating profit increased by 27.4% year-on-year to HK$128.5 million (2013/14: HK$100.9 million) and operating profit margin rose by 2.2 percentage points year-on-year to 13.7%. Consolidated profit attributable to equity holders of the Company surged by 26.8% to HK$96.9 million (2013/14: HK$76.4 million).

HK$ million	**1H 2014/15**	**1H 2013/14**	**Change**
Revenue	941.1	874.1	7.7%
Gross profit	629.4	577.5	9.0%
Gross profit margin	66.9%	66.1%	0.8 percentage point
Operating profit	128.5	100.9	27.4%
Operating profit margin	13.7%	11.5%	2.2 percentage points
Consolidated profit attributable to equity holders	96.9	76.4	26.8%
Basic earnings per share (HK cents)	15.15	11.96	26.7%
Interim dividend (HK cents)	8.0	7.0	1.0 cent
Dividend pay-out ratio	53.0%	58.5%	(5.5 percentage points)

Gross Profit & Profitability

During the period under review, gross profit grew by 9.0% year-on-year to HK$629.4 million (2013/14: HK$577.5 million) while overall gross profit margin increased by 0.8 percentage point to a new height of 66.9%.

Selling and distribution expenses increased by 5.7% year-on-year to HK$403.9 million (2013/14: HK$382.3 million). During the period, the Group continued to face pressure from the rise in department stores' concessionaire rates and persistently high shop rental in Hong Kong. However, the closure of CNE stores and its transformation into an online brand, as well as the elimination of underperforming stores helped to control the increase in overall staff cost and concessionaire expenses. In general, concession charged by third party e-commerce platform and related selling expenses accounted for a lower cost to sales ratio as compared to that of physical stores. As for advertising and promotional expenses, the Group continued to engage movie stars to endorse its brands during the period and the cost to sales ratio slightly decreased to 2.2%, which was still reasonable as compared to the industry in general. In summary, selling and distribution expenses accounted for 42.9% of total revenue (2013/14: 43.7%), representing a drop of 0.8 percentage point.

General and administrative expenses surged by 16.6% to HK$117.2 million (2013/14: HK$100.5 million) as compared to last year and accounted for 12.5% (2013/14: 11.5%) of revenue, up 1.0 percentage point year-on-year. During the period under review, the Group expanded its offices and warehouses, continued to recruit professionals to strengthen its management team in order to cope with its long-term business growth, thereby increasing overall administrative expenses.

Other gains grew by 7.7 times year-on-year to HK$17.9 million (2013/14: HK$2.1 million). Other gains mainly included government subsidies and rental incomes. The Group was entitled to some subsidies and preferential policies offered by local governments to recognize its contributions to local economic development and job creation for the regions in which it operates.

During the period under review, income tax expenses rose by 30.1% year-on-year to HK$36.6 million (2013/14: HK$28.1 million). All business entities of the Group in China are currently subject to an income tax rate of 25%, while the profit tax rate for the Hong Kong business remains at 16.5%. In addition, a withholding tax of 5-10% was levied on the dividends remitted by PRC subsidiaries to its foreign parent company. As a result, the Group's effective tax rate for the period was 27.2% (2013/14: 26.8%).

Consolidated profit attributable to equity holders of the Company increased by 26.8% year-on-year to HK$96.9 million (2013/14: HK$76.4 million). Basic earnings per share rose by 26.7% year-on-year to HK15.15 cents (2013/14: HK11.96 cents). The Board has resolved to declare an interim dividend of HK8.0 cents (2013/14: HK7.0 cents) per ordinary share, representing a dividend payout ratio of 53.0% (2013/14: 58.5%).

