2008 ANNUAL REPORT

le saunda holdings ltd.
利信達集團有限公司

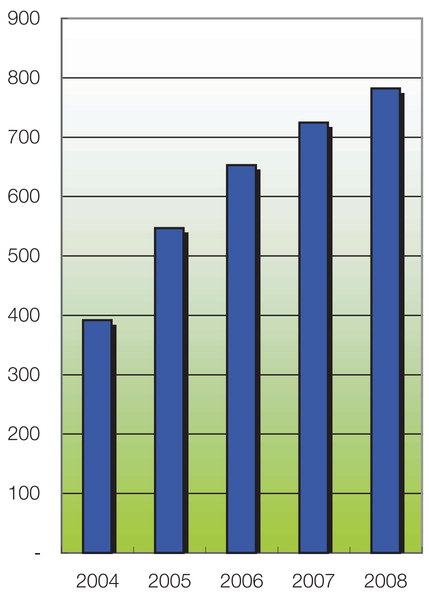
In this respect, all monetary values are expressed in Hong Kong Dollars unless stated otherwise.

FINANCIAL HIGHLIGHTS

For the Full Year ended February	**2008 HK$m**	2007 HK$m	Change %
Profit and Loss Highlights			
Continuing Operations:			
- Turnover	**782.0**	724.3	8.0%
- Total Profit for the year	**96.1**	107.2	-10.3%
- Basic Earnings per Share (HK Cents)	**15.1**	18.3	-17.5%
Profit Attributable to Equity Holders	**78.1**	105.7	-26.2%
Dividend per share (HK Cents)	**7.5**	7.5	—
Balance Sheet Highlights			
Total Equity	**786.8**	735.7	7.0%
Net Cash Balances	**282.9**	144.4	95.9%
Net Assets Value per Share (HK$)	**1.23**	1.18	4.6%
Net Cash per Share (HK$)	**0.44**	0.23	91.5%
Other Key Ratios			
Stock Turnover (Days)	**90**	159	
Quick Ratio (Times)	**3.6**	3.1	
Gearing Raito	**—**	0.005	

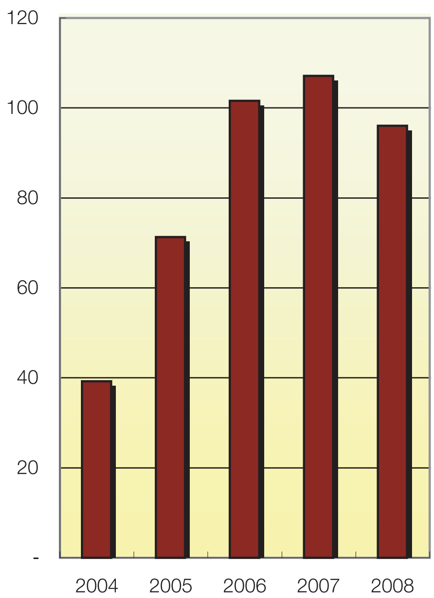
Turnover - Continuing Operations

HK$'million



Profit Attributable to Equity Holders - Continuing Operations

HK$'million



EXECUTIVE DIRECTORS

Lee Tze Bun, Marces
(Chairman and Chief Executive Officer)
(appointed as Chief Executive Officer on 1 October 2007)
Chui Kwan Ho, Jacky *(Managing Director)*
Tsui Oi Kuen
Lau Shun Wai
Wong Sau Han *(appointed on 14 January 2008)*
Wan Tat Wah *(Chief Executive Officer)*
(resigned on 1 October 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan *(appointed on 26 November 2007)*
Law King Wan *(resigned on 26 November 2007)*

AUDIT COMMITTEE

Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan *(appointed on 26 November 2007)*
Law King Wan *(resigned on 26 November 2007)*

REMUNERATION COMMITTEE

Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan *(appointed on 26 November 2007)*
Lee Tze Bun, Marces
Wan Tat Wah *(resigned on 1 October 2007)*
Law King Wan *(resigned on 26 November 2007)*

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Kenneth T.C. Wong *(appointed on 2 October 2007)*
Lau Yin Wan *(resigned on 2 October 2007)*

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited
Standard Chartered Bank (HK) Limited

AUDITOR

PricewaterhouseCoopers
22/F Prince's Building
Central
Hong Kong

LEGAL ADVISERS

Wilkinson & Grist
6th Floor, Prince's Building
Chater Road
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

30th Floor, Hing Wai Centre
7 Tin Wan Praya Road
Aberdeen
Hong Kong

REGISTRAR (IN BERMUDA)

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

REGISTRAR (IN HONG KONG)

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LISTING INFORMATION

Listing : The Stock Exchange of Hong Kong Limited
Stock Code : 738
Board Size : 2,000 Shares

INVESTOR RELATIONS

Email address : cust@lesaunda.com.hk

WEBSITE ADDRESS

http://www.lesaunda.com.hk

To our valuable shareholders:

On behalf of the Board of directors (the "Board"), I am pleased to present the annual report of Le Saunda Holdings Limited ("Le Saunda" or the "Company") and its subsidiaries ("the Group") for the year ended 29 February 2008.

Results and Dividends

The year under review saw challenges as well as opportunities that propelled the Group to implement various strategies to maintain its strong market presence in the footwear industry, while creating new avenues of development for our future business growth.

During the reporting period, the Group achieved a turnover of HK$782.0 million from the continuing operations, representing a growth of 8% as compared to the previous year. The modest turnover growth was a result of the Group's sales effort to clear inventory from previous seasons and consolidation of underperforming outlets in the first half of the fiscal year. The surging rental and operational costs in Hong Kong also placed a burden on the Group's profitability during the reporting period. Operating profit of the Group amounted to HK$83.6 million while consolidated profit attributable to equity holders was HK$78.1 million. The fall in the operating profit was caused by the decrease in fair value gains on investment properties and the stock clearance process which took place in the first half of the year. The process started in the first half of the fiscal year and was completed in the second half of the fiscal year. We managed to sustain a healthy profitability in the second half of the fiscal year, with the operating profit nearly tripled the first half of the year. Our retail business in the PRC and OEM business also recorded an encouraging growth in the second half of the reporting period in response to our effort in product and brand development. The Group continued to enjoy a solid financial position. Net cash balances increased from HK$144.4 million to HK$282.9 million. The Board has resolved to declare a final dividend of HK4.5 cents per share.

A year of "Innovation and Change"

The fiscal year 2007/08 was a year of "Innovation and Change" for us. During the year under review, the Group began an aggressive business restructuring plan and retail network consolidation in order to further boost operational efficiency and profitability. A series of innovative measures and restructuring plan were carried out with an aim to further enhance market recognition and penetration of the "*Le Saunda*" brand. In addition, the Group also rolled out a brand revamping program as well as a strategic network expansion plan in order to better position itself to capture the ever growing market demand for premium footwear products and leather goods in Hong Kong and Mainland China.

After a thorough review of the current brands and product portfolio, we decided to rationalise the existing product range, including the "*Le Saunda*" and "*CnE*" brands. While we enhanced the brand positioning and strengthened the brand image of "*Le Saunda*" in Hong Kong's retail market, we concentrated the development and brand building of "*Le Saunda*" and "*CnE*" in Mainland China given the encouraging market response in the second half of the fiscal year.

To further rationalise our retail network, all the "*CnE*" stores had been phased out in Hong Kong while more "*CnE*" and "*Le Saunda*" stores were opened in first-tier cities in Mainland China such as Beijing and Shanghai. To further expand our network coverage, the Group plans to open more retail outlets in second-tier cities in regions such as Dongbei and Huadong.

On the other hand, the Group discontinued its apparel brand, *Antinori*, during the year under review, to concentrate more on our core business of footwear and leather goods, and better deploy our resources.

Subsequently after year end, the Group also entered a joint venture agreement with Florencia Marco, S.L., a renowned Spanish ladies footwear designer and international wholesaler, in April 2008 to form a joint venture company to operate "*Rebeca Sanver*" and "*To Be*" footwear brands and worldwide wholesale business. We plan to open 50 "*Rebeca Sanver*" retail outlets in China in the next 3 years in order to capture the fast-growing purchasing power of the people in the region.

Future Business Strategies

Looking ahead, apart from strengthening our ladies' footwear products, the Group will diversify its business in Mainland China through expansion into the men's footwear products and penetration into the leather goods market such as handbags and accessories. We plan to expedite the network expansion of our "*Le Saunda*" and "*CnE*" stores, as well as our men's footwear and handbag business in Mainland China over the next 2 years. We are confident to double the number of our retail and franchise outlets by 2010.

In order to reposition our "*Le Saunda*" brand, which is already a well-known footwear brand in Hong Kong, as a more premium brand with a modern and trendy image, the Group will further enhance the brand's market positioning, product design and pricing. We will also dedicate more resources in terms of product design, aiming to maintain the existing stylish image while adding in the European design elements. We are confident that given this re-positioning, we can command a higher price range for the "*Le Saunda*" footwear products and achieve a higher profit margin for the Group.

The positive momentum in our export business reaffirmed our belief that this segment will continue to be a strong contributor to our business. We shall further develop new OEM and export markets in the Middle East and Eastern Europe. We are also in negotiation with some European premium brands with regard to OEM partnership.

In order to cope with the pace of our business development, we plan to nearly double our existing production capacity by the end of 2009 and increase annual capacity to 3.0 million pairs of shoes by end of 2010.

The huge potential of the Mainland market will fuel our future business growth. With our reinvigorated strategy and execution of our comprehensive business plan, we are confident that we will be able to generate encouraging performance in the near future and create solid and consistent returns to our shareholders.

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 support.

Lee Tze Bun, Marces
Chairman

Hong Kong, 16 June 2008

BUSINESS REVIEW

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

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

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

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

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

BUSINESS REVIEW (Continued)

Footwear

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

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

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

Hong Kong

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

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

Mainland China

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

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

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

BUSINESS REVIEW (Continued)

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

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

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

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

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

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

BUSINESS REVIEW (Continued)

OEM

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

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

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

PROSPECTS

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

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

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

PROSPECTS (Continued)

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

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

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

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

FINANCIAL REVIEW

Liquidity and Gearing Ratio

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

Pledge of Assets

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

FINANCIAL REVIEW (Continued)

Capital Structure and Financial Resources of the Group

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

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

CONNECTED TRANSACTIONS

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

The disposal constitutes a discloseable transaction for the Company under the Listing Rules. Given that Mr. Lee Tze Bun, Marces, a Director and Controlling Shareholder of the Company, owns 80% of the purchaser, the disposal also constitutes a connected transaction for the Company as defined under Rule 14A.13 of the Listing Rules.

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

DIVIDEND

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

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

BANK GUARANTEES

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

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group as at 29 February 2008 are set out in note 32 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

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

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces, aged 74, is the founder of the Group, Chairman and Chief Executive Officer of the Company. With more than 30 years of experience in the shoes retailing business, Mr. Lee has a strong, established and extensive business relation with a vast range of shoes suppliers in Italy.

Chui Kwan Ho, Jacky, aged 44, is Managing Director of the Group and Maior Limited, a subsidiary of the Group. She is responsible for the Group's shoes manufacturing operation as well as export business.

Tsui Oi Kuen, aged 52, is Executive Director of the Group. She first joined the Group in 1979 and is a 29-year veteran with rich Hong Kong retail and management experience. She left the Group in 2001 and returned to the Group in 2002. She is responsible for monitoring the Group's retail operations in Hong Kong and Macau.

Lau Shun Wai, aged 37, is Executive Director of the Group. She first joined the Group in 1992 and has over 14 years of experience in retail, merchandising and marketing in both Hong Kong and Mainland China markets. She holds a master's degree in business administration (financial management) from The University of Hull in the United Kingdom and a diploma in marketing from The Chartered Institute of Marketing. She left the Group in August 2004 and re-joined the Group in February 2007. Prior to re-joining the Group, Ms. Lau was the deputy director of the retail operations of Moiselle International Holdings Limited. She is responsible for the Group's product design, merchandising, marketing and shop and brand image.

Wong Sau Han, aged 48, is Executive Director of the Group. She first joined the Group in 1989 and was appointed as an Executive Director of the Company in March 1998. Ms. Wong has over 25 years of professional experience in human resources management for Hong Kong and Mainland China operations, of which the past 15 years were in the retail industry. She holds a Master degree in Human Resources Management with Salford University in the United Kingdom. She left the Group in November 2001 and re-joined the Group in January 2008. Prior to re-joining the Group, Ms. Wong was the Vice President of Human Resources of Sa Sa International Holdings Limited, a Company listed on The Stock Exchange of Hong Kong Limited. She is responsible for the Group's human resources, warehouse and administration functions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon, aged 58, joined the Group in January 2006. Mr. Lam graduated from the University of Hong Kong in 1973. After graduation, he worked at KPMG London and Hong Kong and obtained his qualification as a Chartered Accountant and Certified Public Accountant from the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants respectively. Mr. Lam has been a practicing accountant for over 18 years and is the proprietor of Messrs. S. L. Lam & Company. He has served as a member of the Insider Dealing Tribunal on a number of occasions. He is an independent non-executive Director and audit committee member of Lifestyle International Holdings Limited, a company whose securities are listed on The Stock Exchange of Hong Kong Limited.

Leung Wai Ki, George, aged 49, joined the Group in September 2004, has over 20 years of experience in accounting, financial management, auditing and receivership. Mr. Leung is acting as Director and Financial Controller of a real estate development company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Hui Chi Kwan, aged 59, joined the Group in November 2007, has been a solicitor practicing in Hong Kong since 1983. He graduated from the University of Hong Kong with a Bachelor degree in laws in 1980. Before joining the Company, Mr. Hui was a partner of a law firm in Hong Kong. He retired from the partnership in 2007 and remained as a consultant of the said law firm.