Inventory & Supply Chain Management

As at 31 August 2014, the Group's inventory balance was HK$580 million, up 17.8% from that as at the same date last year. A breakdown of inventory balance as at the end of the period was as follows:

HK$ (million)	As at 31 August 2014	As at 31 August 2013	Changes in value	Changes in %
Raw materials and work-in-progress	96.8	71.0	25.8	36.4%
Finished goods	483.2	421.5	61.7	14.6%
Total	580.0	492.5	87.5	17.8%

Starting from last year, the Group has gradually closed down all CNE's physical stores and officially transformed CNE into an online brand in February this year. During the period, the Group had actively cleared the leftover stocks from the closed CNE stores. Meanwhile, in order to facilitate the rapid development of the e-commerce business and mitigate its impacts on the offline business operations, the Group has deliberately enhanced exclusive designs for online market and more style differentiation between online and offline products. However, such initiatives have increased the basic stocks for the e-commerce business and inevitably put short-term burden on the inventory level. As at the end of the period, inventory turnover days of finished goods increased by 7 days year-on-year to 241 days (31 August 2013: 234 days). Nonetheless, the Group believes that the existing inventory level is still at a healthy level, of which approximately 35% (31 August 2013: 28%) of the finished goods was related to the latest fall/winter collections. After deduction of the new stocks in relation to the latest fall/winter collections, the inventory increases are still more or less in line with the sales growth. Benefiting from early delivery of products for the next season, the Group is able to assess market response in advance so as to adjust its ordering and sales strategies in a timely manner, and boost its sales and gross profit. Furthermore, the Group has maintained strict control over the age of its inventory, so that approximately 83% of the stock of finished goods were aged less than one year. The Group aims at increasing this percentage further in the future.

Liquidity and Financial Resources

The Group's financial position has always been strong and healthy. As at 31 August 2014, the Group's cash and bank balance amounted to HK$582.7 million (28 February 2014: HK$696.2 million), representing a decrease of 16.3%. The quick ratio was 2.4 times (28 February 2014: 2.8 times). As at the end of the reporting period, the Group had no bank loans (28 February 2014: HK$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 2014, 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 China. The major self-owned brands of the Group, including le saunda, le saunda MEN, CNE and LINEA ROSA, aim to appeal to diversified target customer groups with their distinctive product lines through physical stores as well as online platforms.

Retail Business and Network

Retail business has always been the Group's principal revenue contributor. Total revenue of the retail segment increased by 8.2% year-on-year to HK$937.8 million (2013/14: HK$867.0 million). During the period, offline physical stores continued to record satisfactory same-store-sales growth of 13.8%. However, the immediate effect from closing all physical CNE stores in the current season, together with the key expansion of e-commerce operations, which in general have lower unit prices compared to offline operations, have inevitably slowed down the growth in total revenue in the short-run.

Consolidated Revenue	**Six months ended 31 August 2014** *(HK$ million)*	**% to Total**	**Six months ended 31 August 2013** *(HK$ million)*	**% to Total**	**Year-on-year change** *(%)*
Retail Business:					
Mainland China	842.1	89.5%	760.8	87.1%	10.7%
Hong Kong and Macau	95.7	10.2%	106.2	12.1%	(9.9%)
Retail Sub-total	937.8	99.7%	867.0	99.2%	8.2%
Others	3.3	0.3%	7.1	0.8%	(52.4%)
Group's Total Revenue	941.1	100.0%	874.1	100.0%	7.7%

In view of the surging wages and rental costs of offline physical stores, the Group has regarded network consolidation to be an effective measure to control costs and enhance single-store efficiency. As at the end of the period under review, the Group had a retail network comprising 863 outlets in Mainland China, Hong Kong and Macau, representing a net reduction of 134 outlets as compared to the corresponding period of last year. Although the closure of over a hundred CNE outlets resulted in a net reduction in the number of outlets, the Group had in fact maintained a moderate expansion of the networks of other brands during the period. For example, after merely three years since its launch, the fashionable high-end brand LINEA ROSA has already attained high brand recognition. Therefore, the Group has carefully opened LINEA ROSA stores at premium shopping locations which are in line with its brand image and increased the number of its stores to 33. As at 31 August 2014, the retail network breakdown by region was as follows:

Number of Outlets by Region	Self-owned (Year-on-year change)		Franchise (Year-on-year change)		Total (Year-on-year change)	
China	697	(-107)	145	(-25)	842	(-132)
• Northern, Northeastern & Northwestern Regions	180	(-9)	99	(-8)	279	(-17)
• Eastern Region	207	(-48)	2	(-)	209	(-48)
• Central and Southwestern Regions	148	(+5)	28	(-16)	176	(-11)
• Southern Region	162	(-55)	16	(-1)	178	(-56)
Hong Kong and Macau	21	(-2)	-	-	21	(-2)
Total	718	(-109)	145	(-25)	863	(-134)

Mainland China

During the period under review, in spite of weak consumer confidence and sluggish demand in the retail market, the Group's sales in Mainland China still recorded a satisfactory growth of 10.7% to HK$842.1 million. The Group has started to streamline its supply chain by implementing a series of reforms spanning from product development, material supplies, production planning, stock replenishment and warehouse management over the past two years. In order to enhance brand-building efforts, the Group has engaged celebrities in Mainland China and Hong Kong to endorse its brands, and launched all kinds of online and offline media campaigns to strengthen the Group's brand recognition in Mainland China. Through all of the above initiatives, single-store performance has been enhanced, and the growth in overall same-store-sales has been boosted, as demonstrated by the double-digit same-store-sales growth for the past six consecutive quarters. Given the increasing market recognition of the premium brand LINEA ROSA, and the rapid development of e-commerce business in China, Mainland China will continue to be the largest contributor to the Group's revenue.

E-commence

With the rapid development of mobile communications, online-sale model has become an indispensable sales channel in Mainland China. During the period under review, the Group had successfully transformed CNE into an online brand and continued to strengthen its management of product development, supply chain, customer services and sales platforms. Attributable to these initiatives, revenue from the e-commerce segment surged by over 200% year-on-year, and e-commerce has become the new growth engine of the Group's retail business in Mainland China. To facilitate long-term development of e-commerce business, the Group has established a warehouse and logistics centre designated for e-commerce at the beginning of this year, thereby optimising the supply chain management and enhancing the utilization of the resource of the online operation. The Group is optimistic about the future development of e-commerce and believes that its contribution to the Group's retail revenue will be more significant.

Hong Kong and Macau

During the period under review, in view of spiraling shop rentals in Hong Kong and Macau, the Group consolidated its retail networks in both regions, thereby bringing the total number of outlets down to 21, representing a net reduction of 2 outlets. Furthermore, as the retail market in Hong Kong has weakened remarkably, the Group's retail business in Hong Kong and Macau dropped with a year-on-year sales decrease of 9.9% to HK$95.7 million. The Group expects the sales contribution from Hong Kong and Macau will gradually decline in the long run.

III. FUTURE OUTLOOK AND LONG-TERM STRATEGY

The Group has sustained a double-digit same-store-sales growth for six consecutive quarters with remarkable growth in gross profit margin. The latter demonstrated that the revenue growth was not brought by sales promotions or discounts. Instead, all these reflected the enhancements implemented in the past two years had taken effect gradually. As the retail market has not yet fully recovered, the Group will still focus on enhancing single-store efficiency by replacing underperforming outlets with highly efficient ones in the near future.

Being a mid- to high-end brand manufacturer and operator of quality fashion products, the Group strongly strives for stable long-term development and growth with firm and clear positioning. As high quality and fashionable products are key to a solid foundation, the Group will comprehensively raise the standards of its operations in all aspects ranging from designs, raw materials, finished products and quality assurance. Looking forward, the Group will strengthen its cooperation with Italian leather footwear experts in respect of technical trainings, production and quality control, products development and design. In addition, to cope with the development of its e-commerce business, the Group has decided to upgrade all its computer and communication systems with the aim of maximising their effectiveness and efficiency in providing market data and information in the fastest and most accurate manner. Since the upgraded enterprise resources planning ("ERP") system has become fully operational at the production bases, it has made vital contributions to the Group's replenishment efficiency and same-store-sales growth. Moreover, the Group plans to upgrade the point of sale ("POS") systems of the outlets in the near future so as to further improve their operating efficiency and enhance their core competitiveness. The Group will invest 60 million Hong Kong dollars in the above projects in the coming two years.