SENIOR MANAGEMENT EXECUTIVES

Chu Tsui Lan, aged 38, joined the Group in 1992. Ms. Chu serves as General Manager, China (Le Saunda) of the Group. She has over 16 years of retail experience in Hong Kong and Mainland China and is responsible for the Group's Mainland China retail business operations.

Mak Ping Fai, aged 42, holds a BBA degree. He joined the Group in 1992. Mr. Mak serves as Human Resources Director and is responsible for the Group's human resources and training functions.

Ho King Wing, aged 45, joined the Group in 1996. He has over 21 years of experience in shoes production management. Mr. Ho serves as Production Director of Maior Limited, a subsidiary of the Group and is responsible for manufacturing management and monitoring the quality of products.

Wong Tai Chung Kenneth, aged 44, joined the Group in October 2007 as Chief Financial Officer and Company Secretary, is a fellow member of The Chartered Institute of Management Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he held various senior positions in San Miguel Brewery Hong Kong Limited, Sa Sa Group, BBA Group, One Resources Group, Dairy Farm Group and A.S. Watson Group. He has over 20 years solid finance and accounting experience in various industries and extensive experience and knowledge in mergers and acquisition, divestment, shared service management, supply chain management and setting up joint ventures in Asia, Australasia and Europe. Mr. Wong received his MBA from The University of Hull in the United Kingdom.

Leung Wai Yin, aged 42, is the General Manager of Foshan Gaoming Maior Limited, a subsidiary of the Group, holds a Master of Business Administration from The University of Durham in the United Kingdom. She first joined the Group in 1990 and left in May 1997. She re-joined the Group in March 2008 and is responsible for the manufacturing operation and administration of the Group's new shoe factory in Gaoming, Foshan.

Yip Kwan Cheong, aged 50, joined the Group in January 2008, is the Marketing Director (Rebeca Sanver) of China. He is responsible for the retail business development for the brand of Rebeca Sanver in China. Mr. Yip worked as a buyer for Lane Crawford, a leading Hong Kong department store, for 11 years. During his service in Lane Crawford, he had involved extensively in various departments, especially in all shoes areas.

Leung Choi Ngan, aged 42, graduated from the University of Hong Kong in Business Management in 1987. She joined the Group in September 2007 as General Manager, China (CnE). She has over 14 years' apparel retail experience in Mainland China and is responsible for the CnE brand's retail development in Mainland China.

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

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

The Board is pleased to present the following key corporate governance principles and practices under the Code as implemented by the Group for the year ended 29 February, 2008:

A. DIRECTORS

A1 The Board

Code Principle

The board should assume responsibility for leadership and control of the Group; and be responsible for directing and supervising the Group's affairs.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A1.1	The board should meet at least 4 times a year	√	Four Board meetings were held during the year.
A1.2	All directors should be given the opportunity to include matters in the agenda for regular board meetings.	√	Agenda for regular Board meetings are sent to all Directors in advance and that they are given opportunities with reasonable time to include relevant matters for discussion in the Board meetings.
A1.3	14 days' notice should be given for regular board meetings and reasonable notice should be given for other board meetings.	√	Timetable for regular Board meetings are scheduled at least 14 days in advance to facilitate and maximise the attendance and participation of Directors whilst reasonable notices are given for all other Board meetings.
A1.4	Directors should have access to the company secretary's advice and services.	√	Directors have direct access to the company secretary of the Company ("Secretary"). The Secretary is responsible for ensuring that the Board procedures and all applicable rules and regulations are complied with and advising the Board on corporate governance and compliance matters.

A. DIRECTORS (continued)

A1 The Board (continued)

Code Principle (continued)

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A1.5	Minutes of board meetings and committee meetings should be kept by company secretary and open for inspection by any director.	√	All minutes have been kept by the Secretary and are open for inspection upon reasonable notice by Directors.
A1.6	Minutes should be recorded in sufficient detail, including concerns raised and dissenting views, and that the draft and final versions of minutes should be sent to directors for comments and record.	√	Minutes of the Board meetings and Board committees meetings have been recorded in sufficient detail in respect of the matters considered by the Directors and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft versions of minutes were sent to all the relevant Directors for their comments and final versions were also sent to them for their record within a reasonable time.
A1.7	Upon reasonable request, there should be procedure agreed by the board to enable directors to seek independent professional advice at the Company's expenses.	√	There are procedures to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expenses.
A1.8	If a substantial shareholder/ a director has conflict of interest in a material matter, the matter should be dealt with by board meeting with independent non-executive directors with no material interest present.	√	If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee but a Board meeting would be held, during which such Director must abstain from voting. Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting.

A. DIRECTORS (continued)

A1 The Board (continued)

Code Principle (continued)

The attendance of individual members at the Board and other Board committees meeting during the year under review is set out in the following table:

Directors	Meetings Attended/Held Board	 Audit Committee	 Remuneration Committee
Executive Directors			
LEE Tze Bun, Marces (appointed as Chief Executive Officer on 1 October 2007)	2/4	1/2	0/1
WAN Tat Wah (resigned on 1 October 2007)	3/4	1/2	N/A
CHUI Kwan Ho, Jacky	2/4	N/A	N/A
LAU Shun Wai	3/4	N/A	N/A
TSUI Oi Kuen	3/4	N/A	N/A
WONG Sau Han (appointed on 14 January 2008)	N/A	N/A	N/A
Independent non-executive Directors			
LAM Siu Lun, Simon	3/4	2/2	1/1
LAW King Wan (resigned on 26 November 2007)	0/4	0/2	0/1
LEUNG Wai Ki, George	3/4	2/2	1/1
HUI Chi Kwan (appointed on 26 November 2007)	N/A	N/A	N/A

A. DIRECTORS (continued)

A2 Chairman and Chief Executive Officer

Code Principle

There should be a clear division of responsibilities between the management of the Board and the day-to-day management of the Company's business at the Board level to ensure a balance of power and authority.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A2.1	Roles of chairman and Chief Executive Officer ("CEO") should be separated, clearly established and set out in writing.	Deviation - See Note 1*	Power and authority are not concentrated in same individual (chairman and CEO) as responsibilities are also shared with the four executive Directors and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as top management. There are three independent non-executive Directors on the Board offering independent and different perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place.
A2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meeting.	√	The chairman accepts his responsibility to ensure that major issues of the Company are addressed by the Board, and that these issues are presented in a manner which facilitates thorough discussion and resolution, and all Directors are properly briefed on issues arising at the Board meetings. The Chairman would also ensure that Directors could receive adequate information, which must be complete, reliable and in a timely manner.
A2.3	The chairman should ensure that directors receive adequate, complete and reliable information.	√	

Note 1: A2.1- Code provision A2.1 stipulates that the roles of chairman of the board and chief executive officer should be separated of and should not be performed by the same individual and that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

A. DIRECTORS (continued)

A3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the Group and shall include a balanced composition of executive and non-executive directors so that independent judgment can effectively be exercised.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A3.1	Independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the Company.	√	The Independent non-executive Directors of the Company are expressly identified in all corporate communications that disclose the names of the Directors of the Company.

The Board currently consists of a total of eight Directors, comprises of five executive Directors, namely Mr. LEE Tze Bun, Marces, Ms. CHUI Kwan Ho, Jacky, Ms. TSUI Oi Kuen, Ms. LAU Shun Wai and Ms. WONG Sau Han and three independent non-executive Directors, representing more than one third of the Board, namely Mr. LAM Siui Lun, Simon, Mr. LEUNG Wai Ki, George and Mr. HUI Chi Kwan. They offer diversified expertise and serve to advise the Board and management on strategic development and provide checks and balances for safeguarding the interest of the shareholders and the Group as a whole. The Company has received annual written confirmation from each of the independent non-executive Directors that they have met all the independence guidelines set out in Rule 3.13 of the Listing Rules.

A. DIRECTORS (continued)

A4 Appointment, Re-election and Removal

Code Principle

There should be a formal, considered and transparent procedure for the appointment of new directors to the board and plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A4.1	Non-executive directors should be appointed for a specific term, subject to re-election.	√	All the non-executive Directors of the Company were appointed for a specific term, subject to re-election pursuant to the Bye-laws of the Company.
A4.2	All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting; every director subject to retirement by rotation at least once every three years.	√	In accordance with the Bye-laws of the Company, all the Directors appointed to fill casual vacancy would be subject to election at the first general meeting, and every Director would be subject to rotation at least once every three years.

The Company has not established any nomination committee and would not consider establishing a nomination committee owing to the small size of the Board. The chairman of the Board is responsible for making recommendations to the Board on the appointment of Directors, evaluation of Board composition and the management of Board succession. The Board carries out the process of selecting and recommending suitable candidates for directorship and the Board may engage external recruitment professionals when it considers appropriate.

A. DIRECTORS (continued)

A5 Responsibilities of Directors

Code Principle

All directors (including non-executive directors) are required to keep abreast of their responsibilities as a director of a company and of the conduct, business activities and development of that company.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A5.1	Every newly appointed director should receive a comprehensive, formal and tailored induction, as well as subsequent briefing and professional development as is necessary.	√	A tailored induction would be provided to familiarise the newly appointed Director with the Company's business operations and financial positions, his/her responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements.
A5.2	Functions of non-executive directors should include those as set out in Code provision A5.2 of the Code.	√	The non-executive Directors would seek guidance and direction from the chairman, the CEO and executive Directors on the future business direction and strategic plans in order to gain a comprehensive understanding of the business of the Company to facilitate their exercise of independent judgment. The non-executive Directors also reviewed the financial information and operational performance of the Group on a regular basis. The non-executive Directors also served on other governance committees if invited during the year.
A5.3	Directors should give sufficient time and attention to Company's affairs.	√	Directors accept their responsibilities to give appropriate time and attention to the Company's affairs.
A5.4	Every director must comply with the Model Code for Securities Transactions by the directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules.	√	The Company has adopted the Model Code as its own code for Directors' dealings in securities of the Company. Employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code. Having made specific enquiries, the Company confirmed that each of the Directors has complied with the required standards during the year.

A. DIRECTORS (continued)

A6 Supply of and Access to Information

Code Principle

Directors should be provided in a timely manner with appropriate information so as to enable them to make an informed decision and to discharge their duties and responsibilities.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A6.1	Agenda and accompanying board papers should be sent to directors at least 3 days before the intended date of a regular board meeting or committee meeting.	√	Board papers are circulated not less than three days before regular Board meetings or Board committee meetings.
A6.2	Management should supply the board and its committees with adequate information in timely manner. Each director should have separate and independent access to the Company's senior management.	√	The Secretary and Qualified Accountant of the Company are in attendance at regular Board and Board Committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters. Senior management are from time to time brought into formal and informal contact with the Board at Board meetings and other events.
A6.3	All directors are entitled to have access to board papers and related materials.	√	Board papers and minutes are made available for inspection by the Directors and Board committee members. Where queries are raised by Directors, the Company responds as promptly and fully as possible.

B. THE REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B1 Level and Make-up of Remuneration and Disclosure

Code Principle

A formal and transparent procedure should be established for setting policy on executive director remuneration and for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
B1.1	Issuers should establish remuneration committee, majority of which shall be independent non-executive directors.	√	Please refer to the section on Page 25.
B1.2	Remuneration committee should consult the chairman and /or CEO about their proposal to the remuneration of other executive directors and have access to professional advice if considered necessary.	√	
B1.3	The terms of reference of the remuneration committee should include the duties as specified in the Code provision B1.3 of the Code.	√	
B1.4	Remuneration committee should make available its terms of reference explaining its role and the authority delegated to it by the board.	√	
B1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	

B. THE REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (continued)

B1 Level and Make-up of Remuneration and Disclosure (continued)

Code Principle (continued)

The Board established the Remuneration Committee in 2005. There are four members currently, namely Mr. LEE Tze Bun, Marces, Mr. LAM Siu Lun, Simon, Mr. LEUNG Wai Ki, George and Mr. HUI Chi Kwan, majority of which are independent non-executive Directors. The role and authorities of the committee, including those set out in Code provision B1.3 of the Code, are clearly set out in its terms of reference which are available at the Company's website.

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

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

During the year under review, the Remuneration Committee held one meeting. The Remuneration Committee has, among others, reviewed the remuneration of the executive Directors of the Company and approved performance-based remuneration by reference to corporate goals and objectives resolved by the Board and/or the management from time to time.

C. ACCOUNTABILITY AND AUDIT

C1 Financial Reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
C1.1	Management should provide information to the board to enable the board to make an informed assessment of financial situation.	√	The management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information submitted to the Board for approval.
C1.2	Directors should acknowledge responsibility for preparing accounts, on a going concern basis and there should be a statement by auditor about their reporting responsibilities in the auditor's report on the financial statements. The corporate governance report should contain sufficient information to enable investors to understand severity and significance of matters at hand.	√	Please refer to the section on Page 27
C1.3	Board should present a balanced, clear and understandable assessment including in the reports required under the Listing Rules, and reports to regulators and to information required to be disclosed pursuant to statutory requirements.	√	

C. ACCOUNTABILITY AND AUDIT (continued)

C1 Financial Reporting (continued)

Code Principle (continued)
The Directors acknowledge their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs, the results and cash flow for the year. In preparing the financial statements for the year under review, the Directors have:

(i) approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

(ii) selected suitable accounting policies and applied them on a consistent basis;

(iii) made judgments and estimates that are prudent, fair and reasonable; and

(iv) prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.

The Board recognises the importance of good corporate governance and transparency and its accountability to shareholders, it shall present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures of the Group as required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

C. ACCOUNTABILITY AND AUDIT (continued)

C2 Internal Controls

Code Principle

The board should ensure that the Group maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
C2.1	Directors should at least annually conduct a review on the effectiveness of the system of internal control by the group and state so in corporate governance report.	√	Please refer to the section below

One of the Board's main areas of responsibilities is the Group's system of internal controls. To this end, policies and procedures have been put in place (i) to safeguard assets against unauthorised use or disposition; (ii) to maintain proper accounting records; (iii) to enhance the reliability of financial reporting and (iv) to ensure compliance with applicable laws and regulations. Such policies and procedures are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimise rather than eliminate the risk of failure in the Group's operational systems. The Group's internal control system includes the following major components and practices:

(i) An organisational and governance structure with defined responsibility and delegated authority;

(ii) Review of the operational results prior to being adopted;

(iii) Stringent policies and procedures for the appraisal, review and approval of major capital and recurrent expenditures;

(iv) Regular report to the Board on operations results;

(v) Strict internal procedures and controls for the handling and dissemination of price sensitive information.

The Board has overall responsibility for maintaining a sound and effective system of internal controls particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations. To further enhance the objectivity and competency of internal audit function, during the year, the Group outsources the internal audit function to an independent risk consulting firm which is not the auditor of any members of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is generally satisfied as to the effectiveness of the system of internal controls of the Company and its subsidiaries during the year of 2008.

C. ACCOUNTABILITY AND AUDIT (continued)

C3 Audit Committee

Code Principle

An audit committee should be established with clear terms of reference, including formal and transparent arrangements for considering how it applies the financial reporting and internal control principles. The audit committee should maintain an appropriate relationship with the Company's auditors.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
C3.1	Full minutes of audit committee should be kept and sent to all members of the audit committee for comments and record within a reasonable time.	√	Pursuant to its terms of reference, minutes of Audit Committee are kept by the Secretary and sent to all committee members within a reasonable time.
C3.2	A former partner of the Company's audit firm should not act as a member of the audit committee.	√	No member of the Audit Committee is a partner of or has financial interest in the existing auditing firm of the Company.
C3.3	The terms of reference of audit committee should include terms set out in Code provision C3.3 of the Code.	√	The terms of reference of the Audit Committee, which have included the role and authority delegated to it by the Board together with the terms set out in the Code provision C3.3 of the Code, are available at the Company's website and on request.
C3.4	Audit committee should make available its terms of reference explaining its role and the authority delegated to it by the board.	√	Terms of reference of the setting of Audit Committee are available at the Company's website.

C. ACCOUNTABILITY AND AUDIT (continued)

C3 Audit Committee (continued)

Code Principle (continued)

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
C3.5	Disclosure of any disagreement between the board and audit committee on selection, appointment, resignation or dismissal of external auditors. The Company should state the recommendation of the audit committee and reasons for taking a different view by the board in corporate governance report.	√	The Audit Committee has recommended to the Board to reappoint PricewaterhouseCoopers as the external auditor subject to shareholder's approval at the forthcoming annual general meeting.
C3.6	Sufficient resources should be provided to the audit committee to discharge its duties.	√	Pursuant to its terms of reference, the Audit Committee has been provided with sufficient resources, including advice from professional firms to assist in the discharge of duties, if necessary.

The Board established the Audit Committee with written terms of reference since 1999. To comply with the new requirement under the Code, new terms of reference were adopted on 4 October 2005. The current members are Mr. LAM Siu Lun, Simon, Mr. LEUNG Wai Ki, George and Mr. HUI Chi Kwan, all of which are independent non-executive Directors and at least one of whom possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 (2) of the Listing Rules.

For the year ended 29 February 2008, the external auditors received HK$2.2 million for audit services and HK$0.2 million for non-audit services. The Audit Committee is of the view that the auditor's independence was not affected by the provision of non-audit related services.

The primary responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditors, review of financial information of the Group, overseeing the Group's financial reporting system, internal control procedures and risk management and making relevant recommendations to the Board.

Two Audit Committee meetings were held during the year under review and the chief financial officer, other members of the senior management team and the external auditors of the Company were invited to join the discussion at the meetings.

C. ACCOUNTABILITY AND AUDIT (continued)

C3 Audit Committee (continued)

Code Principle (continued)
The following is a summary of works performed by the Audit Committee during the year under review:

(i) review the effectiveness of the audit process in accordance with the applicable standards;

(ii) review the draft interim and annual financial statements and related draft results announcements;

(iii) review the change in accounting standards and assessment of potential impacts on the Group's financial statements; and

(iv) discuss the relevant issues including financial, operational and compliance controls and risk management functions.

D DELEGATION BY THE BOARD

D1 Management functions

Code Principle
A company should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the Company.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
D1.1	Board must give clear directions as to powers of management, particularly on delegation to management and matters requiring prior approval from the board.	√	Please refer to the section on Page 32.
D1.2	Company should formalise functions reserved to the board and functions delegated to management.	√	

D DELEGATION BY THE BOARD (continued)

D1 Management functions (continued)

Code Principle (continued)
In order to have a clear principle and guideline in relation to the matters specifically reserved to the Board for decisions, functions between the Board and the management are formalised. The Board established a written guideline at the Board meeting on 4 October 2005 which determined those issues that required a decision of the Board and those that were delegated to the management. The guideline will be reviewed by the Board on a regular basis and has been delivered to the managerial staff of the Group. Matters reserved to the Board for decision include the establishment and implementation of corporate strategy, significant financial and legal commitments, material asset acquisition or disposal, the change of share capital, the approval of financial reporting, budgeting, management succession and communication with shareholders.

The management is responsible for the day-to-day running of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of financial statements for Board approval before publishing, execution of business strategies and initiatives adopted by the Board, implementation of internal controls and risk management procedures, and compliance with relevant statutory requirements, rules and regulations.

D2 Board Committees

Code Principle
Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.

<table>
<tr><th colspan="2">Summary of Code provisions</th><th>Compliance</th><th>Corporate Governance Practices adopted by the Group</th></tr>
<tr><td>D2.1</td><td>Board committees should have clear terms of reference to enable such committees to discharge their functions properly.</td><td>√</td><td rowspan="2">Please refer to terms of reference of the Audit Committee and Remuneration Committee of the Company.</td></tr>
<tr><td>D2.2</td><td>Terms of reference of board committees should require such committees to report their decisions to the board.</td><td>√</td></tr>
</table>

E COMMUNICATION WITH SHAREHOLDERS

E1 Effective Communication

Code Principle

The board should endeavor to maintain an on-going dialogue with shareholders and in particular, use annual general meetings ("AGM") or other general meetings to communicate with shareholders and encourage their participation.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
E1.1	A separate resolution at a general meeting on each substantially separate issue should be proposed by the chairman of that meeting.	√	Separate resolutions are proposed at the general meeting on each substantially separate issues, including election of individual Directors.
E1.2	Chairman of the board should attend AGM and arrange for chairman of audit, remuneration and nomination committees to attend and be available to answer questions.	√	The chairman of the Board and the Board committees' members were available to answer question at the annual general meeting 2007 ("AGM 2007").

Investor Relations

The Company continues to promote and enhance investor relations and communications with potential investors. Communication channel has been established with media, analysts and fund managers via meetings and road shows. The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors to keep them abreast of the Group's development. The Company believes that effective communication is essential for enhancing investor's understanding of the Group's performance and strategies. The Company will endeavour to continuously promote investor relations and communications so as to enable investors to have access to information on a timely basis which is reasonably required for making investment decisions.

Shareholders' Rights

Shareholders are encouraged to attend the annual general meetings for which at least 21 days' notice is given. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders. The Chairman and/or Directors are available to answer questions on the Group's businesses at the meetings.

To foster effective communications with shareholders and investors, the Company is committed to providing clear and full performance information of the Group in its annual report, interim report and press releases. In addition to dispatching circulars, notices, financial reports to shareholders, the Company also disseminates information relating to the Group and its business electronically through its website at www.lesaunda.com.hk.

E COMMUNICATION WITH SHAREHOLDERS (continued)

E2 Voting by Poll

Code Principle

The Company should regularly inform shareholders of the procedures for voting by poll and answer compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
E2.1	Chairman of the meeting should disclose in circular procedures and rights to demand a poll.	√	Procedures for and the right of shareholders to demand a poll have been disclosed in the Company's circular to shareholders.
E2.2	Chairman should count and indicate level of proxies lodged on each resolution, and the balance for and against the resolution.	√	The chairman of the Board had duly performed the terms as set out in Code provisions E2.2 and E2.3 of the Code in the AGM 2007. The Company's share registrar is also present to assist and ensure the votes are properly counted.
E2.3	Chairman should explain procedures for demanding and conducting a poll at the commencement of meeting.	√	

DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 29 February 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 19 to the financial statements.

Details of the analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 29 February 2008 are set out in the consolidated income statements on page 51 of this annual report.

The Directors declared an interim dividend of HK3.0 cents (2007: HK3.0 cents) per ordinary share in respect of the year ended 29 February 2008, totaling approximately HK$19,142,000, which was paid on 24 December 2007.

The Directors recommend the payment of a final dividend of HK4.5 cents (2007: HK4.5 cents) per ordinary share, totaling approximately HK$28,722,000 in respect of the year ended 29 February 2008 (2007: HK$28,083,000).

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in note 28 to the financial statements.

FINANCIAL SUMMARY

The financial summary of the Group is set out on page 109.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 30 to the financial statements.

CHARITABLE DONATIONS

Donations made by the Group during the year amount to HK$518,000 (2007: HK$5,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of the principal investment properties held by the Group are set out on page 110.

DIRECTORS

The Directors during the year were :

Executive Directors

Lee Tze Bun, Marces *(Chairman and Chief Executive Officer)*
(appointed as Chief Executive Officer on 1 October 2007)
Chui Kwan Ho, Jacky *(Managing Director)*
Tsui Oi Kuen
Lau Shun Wai
Wong Sau Han *(appointed on 14 January 2008)*
Wan Tat Wah *(Chief Executive Officer) (resigned on 1 October 2007)*

Independent Non-Executive Directors

Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan *(appointed on 26 November 2007)*
Law King Wan *(resigned on 26 November 2007)*

RE-ELECTION OF DIRECTORS

During the year under review, Mr. Hui Chi Kwan, an independent non-executive Director and Ms. Wong Sau Han, an executive Director were appointed with effect from 26 November 2007 and 14 January 2008 respectively. According to Bye-law 86(2) of the Company's Bye-laws, both of them shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, at the forthcoming annual general meeting, both Mr. Hui Chi Kwan and Ms. Wong Sau Han will retire and, being eligible, offer themselves for re-election.

Also, in accordance with Bye-law 87 of the Company's Bye-laws, at the forthcoming annual general meeting, Mr. Lee Tze Bun, Marces, Ms. Tsui Oi Kuen and Mr. Lam Siu Lun, Simon will retire and, being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SECURITIES

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 29 February 2008, the interests and short positions of the Directors and chief executives of the Company in the shares of HK$0.10 each in the capital of the Company (the "Shares"), underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in Shares

	Number of Shares					
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the issued share capital of the Company
Mr. Lee Tze Bun, Marces ("Mr. Lee")	24,870,000	—	31,384,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	261,254,000	40.93%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4,646,000	—	—	50,000,000 *(Note 4)*	54,646,000	8.56% *(Note 5)*
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,000,000	—	—	50,000,000 *(Note 4)*	51,000,000	7.99% *(Note 6)*
Ms. Lau Shun Wai ("Ms. Lau")	350,000	—	—	—	350,000	0.05%
Ms. Wong Sau Han ("Ms. Wong")	64,000	150,000	—	—	214,000	0.03% *(Note 7)*

DIRECTORS' INTERESTS IN SECURITIES (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in shares in associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares *(Note 8)*	100% (in respect of non-voting deferred shares)

Notes:

1. 30,000,000 Shares are held by Succex Limited, which is wholly owned by Mr. Lee. Therefore, Mr. Lee is deemed to be interested in those Shares.

2. 1,384,000 Shares are held by Xin Chuan Middle School Foundation Limited ("Xin Chuan"), of which Mr. Lee is a governor. Therefore, Mr. Lee is deemed to be interested in those Shares.

3. Stable Gain Holdings Limited ("Stable Gain") holds 205,000,000 Shares, representing approximately 32.12% of the issued share capital of the Company. Those Shares were transferred from Lee Tze Bun Trustee Holding Corporation, being the trustee of a unit trust called The Lee Tze Bun Unit Trust ("LTB Trust"), as to 155,000,000 Shares, and from Lee Keung Trustee Holding Corporation, being the trustee of a unit trust called The Lee Keung Unit Trust ("LK Trust"), as to 50,000,000 Shares, upon termination of both the LTB Trust and the LK Trust on 28 July 2006. The entire issued share capital of Stable Gain is registered in the name of LGT Trustees Ltd. ("LGT") as trustee of The Lee Keung Family Trust ("Lee Family Trust"), a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder. Therefore, Mr. Lee is deemed to be interested in those Shares.

4. Ms. Chui, Ms. Tsui and Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee"), the daughter of Mr. Lee, being the trustees of The Lee Keung Charitable Foundation ("the Charitable Foundation") jointly hold 50,000,000 Shares, representing approximately 7.83% of the issued share capital of the Company. Therefore, Ms. Chui, Ms. Tsui and Ms. Lee are deemed to be interested in those Shares.