The Group expects its growth in the next three years to come from the following aspects:

I. LINEA ROSA. Since its launch in the fall/winter season of 2011, this fashion brand characterised by high-end and unique brand position, trend-setting designs and excellent quality, has already gained the market awareness and high reputation during the past three years. Having the highest same-store-sales growth within the Group last year, LINEA ROSA will be one of the Group's key developments for the next three years. It will focus on the first-and-second-tier cities with high consumption power. By the end of this year, the total number of stores will be increased to 50 and then further increased to 100 by mid of next year. LINEA ROSA will become one of the major revenue contributor with market size and brand recognition comparable to that of the Group's core brand le saunda.

II. E-commerce. It was launched with the Group's forward-looking and pioneering efforts three years ago. It now has a separate professional team of over 100 staffs covering various functions from design, purchasing, sales and marketing to logistics. Apart from le saunda which has always been pursued by e-commerce customers, CNE has also achieved initial success in its transformation since the beginning of the year by emerging as one of the top 30 brands on the Tmall platform. By boosting CNE's online brand recognition and increasing its exclusive designs, the Group aims at turning CNE into a fast-fashion footwear brand that offers quality, fashionable and high value-for-money shoes to consumers, while sharing the cost saved from transformation with the customers. In addition to the online channel, the Group believes that the opening of new offline-to-online ("O2O") image stores will further take CNE to new heights and turn it into a leading e-commerce brand. As a result, the e-commerce business will be the key segment to be developed by the Group in multiple ways such as strengthening cooperation with third-party sales platforms as well as more promotion and marketing on electronic media. The contribution of e-commerce this year is anticipated to account for a double-digit percentage of the Group's total sales. Furthermore, the e-commerce business is expected to expand at a high-double-digit growth rate in the next three years and contribute a higher proportion of the Group's total sales.

III. le saunda. Two years ago, le saunda commenced a campaign to boost its single-store growth and efficiency through stores consolidation, increasing brand recognition by engaging celebrity as brand representative as well as products optimisation. This campaign was a huge success and will be continued to enhance stores structure, brand image, products mix and quality so as to turn le saunda into a leading mid-to-high-end ladies' footwear brand. Meanwhile, le saunda MEN also stepped up its efforts in consolidating its stores and improving its product quality last year. Such efforts have made certain progress in 2014, resulting in a mid-double-digit same-store-sales growth during the first half of the year. The Group envisages gradually rising contributions from men's footwear.

In an ever-changing retail market, all players must keep abreast of market trend and sustain their competitiveness so as to survive in the long run. Looking forward, the Group will continue to take a broad and long-term perspective and adhere to its principle of "Steady Progress" in expanding its business. Its veteran management team will nurture new talents with high potential and endeavour, with a flexible and responsive mechanism, to deliver sustainable and stable growth to the shareholders.

PLEDGE OF ASSETS

As at 31 August 2014, bank deposits of HK$4.5 million (28 February 2014: HK$3.0 million) have been pledged as rental deposits for certain subsidiaries of the Company.

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 2014: HK$230.0 million), of which HK$8.4 million (28 February 2014: HK$5.6 million) was utilised as at 31 August 2014.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK8.0 cents per ordinary share for the six months ended 31 August 2014 (2013: HK7.0 cents) payable on Friday, 21 November 2014 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 12 November 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2014, the Group had a staff force of 5,726 people (28 February 2014: 5,446 people). Of this number, 182 were based in Hong Kong and Macau and 5,544 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate 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 2014, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$233.5 million (2013: HK$216.8 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, 11 November 2014 to Wednesday, 12 November 2014 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend is 12 November 2014. In order to qualify for the interim dividend for the six months ended 31 August 2014, 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, 10 November 2014.

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 2014.

AUDIT COMMITTEE

As at 31 August 2014 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 2014. 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 2014.

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 to 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 7 July 2014.

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 2014.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 August 2014 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 2014.

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, 27 October 2014

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.)