5. Ms. Chui personally holds 4,646,000 Shares. Together with the Shares mentioned in (4) above, Ms. Chui is interested in an aggregate of 54,646,000 Shares, representing approximately 8.56% of the issued share capital of the Company.

6. Ms. Tsui personally holds 1,000,000 Shares. Together with the Shares mentioned in (4) above, Ms. Tsui is interested in an aggregate of 51,000,000 Shares, representing approximately 7.99% of the issued share capital of the Company.

7. Ms. Wong personally holds 64,000 Shares. Together with 150,000 Shares owned by the husband of Ms. Wong in which Ms. Wong is deemed to be interested. Ms. Wong is interested in an aggregate of 214,000 Shares, representing approximately 0.03% of the issued share capital of the Company.

8. Mr. Lee beneficially owns 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company.

DIRECTORS' INTERESTS IN SECURITIES (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company

Share Option Scheme

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") pursuant to Chapter 17 of the Listing Rules.

The purpose of the Scheme is to enable the board of Directors (the "Board") to grant options to selected eligible persons (as defined under the Scheme) as incentives or rewards for their contribution or potential contribution to the Group. The maximum number of Shares that may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the Shares in issue as at the date of the shareholders' approval. The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As at the balance sheet date, a total of 37,671,960 shares, which represents 5.9% of the issued share capital of the Company, are available for issue under the Scheme.

The maximum number of Shares issued and to be issued upon exercise of options granted under the Scheme and any other share option schemes of the Company to any eligible person (including cancelled, exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of option in excess of such limit must be separately approved by Shareholders with such eligible person and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted). The minimum period for which an option must be held before it can be exercised is determined by the Board upon the grant of an option.

DIRECTORS' INTERESTS IN SECURITIES (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

The amount payable on acceptance of an option is HK$1.00. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of : (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

The Scheme will remain in force until 21 July 2012.

Pursuant to the Scheme, the Company has granted share options to certain Directors and employees of the Company to subscribe for Shares of the Company. The movements of the outstanding share options under the Scheme during the year are set out below:

		Number of Shares					
Name or Category of Participant	Date of share options granted	Outstanding as at 1 March 2007	Exercised during the year	Forfeited during the year	Outstanding as at 29 February 2008	Exercise price per Share	Exercise period
	(Notes 1 & 2)		*(Note 3)*				
Directors							
Mr. Wan *(Note 4)*	13 April 2004	4,000,000	4,000,000	–	–	HK$0.38	26 July 2006 – 12 April 2014
Sub-total		4,000,000	4,000,000	–	–		

DIRECTORS' INTERESTS IN SECURITIES (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

		Number of Shares					
Name or Category of Participant	Date of share options granted *(Notes 1 & 2)*	Outstanding as at 1 March 2007	Exercised during the year *(Note 3)*	Forfeited during the year	Outstanding as at 29 February 2008	Exercise price per Share	Exercise period
Employees							
Other employees in aggregate	13 April 2004	600,000	600,000	–	–	HK$0.38	13 April 2005 – 12 April 2014
	13 April 2004	600,000	600,000	–	–	HK$0.38	26 July 2005 – 12 April 2014
	13 April 2004	810,000	810,000	–	–	HK$0.38	13 April 2006 – 12 April 2014
	13 April 2004	800,000	800,000	–	–	HK$0.38	26 July 2006 – 12 April 2014
	13 April 2004	4,820,000	4,820,000	–	–	HK$0.38	13 April 2007 – 12 April 2014
	7 March 2005	1,000,000	200,000	800,000	–	HK$1.24	1 September 2007 – 6 March 2015
	16 January 2006	204,000	204,000	–	–	HK$0.87	7 March 2006 – 15 January 2016
	16 January 2006	900,000	900,000	–	–	HK$0.87	1 September 2006 – 15 January 2016
	16 January 2006	1,071,000	1,071,000	–	–	HK$0.87	7 March 2007 – 15 January 2016
	16 January 2006	200,000	200,000	–	–	HK$0.87	1 September 2007 – 15 January 2016
	16 January 2006	1,428,000	–	152,000	1,276,000	HK$0.87	7 March 2008 – 15 January 2016
Sub-total		12,433,000	10,205,000	952,000	1,276,000		
Total		16,433,000	14,205,000	952,000	1,276,000		

DIRECTORS' INTERESTS IN SECURITIES (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.
2. The closing price of the Shares immediately before 13 April 2004, 7 March 2005 and 16 January 2006 on which the share options were granted was HK$0.40, HK$1.26 and HK$0.87 per Share respectively.
3. The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK$1.94 per Share.
4. On 13 April 2004, 10,000,000 share options were granted to Mr. Wan, which were in excess of the specified limit of 4,486,196 Shares, and being 1% of the issued Shares as at 25 June 2004. At the annual general meeting of the Company held on 26 July 2004, the shareholders of the Company approved the granting of such share options to Mr. Wan. Mr. Wan resigned as Director of the Company on 1 October 2007.

Save as disclosed above, as at 29 February 2008, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the interests disclosed under the heading "Directors' Interests in Securities" above, (a) at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and (b) none of the Directors or any of their spouses or children under 18 years of age had any right to subscribe for Shares or debt securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 29 February 2008, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the Company had been notified of the following entities/persons who are interested in 5% or more of the issued share capital of the Company which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Long positions in Shares

		Number of Shares					
Name	*Note*	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the issued share capital of the Company**
Mr. Lee	1, 2, 3 & 4	24,870,000	–	31,384,000	205,000,000	261,254,000	40.93%
LGT	3	–	–	205,000,000 –	–	205,000,000	32.12%
Stable Gain	3	205,000,000	–	–	–	205,000,000	32.12%
Ms. Chui	5	4,646,000	–	–	50,000,000	54,646,000	8.56%
Ms. Tsui	6	1,000,000	–	–	50,000,000	51,000,000	7.99%
Ms. Lee	7	4,000,000	–	–	50,000,000	54,000,000	8.46%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	5, 6 & 7	–	–	–	50,000,000	50,000,000	7.83%
Value Partners Limited ("VPL")	8	–	–	–	35,950,000	35,950,000	5.63%
Value Partners Group Limited ("VPGL")	9	–	–	35,950,000	–	35,950,000	5.63%
Cheah Capital Management Limited ("CCML")	10	–	–	35,950,000	–	35,950,000	5.63%
Cheah Company Limited ("CCL")	11	–	–	35,950,000	–	35,950,000	5.63%
Hang Seng Bank Trustee International Limited ("HSBT")	12	–	–	–	35,950,000	35,950,000	5.63%
Mr. Cheah Cheng Hye ("Mr. Cheah")	13	566,000	–	35,950,000	–	36,516,000	5.72%
Ms. To Hau Yin ("Ms. To")	14	–	36,516,000	–	–	36,516,000	5.72%

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. Mr. Lee personally holds 24,870,000 Shares.
2. Succex Limited, in which Mr. Lee is a 100% controlling shareholder, holds 30,000,000 Shares; and Xin Chuan, in which Mr. Lee is a governor, holds 1,384,000 Shares. Therefore, Mr. Lee is deemed to be interested in those Shares.
3. Stable Gain holds 205,000,000 Shares, representing approximately 32.12% of the issued share capital of the Company. Those Shares were transferred from Lee Tze Bun Trustee Holding Corporation, being the trustee of the LTB Trust, as to 155,000,000 Shares, and from Lee Keung Trustee Holding Corporation, being the trustee of the LK Trust, as to 50,000,000 Shares, upon termination of both the LTB Trust and the LK Trust on 28 July 2006. The entire issued share capital of Stable Gain is registered in the name of LGT as trustee of the Lee Family Trust, a discretionary trust, to which Mr. Lee is the founder and an eligible beneficiary thereunder. Therefore, Mr. Lee is deemed to be interested in those Shares.
4. Mr. Lee is interested in an aggregate of 261,254,000 Shares as a result of (1), (2) and (3) above, being approximately 40.93% of the issued share capital of the Company.
5. Ms. Chui is interested in an aggregate of 54,646,000 Shares (comprising 4,646,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation), representing approximately 8.56% of the issued share capital of the Company.
6. Ms. Tsui is interested in an aggregate of 51,000,000 Shares (comprising 1,000,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Chui and Ms. Lee as trustees of the Charitable Foundation), representing approximately 7.99% of the issued share capital of the Company.
7. Ms. Lee is interested in an aggregate of 54,000,000 Shares (comprising 4,000,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Chui and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.46% of the issued share capital of the Company.
8. 35,950,000 Shares representing approximately 5.63% of the issued share capital of the Company are held by various funds under the management of VPL, being the fund manager. Therefore, VPL is deemed to be interested in these Shares.
9. VPGL which wholly own VPL. Therefore, VPGL is deemed to be interested in 35,950,000 Shares.
10. CCML which holds 35.65% interest in VPGL. Therefore, CCML is deemed to be interested in 35,950,000 Shares.
11. CCL which wholly own CCML. Therefore, CCL is deemed to be interested in 35,950,000 Shares.
12. HSBT was the trustee of a discretionary trust of CCL. Therefore, HSBT is deemed to be interested in 35,950,000 Shares.
13. Mr. Cheah holds an aggregate of 36,516,000 Shares (comprising 566,000 Shares personal interest and 35,950,0000 Shares in VPL). By virtue of being the founder of the discretionary trust of CCL, Mr. Cheah is deemed to be interested in these Shares.
14. Ms. To Hau Yin, the wife of Mr. Cheah, is deemed to be interested in 36,516,000 Shares.

Save as disclosed above, as at 29 February 2008, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest directly or indirectly and/or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the continuing connected transactions as detailed below, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, for the purposes of the Listing Rules, the Group has the following tenancy agreements entered into with the connected persons of the Company (as defined under the Listing Rules):

(1) Pursuant to a tenancy agreement dated 6 March 2006 ("Guangzhou Lease") in respect of Units 3501-03, 3510-16, 35/F Metro Plaza, 183-187 Tian He North Road, Guangzhou, PRC (中國廣州天河區天河北路183-187號大都會廣場三十五樓3501-03, 3510-16單位) ("Guangzhou Premises") entered into between Genda Investment Limited ("Genda Investment") and Le Saunda Business (China) Limited (利信達商業（中國）有限公司) ("Le Saunda Business"), an indirect wholly-owned subsidiary of the Company, for a term of three years commencing on 1 March 2006 and ending on 28 February 2009, the rent payable by Le Saunda Business to Genda Investment is (i) RMB1,148,201.40 per annum, payable in advance in cash on a monthly basis; (ii) management fee of RMB249,609.60 (approximately HK$258,743.23) per annum, payable in advance in cash on a monthly basis to Guangzhou Metro Plaza Management Company Limited (廣州大都會廣場物業管理有限公司), an Independent Third Party. The Guangzhou Premises was used as showrooms of "Le Saunda" and "CnE" products and as a conference room.

    The total amount of rent paid by the Group to Genda Investment under the Guangzhou Lease for the year ended 29 February 2008 was RMB1,148,201.40 (approximately HK$1,190,216.03).

CONTINUING CONNECTED TRANSACTIONS (continued)

(2) Pursuant to a tenancy agreement dated 6 March 2006 ("Car Park Lease") in respect of the car park No.V09 on the ground floor of Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong (the "Car Park") entered into between Dragon Venture Enterprises Limited ("Dragon Venture") and L. S. Retailing Limited ("L.S. Retailing"), an indirect wholly-owned subsidiary of the Company, for a term of three years commencing on 1 March 2006 and ending on 28 February 2009, the rent payable by L. S. Retailing to Dragon Venture is HK$38,400 per annum (inclusive of management fee and rates), payable in advance in cash on a monthly basis. The Car Park was used for parking a lorry.

    The total amount of rent paid by the Group to Dragon Venture under the Car Park Lease for the year ended 29 February 2008 was HK$38,400.

(3) Pursuant to a tenancy agreement dated 6 March 2006 ("Macau Lease") in respect of AR/C 2-A; 2-B; 2-C, Beco Da Arruda, 32 Rua De S. Domingos, Macau (the "Macau Premises") entered into between Mr. Lee, being the chairman, chief executive officer, executive director and controlling shareholder (as defined under the Listing Rules) of the Company, and Le Saunda Calcado, Limitada ("Le Saunda Calcado"), an indirect wholly-owned subsidiary of the Company, for a term of three years commencing on 1 March 2006 and ending on 28 February 2009, the rent payable by Le Saunda Calcado is the total of (i) the higher of : (a) HK$1,320,000 per annum; and (b) 12.5% of the total turnover from the operation of the business at the Macau Premises for each of the years ending 28 February during the term of the Macau Lease, subject to the maximum rent of HK$1,600,000 per annum, payable in cash on a monthly basis; and (ii) the government rent of MOP214,814 (approximately HK$208,557.28) per annum, payable annually on demand in cash to the Government of Macau, an Independent Third Party. The Macau Premises was used to operate as a "Le Saunda" shoe shop.

    The total amount of rent paid by the Group to Mr. Lee under the Macau Lease for the year ended 29 February 2008 was HK$1,600,000, which was based on 12.5% of the total turnover for the year ended 29 February 2008.

    The aggregate rental paid by the Group to Genda Investment, Dragon Venture and Mr. Lee under the Guangzhou Lease, Car Park Lease and Macau Lease was HK$2,828,616 for the year ended 29 February 2008.

Mr. Lee is the chairman, an executive Director and the controlling shareholder (as defined under the Listing Rules) of the Company. Dragon Venture and Genda Investment are 100% beneficially owned by Mr. Lee and his associates (as defined under Listing Rules) and hence Dragon Venture and Genda Investment are associates of Mr. Lee, who is a connected person of the Company under the Listing Rules. Mr. Lee and Ms. Tsui, an executive Director, are also directors of Dragon Venture and Genda Investment. The Guangzhou Lease, Car Park Lease and Macau Lease (together known as the "Continuing Connected Transactions") therefore constitute Continuing Connected Transactions of the Group under Rule 14A.34 of the Listing Rules.

The Directors (including the independent non-executive Directors) have reviewed the Continuing Connected Transactions and have confirmed that they have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (continued)

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transaction in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings based on the agreed procedures to the Board of Directors.

CONNECTED TRANSACTIONS

Detailed of the Connected Transactions of the Group during the year are disclosed under the heading "Management Discussion and Analysis" on page 12.

RELATED PARTY TRANSACTIONS

Certain connected transactions which are significant are also disclosed as related party transactions (see note 35 to the financial statements).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is a sufficiency of public float of the Company's securities as required under the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or exercised during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales (or turnover) attributable to the Group's five largest suppliers and customers accounted for less than 30% (2007: 30%) of the total Group's sales and purchases for the year under review, respectively.

DISCLOSEABLE TRANSACTIONS – ESTABLISHMENT OF A JOINT VENTURE ARRANGEMENT TO CARRY OUT A NEW LINE OF FOOTWEAR BUSINESS

Details of Joint Venture Arrangement are set out in note 36 to the financial statements.

Details of the above discloseable transactions were disclosed in the Company's Announcement and Circular dated 16 April 2008 and 5 May 2008 respectively.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers will be proposed at the forthcoming annual general meeting.

By Order of the Board
Lee Tze Bun, Marces
Chairman

Hong Kong, 16 June 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LE SAUNDA HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Le Saunda Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 108, which comprise the consolidated and company balance sheets as at 29 February 2008, and the consolidated income statement, the consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditor's responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 29 February 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 June 2008

	Note	**2008** **HK$'000**	2007 HK$'000
Continuing operations:			
Revenue	5	**781,993**	724,284
Cost of sales	8	**(391,091)**	(341,748)
Gross profit		**390,902**	382,536
Other income and gains	7	**46,385**	60,045
Selling and distribution costs	8	**(247,946)**	(248,088)
General and administrative expenses	8	**(105,720)**	(85,208)
Operating profit		**83,621**	109,285
Finance income		**5,318**	1,991
Finance costs		**(294)**	(321)
Finance income, net	9	**5,024**	1,670
Share of profit of a jointly controlled entity		**14,509**	1,925
Profit before taxation		**103,154**	112,880
Taxation charge	12	**(7,092)**	(5,729)
Profit for the year from continuing operations		**96,062**	107,151
Loss for the year from discontinued operations	6	**(17,986)**	(1,425)
Profit attributable to equity holders of the Company	13	**78,076**	105,726
Dividends	14	**47,864**	46,800
Basic earnings/(losses) per share attributable to the equity holders of the Company			
– continuing operations	15	**15.1 cents**	18.3 cents
– discontinued operations	15	**(2.8) cents**	(0.2) cents
		12.3 cents	18.1 cents
Diluted earnings/(losses) per share attributable to the equity holders of the Company			
– continuing operations	15	**15.0 cents**	17.9 cents
– discontinued operations	15	**(2.8) cents**	(0.2) cents
		12.2 cents	17.7 cents

CONSOLIDATED BALANCE SHEET

AS AT 29 FEBRUARY 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investment properties	16	**72,617**	56,132
Property, plant and equipment	17	**99,550**	83,330
Leasehold land and land use rights	18	**51,879**	40,697
Long-term deposits and prepayments		**12,657**	16,734
Investment in a jointly controlled entity	20	**56,251**	57,829
Interests in and amount due from available-for-sale financial assets	21	**24,255**	7,189
Deferred tax assets	22	**38,680**	36,339
		355,889	298,250
Current assets			
Inventories	23	**147,663**	188,871
Trade and other receivables	24	**90,696**	81,494
Deposits and prepayments		**19,702**	24,903
Dividend receivable from a jointly controlled entity		**–**	10,090
Amount due from available-for-sale financial assets	21	**–**	15,135
Amount due from a jointly controlled entity	20	**–**	10,311
Cash and cash equivalents	25	**282,940**	147,853
		541,001	478,657
Non-current assets classified as held for sale	6(a)	**–**	39,718
		541,001	518,375
Total assets		**896,890**	816,625

	Note	2008 HK$'000	2007 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**63,826**	62,406
Reserves			
Proposed final dividend	30	**28,722**	28,083
Others	30	**694,256**	645,174
Total equity		**786,804**	735,663
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	22	**5,166**	3,450
Current liabilities			
Creditors and accruals	26	**102,585**	68,561
Amount due to a jointly controlled entity	20	**767**	—
Taxation payable		**1,568**	2,097
Short-term bank loans, secured	27	**—**	3,409
		104,920	74,067
Liabilities directly associated with non-current assets classified as held for sale	6(a)	**—**	3,445
		104,920	77,512
Total liabilities		**110,086**	80,962
Total equity and liabilities		**896,890**	816,625
Net current assets		**436,081**	440,863
Total assets less current liabilities		**791,970**	739,113

Lee Tze Bun, Marces
Director

Chui Kwan Ho, Jacky
Director

BALANCE SHEET

AS AT 29 FEBRUARY 2008

	Note	**2008**	2007
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	**509,206**	552,207
Current assets			
Other receivables		**292**	204
Cash and cash equivalents	25	**294**	211
		586	415
Total assets		**509,792**	552,622
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	**63,826**	62,406
Reserves			
Proposed final dividend	30	**28,722**	28,083
Others	30	**416,887**	461,861
Total equity		**509,435**	552,350
LIABILITIES			
Current liabilities			
Creditors and accruals		**357**	272
Total liabilities		**357**	272
Total equity and liabilities		**509,792**	552,622
Net current assets		**229**	143
Total assets less current liabilities		**509,435**	552,350

Lee Tze Bun, Marces
Director

Chui Kwan Ho, Jacky
Director

	Note	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 March 2006		51,015	506,081	557,096
Currency translation differences recognised directly in equity	30	—	5,693	5,693
Profit for the year		—	105,726	105,726
Total recognised income for the year		—	111,419	111,419
Share option scheme:				
– value of service provided	30	—	1,214	1,214
– exercise of share options	28 & 30	1,391	4,759	6,150
– reversal of deferred tax effect	30	—	143	143
Placement of new shares net of issuing expenses	28 & 30	10,000	96,372	106,372
Dividends	30	—	(46,731)	(46,731)
		11,391	55,757	67,148
Balance at 28 February 2007		62,406	673,257	735,663
Balance at 1 March 2007		62,406	673,257	735,663
Currency translation differences recognised directly in equity	30	—	13,988	13,988
Profit for the year		—	78,076	78,076
Total recognised income for the year		—	92,064	92,064
Share option scheme:				
– value of service provided	30	—	8	8
– exercise of share options	28 & 30	1,420	5,313	6,733
Dividends	30	—	(47,664)	(47,664)
		1,420	(42,343)	(40,923)
Balance at 29 February 2008		**63,826**	**722,978**	**786,804**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2008

	Note	**2008**	2007
		HK$'000	HK$'000
Operating activities			
Net cash generated from continuing operations	33(a)	**177,207**	23,428
Interest paid	9	**(294)**	(321)
Overseas taxation paid		**(8,246)**	(10,386)
Operating cash flows of discontinued operations			
– Property development	6(a)	**2,262**	14,010
– Apparel retailing	6(b)	**(18,305)**	(9,532)
Net cash generated from operating activities		**152,624**	17,199
Investing activities			
Interest received		**5,318**	1,991
Purchase of property, plant and equipment		**(35,819)**	(35,942)
Purchase of leasehold land and land use rights		**(11,657)**	—
Proceeds from sales of property, plant and equipment		**90**	298
Proceeds from disposal of a subsidiary	33(b)	**27,475**	—
Dividend received from a jointly controlled entity		**30,712**	—
Investing cash flows of discontinued operations			
– Property development	6(a)	**71**	375
– Apparel retailing	6(b)	**(268)**	(372)
Net cash generated from/(used in) investing activities		**15,922**	(33,650)
Financing activities			
New short-term bank loans		**—**	3,409
Repayment of short-term bank loans		**(3,409)**	(4,462)
Issue of shares		**6,733**	112,522
Dividends paid		**(47,664)**	(46,731)
Net cash (used in)/generated from financing activities		**(44,340)**	64,738
Net increase in cash and cash equivalents		**124,206**	48,287
Effect of foreign exchange rate changes, net		**1,685**	648
Cash and cash equivalents at beginning of year		**157,049**	108,114
Cash and cash equivalents at end of year		**282,940**	157,049
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**282,940**	147,853
Cash and bank balances classified as held for sale	6(a)	**—**	9,196
		282,940	157,049

1 GENERAL INFORMATION

Le Saunda Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in manufacturing and sale of shoes and property development. The Group's operations are mainly in Hong Kong 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.

These consolidated financial statements are presented in Hong Kong dollars (HK$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 June 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 28 February 2007 and 29 February 2008. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intercompany transactions and balances and unrealised gains on transactions within the Group are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entity

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

(d) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is carried at fair value, representing open market value determined annually by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less their residual values over their estimated useful lives, at the following annual rates:

Buildings	3-4% or over the lease period, whichever is shorter
Leasehold improvements	5-20% or over the lease period, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

The gain or loss on disposal is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 to 70 years from the date the respective right was granted. Amortisation of leasehold land and land use rights is calculated on a straight-line basis over the period of the leases.

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial asset

The Group classifies its investments in securities other than subsidiaries and a jointly controlled entity as available-for-sale financial assets. Available-for-sale financial assets is included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets is carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale security is recognised in equity. When security classified as available-for-sale is sold or impaired, the accumulated fair value adjustments are included in the income statement.

(i) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and completed properties held for sale comprises development and construction expenditure, and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

(j) Inventories

Inventories comprise raw materials, work in progress and finished goods, are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realisable value is determined on the basis of estimated sales price less applicable selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits available on demand with banks.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortisated cost using the effective interest rate method.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(q) Deferred taxation

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

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

(r) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company and its Hong Kong subsidiaries maintain their books and records in Hong Kong Dollars ("HK$") while all other major group companies maintain their books and records in Renminbi ("RMB"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Translation of foreign currencies (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

(s) Employee benefits

(i) Employee benefit entitlements

Salaries, bonuses, paid annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Pension obligations

The Group contributes to a mandatory provident fund scheme which is a defined contribution retirement scheme and available to all employees. Both the Group and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000 per month). Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

The Group also contributes to pension schemes established by municipal governments in respect of certain companies in Mainland China. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan.

The Group recognises the fair value of the employee services received in exchange for the share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in an employee share-based compensation reserve. The related employee share-based compensation reserve is transferred to share capital and share premium together with the exercise price, when the option holder exercises its rights. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(t) Provisions

Provisions for restoration and restructuring costs are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition

(i) Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Dividend income is recognised when the shareholder's right to receive payment is established.

(iii) Operating lease rental income is recognised on a straight-line basis.

(iv) Interest income is recognised on a time proportion basis using the effective interest method.

(v) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, investment properties, inventories, receivables and operating cash, and mainly exclude investments in jointly controlled entities and deferred tax assets. Segment liabilities comprise operating liabilities and exclude taxation and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and investment properties.

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 where the assets are located.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(a) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in HK Dollars and RMB. The Group is exposed to foreign exchange risk arising mainly from the exposure of RMB against HK Dollars. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange rate risk.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

As at 28 February 2007 and 29 February 2008, the Group had certain deposits in banks (note 25) and receivables from available-for-sale financial assets (note 21) denominated in foreign currencies, mainly RMB and EURO.

At 29 February 2008, if RMB had strengthened/weakened by 3% against the HK Dollars with all other variables held constant, profit for the year would have been approximately HK$5,388,000/5,074,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated receivables and deposits in banks.

At 29 February 2008, if EURO had strengthened/weakened by 3% against the HK Dollars with all other variables held constant, profit for the year would have been approximately HK$3,197,000/3,011,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of EURO denominated receivables and deposits in banks.

Profit is more sensitive to movement in RMB and EURO exchange rates in 2008 than 2007 because of the increased amount of RMB and EURO denominated cash and bank balances.

At 28 February 2007 and 29 February 2008, foreign exchange risk on financial assets and liabilities denominated in United States Dollars and other currencies were insignificant to the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amount of the trade and other receivables (note 24), receivables from available-for-sale financial assets (note 21), deposits in banks (note 25) included in the consolidated balance sheets represents the Group's maximum exposure to credit risk in relation to its financial assets.

Sales to retail customers are made in cash or via major credit cards. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while credit sales are generally on credit terms within 90 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

The Group has significant concentration of credit risk of receivables from available-for-sale financial assets which is solely due from 佛山市順德區陳村鎮碧桂園物業發展有限公司 ("the investee company"). Management of the Group assesses the recoverability of the receivable balance. The assessment is based on the financial status of the investee company and its ability to repay the obligations. The management believes that the investee company has the repayment capability and the Group has discussed with the investee company about future plans of repayment.

As at 28 February 2007 and 29 February 2008, substantially all the deposits in banks are held in international financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, which is mainly generated from the operating cash flow, and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

As at 29 February 2008, total liabilities of the Group amounted to HK$110,086,000 (2007: HK$80,962,000), while cash and bank balances on hand amounted to HK$ 282,940,000 (2007: HK$147,853,000). With sufficient cash and cash equivalents on hand to cover all the debts and the strong cash flow generated from operating activities amounted to HK$152,624,000 (2007: HK$17,199,000), the directors believe that the Group's current cash flows are sufficient for financing its capital commitments in the near future and for working capital purposes.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the deposits in banks, details of which have been disclosed in note 25.

Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in note 27 to the financial statements.

Management does not anticipate significant impact resulted from the changes in interest rates because the interest bearing bank borrowings are immaterial to the Group. The Group currently does not hedge its exposure to interest rate risk.

3.2 Fair values estimation

The Group has investment properties in Hong Kong, Macau and Mainland China. In accordance with HKAS 40 "Investment Property", all investment properties are carried at fair value. The fair value is based on active market prices which in turn depend on the property market conditions and the economic environment in the area in which such properties are located. As the movements in the fair value of investment properties are recognised in the income statement, the Group's results are exposed to the risk of fluctuation of such fair values.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, obtain new bank borrowings, return capital to shareholders or issue new shares.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment.

This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss for property, plant and equipment is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(g). The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best information available to reflect the amount obtainable at each balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) Taxes

The Group is subject to various taxes in Hong Kong, Macau and Mainland China. Significant judgement is required in determining the provision for these taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. Management reassesses the estimation at each balance sheet date.

(d) Impairment of receivables

The Group's management determines the provision for impairment of trade receivables and amount due from available-for-sale financial assets.

The estimate for impairment of trade receivables is based on the credit history of its customers and current market conditions. The estimate for impairment of amount due from available-for-sale financial assets is based on the financial status of the investee company and its ability to repay the obligations. Management reassesses the estimation of each balance sheet date.

(e) Estimate of fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for the available-for-sale financial assets of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial assets in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

5 REVENUE AND SEGMENT INFORMATION

Primary reporting format – business segments
The Group is organised into two main business segments:

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

There were no sales and transfers between the business segments.

(a) The segment results include gross rental income and fair value gains from investment properties of HK$2,056,000 (2007: HK$2,106,000) and HK$16,485,000 (2007: HK$28,206,000) respectively. The segment assets include investment properties amounted to HK$72,617,000 (2007: HK$56,132,000).

Secondary reporting format – geographical segments
The Group's business segments operate in three main geographical areas:

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

(i) Primary reporting format – business segments

	Manufacture and sales of shoes 2008 HK$'000	Property development 2008 HK$'000	Others 2008 HK$'000	Total 2008 HK$'000
Revenue	781,993	–	–	781,993
Segment results	88,078	(4,457)	–	83,621
Finance income	5,289	29	–	5,318
Finance costs	(294)	–	–	(294)
Share of profit of a jointly controlled entity	–	14,509	–	14,509
Profit before taxation	93,073	10,081	–	103,154
Taxation charge	(7,092)	–	–	(7,092)
Profit/(loss) for the year from:				
– Continuing operations	85,981	10,081	–	96,062
– Discontinued operations (Note 6)	–	2,731	(20,717)	(17,986)
	85,981	12,812	(20,717)	78,076
Segment assets	768,000	32,236	1,723	801,959
Investment in a jointly controlled entity	–	56,251	–	56,251
Unallocated assets				
Deferred tax assets				38,680
Total assets				896,890
Segment liabilities	96,798	5,120	1,434	103,352
Unallocated liabilities				
Taxation payable				1,568
Deferred tax liabilities				5,166
Total liabilities				110,086
Capital expenditure	47,220	–	256	47,476
Depreciation	22,143	3	1,383	23,529
Amortisation	1,139	–	–	1,139

5 REVENUE AND SEGMENT INFORMATION (Continued)

(i) Primary reporting format – business segments (Continued)

	Manufacture and sales of shoes 2007 HK$'000	Property development 2007 HK$'000	Others 2007 HK$'000	Total 2007 HK$'000
Revenue	724,284	—	—	724,284
Segment results	94,165	15,120	—	109,285
Finance income	1,989	2	—	1,991
Finance costs	(321)	—	—	(321)
Share of profit of a jointly controlled entity	—	1,925	—	1,925
Profit before taxation	95,833	17,047	—	112,880
Taxation (charge)/credit	(5,733)	4	—	(5,729)
Profit/(loss) for the year from:				
– Continuing operations	90,100	17,051	—	107,151
– Discontinued operations (Note 6)	—	10,266	(11,691)	(1,425)
	90,100	27,317	(11,691)	105,726
Segment assets	623,574	42,975	16,190	682,739
Investment in a jointly controlled entity	—	57,829	—	57,829
Non-current assets classified as held for sale	—	39,718	—	39,718
Unallocated assets				
Deferred tax assets				36,339
Total assets				816,625
Segment liabilities	69,680	71	2,219	71,970
Liabilities directly associated with non-current assets classified as held for sale	—	3,445	—	3,445
Unallocated liabilities				
Taxation payable				2,097
Deferred tax liabilities				3,450
Total liabilities				80,962
Capital expenditure	35,086	20	856	35,962
Depreciation	20,388	247	1,794	22,429
Amortisation	1,012	—	—	1,012

5 REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Secondary reporting format - geographical segments

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

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

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

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

6 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The results of discontinued operations are analysed as follows:

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

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

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

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

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

	2008	2007
	HK$'000	HK$'000
Operating cash flows	**2,262**	14,010
Investing cash flows	**71**	375
Total cash flows	**2,333**	14,385

6 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

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

(i) The net book value of land use rights included in non-current assets classified as held for sale is located outside Hong Kong and held on leases of over 50 years.

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

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

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

	2008 **HK$'000**	2007 HK$'000
Operating cash flows	**(18,305)**	(9,532)
Investing cash flows	**(268)**	(372)
Total cash flows	**(18,573)**	(9,904)

7 OTHER INCOME AND GAINS

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

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

8 EXPENSES BY NATURE

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

	2008	2007
	HK$'000	HK$'000
Auditor's remuneration	**2,161**	1,958
Amortisation of leasehold land and land use rights (Note 18)	**1,139**	1,012
Depreciation of property, plant and equipment (Note 17)	**22,145**	20,406
Loss on disposal of property, plant and equipment	**393**	515
Costs of inventories recognised as expenses included in cost of sales	**383,834**	341,102
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**78,438**	68,932
– contingent rent	**2,646**	2,056
Freight charges	**9,638**	13,093
Advertising and promotional expenses	**6,721**	19,497
Concessionaire fee	**57,624**	63,173
Provision for impairment of inventories	**4,970**	—
Direct operating expenses arising from investment properties that generated rental income	**550**	552
Staff costs (including directors' emoluments) (Note 10)	**133,039**	112,553
Other expenses	**41,459**	30,195
	744,757	675,044

8 EXPENSES BY NATURE (Continued)

Expenses included in discontinued operations are analysed as follows:

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	**16**	9
Depreciation of property, plant and equipment (Note 17)	**1,384**	2,023
Loss on disposal of property, plant and equipment	**760**	44
Costs of inventories recognised as expenses included in cost of sales	**13,283**	17,759
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**8,112**	8,347
Building management fee and rates	**2,241**	1,304
Advertising and promotional expenses	**757**	2,042
Concessionaire fee	**163**	511
Staff costs		
– wages and salaries	**5,880**	7,689
– staff welfare and other benefits	**170**	616
– pension cost - defined contribution plans	**251**	514
Other expenses	**2,608**	3,892
	35,625	44,750

9 FINANCE INCOME, NET

	2008 HK$'000	2007 HK$'000
Interest income on bank deposits	**5,318**	1,991
Interest on short-term bank loans	**(294)**	(321)
	5,024	1,670

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**116,221**	96,110
Staff welfare and other benefits	**7,655**	5,776
Share options granted to Directors and employees	**8**	1,214
Pension costs – defined contribution plans (Note (a))	**9,155**	9,453
	133,039	112,553

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in Mainland China contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group's subsidiaries in Hong Kong participated in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Retirement benefit scheme costs amounting to HK$9,155,000 (2007: HK$9,458,000) were paid by the Group during the year. Forfeited contributions totalling HK$Nil (2007: HK$5,000) were refunded during the year.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each of the Directors of the Company for the year ended 29 February 2008 is set out below:

Name of Director	Fees HK$'000	Salary, bonus, other allowances, share options and benefits in kind HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive Directors				
Mr. Lee Tze Bun, Marces	–	–	–	–
Mr. Wan Tat Wah (resigned on 1 October 2007)	–	1,400	7	1,407
Ms. Chui Kwan Ho, Jacky	–	1,755	12	1,767
Ms. Tsui Oi Kuen	–	1,430	12	1,442
Ms. Lau Shun Wai	–	1,300	12	1,312
Ms. Wong Sau Han (appointed on 14 January 2008)	–	159	2	161
Independent non-executive Directors				
Mr. Law King Wan (resigned on 26 November 2007)	89	–	–	89
Mr. Leung Wai Ki, George	120	–	–	120
Mr. Lam Siu Lun, Simon	120	–	–	120
Mr. Hui Chi Kwan (appointed on 26 November 2007)	31	–	–	31
	360	6,044	45	6,449

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The remuneration of each of the Directors of the Company for the year ended 28 February 2007 is set out below:

Name of Director	Fees HK$'000	Salary, bonus, other allowances, share options and benefits in kind HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive Directors				
Mr. Lee Tze Bun, Marces	—	—	—	—
Mr. Wan Tat Wah	—	2,684	12	2,696
Ms. Chui Kwan Ho, Jacky	—	1,780	12	1,792
Ms. Tsui Oi Kuen	—	1,455	12	1,467
Ms. Lau Shun Wai	—	380	1	381
Independent non-executive Directors				
Mr. Law King Wan	120	—	—	120
Mr. Leung Wai Ki, George	120	—	—	120
Mr. Lam Siu Lun, Simon	120	—	—	120
	360	6,299	37	6,696

Included above is share-based compensation, which was determined based on the fair value of the share options granted to the relevant Directors at the date of grant and recognised over the vesting period. During the year ended 29 February 2008, 4,000,000 (2007: 8,400,000) of these options were exercised by the Directors. The fair value of such options which has been recognised to the income statement over the vesting period was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The Directors' emoluments presented above include the emoluments of the four (2007: three) highest paid individuals in the Group. The emoluments of the remaining one (2007: two) highest paid individuals were:

	2008 HK$'000	2007 HK$'000
Salaries, bonus, other allowances, share options and benefits in kind	**1,246**	2,597
Contributions to retirement scheme	**12**	24

Emolument bands	Number of individuals 2008	2007
HK$1,000,001 – HK$1,500,000	**1**	2

12 TAXATION CHARGE

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

	2008 HK$'000	2007 HK$'000
Current taxation		
People's Republic of China ("PRC") enterprise income tax	**(7,717)**	(8,765)
Deferred taxation (Note 22)	**625**	3,036
	(7,092)	(5,729)

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

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

12 TAXATION CHARGE (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation, less share of profit of a jointly controlled entity and discontinued operations	**88,645**	110,955
Calculated at a tax rate of 17.5% (2007: 17.5%)	**15,513**	19,417
Effect of different tax rates in different tax jurisdictions	**1,557**	2,288
Income not subject to taxation	**(35,060)**	(4,596)
Expenses not deductible for taxation purposes	**25,568**	257
Tax losses for which no deferred tax asset was recognised	**2,112**	—
Utilisation of previously unrecognised tax losses	**—**	(7,076)
Recognition of previously unrecognised tax losses	**(2,598)**	(4,561)
Taxation charge	**7,092**	5,729

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of HK$1,992,000 (2007: profit of HK$96,555,000).

14 DIVIDENDS

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

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

15 EARNINGS PER SHARE

Basic

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

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had share options outstanding during the year which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

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

16 INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**56,132**	27,926
Fair value gains on investment properties (Note 7)	**16,485**	28,206
At the end of year	**72,617**	56,132

Investment properties are stated at the professional valuation made on an open market value basis at 29 February 2008 by independent professional valuer, CB Richard Ellis.

The Group's investment properties at their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**35,867**	23,397
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**36,750**	32,735
	72,617	56,132

17 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2006							
Cost	37,222	53,960	55,023	24,745	3,807	–	174,757
Accumulated depreciation and accumulated impairment	(16,406)	(36,030)	(31,530)	(19,325)	(2,530)	–	(105,821)
Net book amount	20,816	17,930	23,493	5,420	1,277	–	68,936
Year ended 28 February 2007							
Opening net book amount	20,816	17,930	23,493	5,420	1,277	–	68,936
Exchange differences	–	448	1,320	158	37	–	1,963
Additions	–	20,025	13,443	1,406	1,088	–	35,962
Transfers	–	299	–	(299)	–	–	–
Disposals	–	(510)	–	(101)	(210)	–	(821)
Depreciation	(572)	(15,758)	(4,074)	(1,515)	(510)	–	(22,429)
Transfer to non-current assets classified as held for sale (Note 6)	–	–	–	(170)	(111)	–	(281)
Closing net book amount	20,244	22,434	34,182	4,899	1,571	–	83,330
At 28 February 2007							
Cost	37,222	69,529	71,163	25,331	3,404	–	206,649
Accumulated depreciation and accumulated impairment	(16,978)	(47,095)	(36,981)	(20,432)	(1,833)	–	(123,319)
Net book amount	20,244	22,434	34,182	4,899	1,571	–	83,330
Year ended 29 February 2008							
Opening net book amount	**20,244**	**22,434**	**34,182**	**4,899**	**1,571**	**–**	**83,330**
Exchange differences	**–**	**691**	**3,454**	**299**	**103**	**626**	**5,173**
Additions	**–**	**7,560**	**14,873**	**1,549**	**956**	**10,881**	**35,819**
Disposals	**–**	**(1,118)**	**–**	**(75)**	**(50)**	**–**	**(1,243)**
Depreciation	**(584)**	**(15,658)**	**(5,455)**	**(1,457)**	**(375)**	**–**	**(23,529)**
Closing net book amount	**19,660**	**13,909**	**47,054**	**5,215**	**2,205**	**11,507**	**99,550**
At 29 February 2008							
Cost	**37,222**	**70,423**	**92,572**	**27,239**	**4,168**	**11,507**	**243,131**
Accumulated depreciation and accumulated impairment	**(17,562)**	**(56,514)**	**(45,518)**	**(22,024)**	**(1,963)**	**–**	**(143,581)**
Net book amount	**19,660**	**13,909**	**47,054**	**5,215**	**2,205**	**11,507**	**99,550**

18 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**40,697**	41,709
Additions	**11,657**	—
Amortisation	**(1,139)**	(1,012)
Exchange differences	**664**	—
At end of year	**51,879**	40,697

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**16,314**	16,724
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**30,203**	18,515
Leases of over 50 years	**5,362**	5,458
	51,879	40,697

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**107,657**	107,657
Amounts due by subsidiaries (note (a))	**401,549**	444,550
	509,206	552,207

(a) The amounts due by subsidiaries are unsecured, interest free, have no fixed terms of repayment and are denominated in HK$.

19 INVESTMENTS IN SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries of the Group which, in the opinion of the Directors, principally affect the results or form a substantial portion of the net assets of the Group:

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Blooming On Limited	Hong Kong, limited liability company	HK$2	Property holding	100%
Brightly Investment Limited	Hong Kong, limited liability company	HK$2	Property holding	100%
Guangzhou Le Saunda Company Limited	PRC, limited liability company	RMB7,000,000	Retailing of shoes	100%
廣州銘高鞋服有限公司	PRC, limited liability company	RMB500,000	Retailing of shoes	100%
Guangzhou Shungo Shoes Fashion Company Limited	PRC, limited liability company	RMB3,750,950	Retailing of shoes	100%
廣州市韋柏貿易有限公司	PRC, limited liability company	RMB3,500,000	Retailing of shoes	100%
Le Saunda (B.V.I.) Limited (note a)	British Virgin Islands, limited liability company	US$31,500	Investment holding	100%
利信達商業（中國）有限公司	PRC, limited liability company	HK$53,000,000	Retailing of shoes	100%
Le Saunda Calcado, Limitada	Macau, limited liability company	MOP200,000	Retailing of shoes	100%
Le Saunda (China) Limited	Hong Kong, limited liability company	HK$2	Investment holding	100%

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Le Saunda China Investment Limited	Hong Kong, limited liability company	HK$100	Investment holding	100%
Le Saunda Merchandising (International) Limited	Hong Kong, limited liability company	HK$2	Merchandising of shoes	100%
Le Saunda Licensing Limited	Bahamas, limited liability company	US$5,000	Holding and licensing of trade marks and names	100%
Le Saunda Management Limited	Hong Kong, limited liability company	HK$2	Provision of management services	100%
Le Saunda Real Estate Limited	Hong Kong, limited liability company	HK$2	Investment holding	100%
L.S. Retailing Limited (note b)	Hong Kong, limited liability company	HK$20,002,000	Retailing of shoes	100%
利信達貿易（深圳）有限公司	PRC, limited liability company	HK$10,000,000	Retailing of shoes	100%
Maior Limited	Hong Kong, limited liability company	HK$2,000,000	Trading and investment holding	100%
Master Benefit Limited	Hong Kong, limited liability company	HK$3,000,000	Investment holding	100%
Multiple Reward Limited	Hong Kong, limited liability company	HK$100	Provision of financial services	100%
Parklink Investment Development Limited	Hong Kong, limited liability company	HK$2	Property holding	100%

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Shunde Daxin Shoe-Making Company Limited	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100%
Shunde Lixinda Shoes Company Limited	PRC, limited liability company	US$3,800,000	Manufacturing and trading of shoes	100%
佛山市順德區信達房地產開發有限公司 (note c)	PRC, limited liability company	HK$50,000,000	Property development	100%
Shunde Yihensin Shoe-Making Factory	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100%
Shunde Ying Da Shoes Company Limited	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100%
Trend Door Company Limited	Hong Kong, limited liability company	HK$2	Property holding	100%
Trend Light Trading Company Limited	Hong Kong, limited liability company	HK$2	Property holding	100%
億才商業（上海）有限公司	PRC, limited liability company	US$3,500,000	Retailing of shoes	100%
佛山市順德區盈毅鞋業有限公司	PRC, limited liability company	US$1,500,000	Manufacturing and trading of shoes	100%
灝信達商業（北京）有限公司	PRC, limited liability company	US$2,200,000	Retailing of shoes	100%
佛山市高明區盈信達鞋業有限公司	PRC, limited liability company	RMB40,000,000	Manufacturing and trading of shoes	100%

19 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Le Saunda (B.V.I.) Limited is held directly by the Company. All other subsidiaries are held indirectly.

(b) L.S. Retailing Limited has capital comprising ordinary shares of HK$2,000 and non-voting deferred shares of HK$20,000,000.

(c) 信達房地產 was disposed of during the year and the details are disclosed in Note 6.

(d) Except for Le Saunda Licensing Limited which operates worldwide, and Le Saunda China Investment Limited which operates in the PRC, all subsidiaries operate principally in their places of incorporation.

20 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

(a) Share of net assets

	Group	
	2008 **HK$'000**	2007 HK$'000
Registered capital at cost, unlisted	**36,386**	36,386
Share of undistributed post-acquisition reserves	**19,865**	21,443
Share of net assets	**56,251**	57,829
At beginning of the year	**57,829**	53,374
Share of profit of a jointly controlled entity	**14,509**	1,925
Dividend	**(20,622)**	—
Exchange differences	**4,535**	2,530
At end of year	**56,251**	57,829

Details of the jointly controlled entity are as follows:

Name	Place of establishment/ operation	Principal activities	Group's equity interest %
Shunde Shuang Qiang Property Development Company Limited ("SSQ")	PRC	Property development	50%

The jointly controlled entity is held indirectly by the Company.

By virtue of a joint venture agreement dated 23 February 1994, the Company's subsidiary, Le Saunda Real Estate Limited ("LSRE") and Shunde Hongye Real Estate Company ("SHREC"), a company established in the PRC, agreed to form a limited liability company known as SSQ in accordance with the rules and regulations of the PRC. The joint venture period is 20 years from the date of issue of business licence, i.e. 21 April 1994.

Under the joint venture agreement, each of LSRE and SHREC has committed to contribute US$5 million (equivalent to approximately HK$38,650,000) capital in SSQ and share the results of SSQ equally. Up to 29 February 2008. LSRE had contributed US$4.8 million (approximately HK$36,386,000) to SSQ.

20 INVESTMENTS IN A JOINTLY CONTROLLED ENTITY (Continued)

(a) Share of net assets (Continued)

Under the revised joint venture agreement on 13 November 2007, the registered share capital of SSQ is to be reduced to US$4.2 million (approximately HK$31,838,000). The application of capital reduction was lodged with the municipal government and pending for approval as at 29 February 2008.

A summary of the operating results and financial position of SSQ is as follows:

	2008 HK$'000	2007 HK$'000
Operating results		
Revenue	234,442	44,581
Profit for the year	29,017	3,849
Group's share of profit for the year	14,509	1,925
Financial position		
Non-current assets	92	96
Current assets	135,576	242,086
Current liabilities	(23,166)	(126,524)
Net assets	112,502	115,658

(b) Amount due from/(to) a jointly controlled entity

The amount due from/(to) a jointly controlled entity are unsecured, interest free and repayable on demand. The amounts approximated the fair value and are denominated in RMB.

21 INTERESTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS/AMOUNT DUE FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details of available-for-sale financial assets are as follows:

Name	Place of establishment/ operation	Principal activities	Group's equity interest %
佛山市順德區陳村鎮碧桂園物業發展有限公司 (“陳村鎮碧桂園”)	PRC	Property development	25%

The Group's directors do not regard 陳村鎮碧桂園 as an associate of the Group on the grounds that the Company has no participation in decision making of its financial and operating policies. Accordingly, the Group does not exercise any significant influence over 陳村鎮碧桂園 .

	Group	
	2008 **HK$'000**	2007 HK$'000
Unlisted shares, at fair value	**2,740**	2,522
Amount due from available-for-sale financial assets		
Non-current (note (a))	**21,515**	4,667
	24,255	7,189
Amount due from available-for-sale financial assets		
Current (note (b))	**–**	15,135

(a) Amount due from available-for-sale financial assets is unsecured, interest-free, not repayable within twelve months and is denominated in RMB.

(b) Amount due from available-for-sale financial assets was unsecured, interest-free, repayable on demand and was denominated in RMB.

22 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**38,680**	36,339
Deferred tax liabilities	**(5,166)**	(3,450)
	33,514	32,889

Deferred taxation is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

	Group	
	2008	2007
	HK$'000	HK$'000
At beginning of year	**32,889**	29,710
Credited to income statement (Note 12)	**625**	3,036
Credited to reserve (Note 30)	**–**	143
At end of year	**33,514**	32,889

The detailed movement on deferred tax assets and liabilities is as follows:

	Unrealised profits on inventories		Tax losses		Revaluation of investment properties		Share-based compensation		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**20,741**	15,486	**14,400**	11,363	**(2,252)**	2,242	**–**	619	**32,889**	29,710
(Charged)/credited to income statement	**(14,277)**	5,255	**17,816**	3,037	**(2,914)**	(4,494)	**–**	(762)	**625**	3,036
Credited to reserve	**–**	–	**–**	–	**–**	–	**–**	143	**–**	143
At end of year	**6,464**	20,741	**32,216**	14,400	**(5,166)**	(2,252)	**–**	–	**33,514**	32,889

22 DEFERRED TAXATION (Continued)

	Company Share-based compensation 2008 HK$'000	2007 HK$'000
At beginning of year	**–**	619
Charged to income statement	**–**	(762)
Credited to reserve	**–**	143
At end of year	**–**	–

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 29 February 2008, the Group has unrecognised tax losses of HK$49,798,000 (2007: HK$39,653,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Tax losses without expiry date	**21,347**	17,425
Tax losses expire within five years	**28,451**	22,228
	49,798	39,653

23 INVENTORIES

	Group	
	2008 HK$'000	2007 HK$'000
Raw materials	**37,120**	27,237
Work in progress	**12,139**	10,501
Finished goods	**103,374**	151,133
	152,633	188,871
Less: Provision for impairment of inventories	**(4,970)**	–
	147,663	188,871

24 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

Trade and other receivables are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
HK$	**357**	485
US$	**1,051**	555
RMB	**61,778**	65,949
EURO	**26,028**	12,930
Other currencies	**70**	22
	89,284	79,941

24 TRADE AND OTHER RECEIVABLES (Continued)

As at 29 February 2008, trade receivables of HK$921,000 (2007: HK$847,000) were impaired. The amount of the provision was HK$921,000 as at 29 February 2008 (2007: HK$847,000). The individually impaired receivables mainly relate to customers which are in unexpected financial difficulties. The ageing of these impaired receivables is as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Over 90 days	**921**	847

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

As at 29 February 2008, trade receivables of HK$3,514,000 (2007: HK$2,377,000) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
61 to 90 days	**2,173**	1,130
Over 90 days	**1,341**	1,247
	3,514	2,377

25 CASH AND CASH EQUIVALENTS

The cash and bank balances are denominated in the following currencies:

	Group		Company	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
HK$	**45,146**	28,070	**294**	211
RMB	**116,848**	78,753	**—**	—
US$	**32,764**	16,354	**—**	—
EURO	**87,867**	23,864	**—**	—
Other currencies	**315**	812	**—**	—
	282,940	147,853	**294**	211

The effective interest rate on short-term bank deposits was 2.8% (2007: 2.3%).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversation of the RMB denominated balances into foreign currencies is subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

26 CREDITORS AND ACCRUALS

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

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

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

The carrying amounts of the trade creditors approximate their fair value and are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
HK$	**897**	3,314
RMB	**25,944**	20,608
US$	**1,532**	4,512
EURO	**10,522**	6,354
	38,895	34,788

27 SHORT-TERM BANK LOANS, SECURED

The carrying amounts of the borrowings are denominated in the following currencies:

	Group	
	2008	2007
	HK$'000	HK$'000
HK$	**–**	153
EURO	**–**	2,171
US$	**–**	1,085
	–	3,409

The amounts were repayable within twelve months, and the carrying amounts of the borrowings approximated their fair values.

The effective interest rates of the short-term bank loans at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
HK$	**N/A**	6.8%
EURO	**N/A**	4.5%
US$	**N/A**	6.3%

28 SHARE CAPITAL

	Group and Company			
	2008		2007	
	Number of ordinary shares	**HK$'000**	Number of ordinary shares	HK$'000
Authorised:				
Shares of HK$0.10 each	**800,000,000**	**80,000**	800,000,000	80,000
Issued and fully paid:				
At beginning of year	**624,056,600**	**62,406**	510,149,600	51,015
Exercise of share options (Note 29)	**14,205,000**	**1,420**	13,907,000	1,391
Placement of new shares (note (a))	**—**	**—**	100,000,000	10,000
At end of year	**638,261,600**	**63,826**	624,056,600	62,406

(a) On 11 July 2006, 100,000,000 ordinary shares of HK$0.10 each were issued at a subscription price of HK$1.10 for cash for general working capital purposes of the Group and faciliting future expansion in Mainland China. These shares rank pari passu with the existing shares.

29 SHARE OPTIONS

At a special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the adoption of the share option scheme (the "Scheme") pursuant to which the Directors may grant options to eligible persons (as defined under the Scheme) to subscribe for shares in the Company in accordance with the terms of the Scheme. The number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Each share option under the Scheme entitles the holder to subscribe for one share of HK$0.10 each in the Company at a price, which is to be determined by the board of Directors provided always that it shall be at least the higher of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceeding the date of offer of grant.

29 SHARE OPTIONS (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Group and Company			
	2008		2007	
	Average exercise price per share (HK$)	**Number of share options (thousands)**	Average exercise price per share (HK$)	Number of share options (thousands)
At beginning of year	**0.54**	**16,433**	0.50	30,940
Forfeited	**1.18**	**(952)**	0.79	(600)
Exercised	**0.47**	**(14,205)**	0.44	(13,907)
At end of year	**0.87**	**1,276**	0.54	16,433
Options exercisable at end of year		**–**		7,914

The Group has no legal or constructive obligation to repurchase or settle the options in cash. Option exercised in 2008 resulted in 14,205,000 shares (2007: 13,907,000 shares) being issued at an average exercise price at HK$0.47 each (2007: HK$0.44 each). The related weighted average share price at the time of exercise was HK$1.94 per share (2007: HK$1.18 per share).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

		Number of share options as at	
Expiry date at	**Exercise price per share** (HK$)	**2008 (thousands)**	2007 (thousands)
12 April 2014 (note (a))	0.38	**–**	11,630
6 March 2015 (note (b))	1.24	**–**	1,000
15 January 2016 (note (c))	0.87	**1,276**	3,803
		1,276	16,433

(a) Become exercisable from a range of dates between 26 July 2004 and 13 April 2007 and expiring on the 10th anniversary from date of grants.

(b) Become exercisable from 1 September 2007 and expiring on the 10th anniversary from date of grants.

(c) Become exercisable from a range of dates between 16 January 2006 and 7 March 2008 and expiring on the 10th anniversary from date of grants.

30 RESERVES

	Group					
	Share premium HK$'000	Exchange translation reserve HK$'000	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2007	408,192	15,090	243,212	4,261	2,502	673,257
Share option scheme:						
– value of service provided	–	–	–	–	8	8
– exercise of share options	7,102	–	–	–	(1,789)	5,313
Profit for the year	–	–	78,076	–	–	78,076
Dividends	–	–	(47,664)	–	–	(47,664)
Currency translation differences	–	13,988	–	–	–	13,988
At 29 February 2008	415,294	29,078	273,624	4,261	721	722,978
Representing:						
2008 proposed final dividend			28,722			
Others			244,902			
			273,624			
At 1 March 2006	304,673	9,397	184,217	4,261	3,533	506,081
Share option scheme:						
– value of service provided	–	–	–	–	1,214	1,214
– exercise of share options	7,004	–	–	–	(2,245)	4,759
– reversal of deferred tax effect	143	–	–	–	–	143
Profit for the year	–	–	105,726	–	–	105,726
Dividends	–	–	(46,731)	–	–	(46,731)
Currency translation differences	–	5,693	–	–	–	5,693
Placement of new shares net of issuing expenses	96,372	–	–	–	–	96,372
At 28 February 2007	408,192	15,090	243,212	4,261	2,502	673,257
Representing:						
2007 proposed final dividend			28,083			
Others			215,129			
			243,212			

30 RESERVES (Continued)

	Company				
	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings/ (accumulated losses) HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2007	408,192	30,164	49,086	2,502	489,944
Share option scheme:					
– value of service provided	–	–	–	8	8
– exercise of share options	7,102	–	–	(1,789)	5,313
Loss for the year	–	–	(1,992)	–	(1,992)
Dividends	–	–	(47,664)	–	(47,664)
At 29 February 2008	415,294	30,164	(570)	721	445,609
Representing:					
2008 proposed final dividend		28,722			
Others		1,442			
		30,164			
At 1 March 2006	304,673	30,164	(738)	3,533	337,632
Share option scheme:					
– value of service provided	–	–	–	1,214	1,214
– exercise of share options	7,004	–	–	(2,245)	4,759
– reversal of deferred tax effect	143	–	–	–	143
Profit for the year	–	–	96,555	–	96,555
Dividends	–	–	(46,731)	–	(46,731)
Placement of new shares net of issuing expenses	96,372	–	–	–	96,372
At 28 February 2007	408,192	30,164	49,086	2,502	489,944
Representing:					
2007 proposed final dividend		28,083			
Others		2,081			
		30,164			

The contributed surplus represents the difference between the consolidated shareholders' funds of Le Saunda (B.V.I.) Limited at the date on which its shares were acquired by the Company and the nominal value of the Company's shares issued for the acquisition.

30 RESERVES (Continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, a Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Distributable reserves of the Company at 29 February 2008 amounted to HK$29,594,000 (2007: HK$79,250,000).

31 BANK GUARANTEES

The Company and several subsidiaries have jointly given guarantees in favour of banks for banking facilities granted to certain subsidiaries on Letters of Credit and bank loan to the extent of HK$30,000,000 (2007: HK$50,000,000) of which HK$8,055,000 was utilised as at 29 February 2008 (2007: HK$14,753,000).

32 COMMITMENTS

(a) Capital commitments

	Group	
	2008 **HK$'000**	2007 HK$'000
Contracted but not provided for, in respect of		
– interests in a jointly controlled entity	**–**	1,564
– purchase of property, plant and equipment	**22,482**	–
	22,482	1,564

(b) Commitments under operating leases

(i) At the year end, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2008 **HK$'000**	2007 HK$'000
Land and buildings:		
Not later than one year	**62,390**	76,727
Later than one year and not later than five years	**38,016**	60,321
	100,406	137,048

The above operating lease commitments include commitments for fixed rent only. Rentals payable in some cases include an additional rent, calculated according to gross revenue, in excess of a fixed rent.

32 COMMITMENTS (Continued)

(b) Commitments under operating leases (Continued)

(ii) At the year end, the Group had future aggregate minimum lease receivable under non-cancellable operating leases as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**1,709**	1,369
Later than one year and not later than five years	**153**	932
	1,862	2,301

33 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation from continuing operations to net cash generated from continuing operations

	2008	2007
	HK$'000	HK$'000
Profit before taxation from continuing operations	**103,154**	112,880
Share of profit of a jointly controlled entity	**(14,509)**	(1,925)
Amortisation of leasehold land and land use rights	**1,139**	1,012
Depreciation of property, plant and equipment	**22,145**	20,406
Loss on disposal of property, plant and equipment	**393**	515
Fair value gains on investment properties	**(16,485)**	(28,206)
Share option scheme benefits	**8**	1,214
Interest income	**(5,318)**	(1,991)
Interest expense	**294**	321
Dividend from available-for-sale financial assets	**–**	(14,694)
Operating profit before working capital changes	**90,821**	89,532
Decrease/(increase) in inventories	**41,208**	(27,200)
Increase in trade and other receivables	**(9,202)**	(11,025)
Decrease/(increase) in deposits and prepayments	**9,278**	(8,301)
Decrease/(increase) in amount due from a jointly controlled entity	**11,078**	(10,976)
Increase in interests in available-for-sale financial assets	**–**	(2,256)
Increase/(decrease) in creditors and accruals	**34,024**	(6,346)
Net cash generated from continuing operations	**177,207**	23,428

33 CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of a subsidiary

	2008 HK$'000
Net assets disposed of:	
Property, plant and equipment	220
Properties under development for sale	28,208
Completed properties held for sale	345
Trade and other receivables	444
Cash and bank balances	3,870
Trade and other payables	(3,130)
Reserve	(2,067)
	27,890
Gain on disposal	3,455
Cash consideration received	31,345

Analysis of net cash and cash equivalents generated in respect of the disposal of a subsidiary

	2008 HK$'000
Cash consideration received	31,345
Cash and bank balances disposed of	(3,870)
Net cash generated	27,475

34 PLEDGE OF ASSETS

Buildings included in property, plant and equipment and leasehold land and land use rights with a total net book value of HK$12,564,000 (2007: HK$26,445,000) have been pledged to secure Letters of Credit and bank loan facilities of HK$30,000,000 (2007: HK$50,000,000) granted to certain subsidiaries of the Group.

35 RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are individuals and companies where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; or when the parties are subject to common control or common significant influence.

(b) Transactions with related parties

Significant transactions with related parties and companies, which were carried out in the normal course of the Group's business, are summarised as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Rental expenses charged by:		
– a related party (note (i))	**1,600**	1,495
– a related company (note (ii))	**1,190**	1,125
Gain on disposal of subsidiary to a related company (note (iii))	**3,455**	—

(i) During the year, the Group rented a shop located in Macau from Mr. Lee Tze Bun, Marces ("Mr Lee"), a substantial shareholder and Director of the Company, as a retail outlet in Macau.

(ii) During the year, the Group rented office premises located in Mainland China from Genda Investment Limited, a company controlled by Mr. Lee.

(iii) During the year, the Group disposed its entire equity interest in a subsidiary, 信達房地產 to Manful Regent Limited, a company controlled by Mr. Lee and the details are disclosed in Note 6.

(c) Year-end balances with related parties

	Group	
	2008	2007
	HK$'000	HK$'000
Payable to a related party	**508**	193
Dividend receivable from a jointly controlled entity	**–**	10,090
Amount due (to)/from a jointly controlled entity	**(767)**	10,311

(d) Key management compensation

	Group	
	2008	2007
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**6,044**	6,165
Contributions to retirement scheme	**45**	37
Share-based payments	**–**	135
	6,089	6,337

36 EVENTS AFTER THE BALANCE SHEET DATE

On 14 April 2008, the Group and Florencia Marco, S.L. ("FM"), a renowned Spanish ladies' footwear designer and international wholesaler under the "*Rebeca Sanver*" and "*To Be*" brands, jointly announced the business collaboration between the two companies regarding the proposed formation of a joint venture business arrangement in respect of the footwear business of FM under the brand names *Rebeca Sanver* and *To Be*. The Group expects the completion of the formation of the joint venture business arrangement will be on or before 30 June 2008.

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

Pursuant to the shareholders' agreement in relation to the JV Company, each of the Group (through its wholly-owned subsidiary) and Mr. Sanchis agrees, among other things, to provide a shareholder's loan of not more than €2.0 million (equivalent to approximately HK$24.5 million) to the JV Company for the use in the retail business development in China.

RESULTS OF THE GROUP

	2008		2007		2006		2005		2004	
	Continuing operations HK$'000	**Discontinued operations HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000
Turnover	**781,993**	**14,184**	724,284	48,487	653,028	68,520	546,948	20,565	391,718	72,692
Operating profit/(loss)	**88,645**	**(21,441)**	110,955	3,737	95,298	(11,438)	72,651	(3,156)	38,403	(3,002)
Share of profits of jointly controlled entity	**14,509**	**–**	1,925	–	4,726	–	3,466	–	5,551	–
Profit/(loss) before taxation	**103,154**	**(21,441)**	112,880	3,737	100,024	(11,438)	76,117	(3,156)	43,954	(3,002)
Taxation (charge)/credit	**(7,092)**	**–**	(5,729)	(5,162)	1,578	(8)	(4,815)	(5)	(4,726)	(558)
Gain on disposal of a subsidiary	**–**	**3,455**	–	–	–	–	–	–	–	–
Profit/(loss) attributable to shareholders	**96,062**	**(17,986)**	107,151	(1,425)	101,602	(11,446)	71,302	(3,161)	39,228	(3,560)

ASSETS AND LIABILITIES OF THE GROUP

	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000
Fixed assets	**224,046**	180,159	138,571	132,504	127,673
Jointly controlled entity	**56,251**	57,829	53,374	56,888	65,168
Long term deposits and prepayments	**12,657**	16,734	44,703	13,263	—
Available-for-sale financial assets/other investment	**24,255**	7,189	4,822	4,712	4,712
Deferred tax assets	**38,680**	36,339	29,710	16,880	7,584
Non-current assets classified as held for sale	**—**	39,718	—	—	—
Liabilities directly associated with non-current assets classified as held for sales	**—**	(3,445)	—	—	—
Net current assets	**436,081**	404,590	285,916	267,964	181,407
	791,970	739,113	557,096	492,211	386,544
Shareholders' funds	**786,804**	735,663	557,096	492,211	386,544
Deferred tax liabilities	**5,166**	3,450	—	—	—
	791,970	739,113	557,096	492,211	386,544

INVESTMENT PROPERTIES

	Location	Type	Tenure
(a)	Shop Nos 5 & 6, 215-217 Qi Sha Road, Block 1, Hao Jing Hua Yuan, West District, Shi Qi Zhen, Zhongshan, Guangdong Province, People's Republic of China	Shop	Medium lease
(b)	Unit B on G/F, Nos 26, 28, 28A Rua De. S. Domingos, Macau	Shop	Medium lease
(c)	28/F, Hing Wai Centre, No.7, Tin Wan Praya Road, Aberdeen, Hong Kong	Office	Medium lease
(d)	Car Parking Space No. V6 , UG/F, Hing Wai Centre, No. 7, Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease
(e)	Car Parking Space No. V7, UG/F, Hing Wai Centre, No. 7, Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease
(f)	Car Parking Space No. L15, G/F, Hing Wai Centre, No. 7, Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease
(g)	Car Parking Space No. L16, G/F, Hing Wai Centre, No. 7, Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease