le saunda holdings ltd.

利 信 達 集 團 有 限 公 司

annual report 2009

(Stock Code : 738)

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Note:

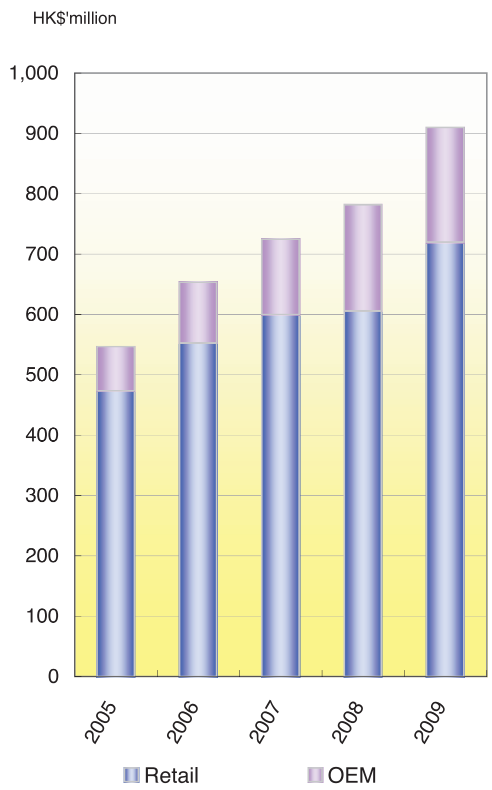
All monetary values are expressed in Hong Kong Dollars unless stated otherwise.

FINANCIAL HIGHLIGHTS

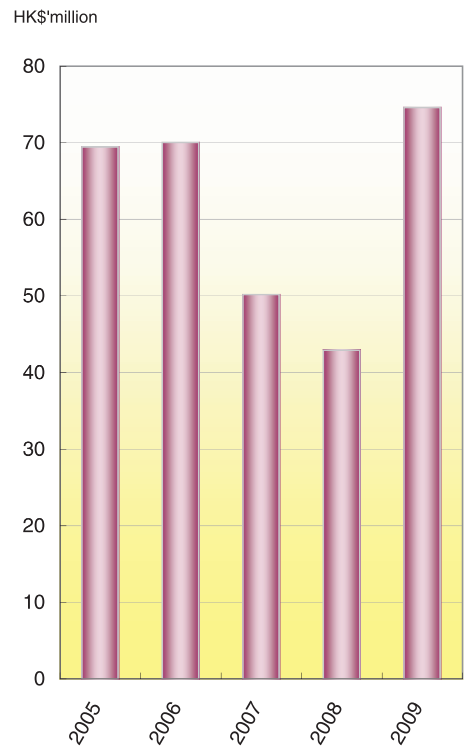
	Year ended 28 February 2009 HK$m	Year ended 29 February 2008 HK$m	Change %
Profit and Loss Highlights			
Continuing Operations:			
- Revenue	910.0	782.0	16.4
- Underlying Profit for the year	74.6	42.9	73.9
- Total Profit for the year	72.1	96.1	-25.0
- Basic Earnings per Share (HK Cents)	11.3	15.1	-25.3
Profit Attributable to Equity Holders	72.1	78.1	-7.7
Dividend per Share (HK Cents)	7.5	7.5	—
Balance Sheet Highlights			
Total Equity	832.7	786.8	5.8
Net Cash Balances	203.5	282.9	-28.1
Net Assets Value per Share (HK$)	1.30	1.23	5.7
Net Cash per Share (HK$)	0.32	0.44	-28.2
Other Key Ratios			
Stock Turnover (Days)	121	90	
Quick Ratio (Times)	2.5	3.6	
Gearing Ratio	—	—	

Note: Underlying profit is a performance indicator of the Group's core sale of footwear business. It is arrived at by excluding from continuing operations profit after income tax from share of profit/loss of a jointly controlled entity, rental income, foreign currencies exchange gains/losses, unrealised fair value changes on investment properties and available-for-sale financial assets.

Revenue - Continuing Operations



Underlying Profits - Continuing Operations



EXECUTIVE DIRECTORS

Lee Tze Bun, Marces *(Chairman)*
(resigned as Chief Executive Officer on 1 March 2009)
Lau Shun Wai *(Chief Executive Officer)*
(appointed as Chief Executive Officer on 1 March 2009)
Chui Kwan Ho, Jacky *(Managing Director)*
Tsui Oi Kuen
Wong Sau Han
Wong Tai Chung, Kenneth
(appointed on 1 September 2008)
Chu Tsui Lan *(appointed on 1 March 2009)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan

AUDIT COMMITTEE

Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan

REMUNERATION COMMITTEE

Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan
Lee Tze Bun, Marces

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Wong Tai Chung, Kenneth

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

17/F Fortis Centre
1063 King's Road
Quarry Bay
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 Ltd.
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

WEBSITE ADDRESS

http://www.lesaunda.com.hk

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2008/09 Interim Results Announcement	**17 November 2008**
Payment of 2008/09 Interim Dividends	**17 December 2008**
2008/09 Annual Results Announcement	**1 June 2009**
Closure of Register of Members (both days inclusive)	**16 – 20 July 2009**
Annual General Meeting	**20 July 2009**
Proposed Payment of 2008/09 Final Dividend	**27 July 2009**

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrars :
Computershare Hong Kong Investor Services Ltd.
Unit 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Telephone : (852) 2862 8555
Facsimile : (852) 2865 0990

Holders of the Company's ordinary shares should notify the Registrars promptly of any change of their address.

INVESTOR RELATIONS

For enquiries relating to investor relations, please email to ir@lesaunda.com.hk or write to the Company at :
Le Saunda Holdings Limited
17/F Fortis Centre
1063 King's Road
Quarry Bay, Hong Kong

Telephone : (852) 3678 3200
Facsimile : (852) 2554 9304

September 2008

First women's handbag stand-alone counter opened in Grandview Mall, Guangzhou in September 2008, strengthening the Group's presence in ladies' handbag market.

The expansion of Shunde production base was accomplished in September 2008. The Group's annual production capacity has increased to 1.5 million pairs of shoes.

With the opening of the new outlet in Golden Eagle Mall, Nanjing in September 2008, the Group's number of outlet exceeded 300 for the first time in PRC.

December 2008

Named the "Hong Kong Outstanding Enterprise 2008" by Economic Digest magazine in December 2008.

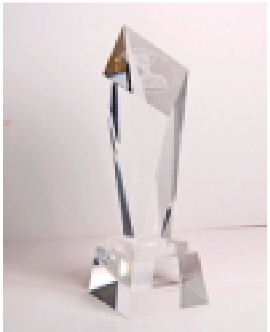
Awarded the "2008 Service Retailer of the Year - Footwear Category" by Hong Kong Retail Management Association in December 2008.

January 2009

Opened first CnE flagship outlet in Lilian Sun Plaza, Shenzhen in January 2009.

March 2009

Winner in "The 9th Capital Outstanding Enterprise Awards - Capital The Best Brand Enterprise - Leather Accessories Chain Store" in March 2009.



May 2009

With the opening of the new Le Saunda outlet in Xin Ma Te Mall, Shenyang in May 2009, the Group's number of outlet exceeded 400 for the first time in PRC.

To our valued 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 28 February 2009.

The business environment in the fiscal year 2008/09 was challenging due to the deepening global economic crisis. Sliding consumer confidence has made an impact on the Group's business, particularly the OEM segment which saw lower client orders and lower profit margin. Nonetheless, Le Saunda's retail operations delivered outstanding performance, leading to a 16.4% increase in consolidated revenue and a 73.9% increase in underlying profits from core businesses, as compared to the corresponding period last year. The increases were attributable to successful business strategies, prudent expansion initiatives, quality management and a solid business foundation established after a series of innovative measures and restructuring moves in fiscal 2007/08. Consolidated profit attributable to equity holders decreased 7.7% year-on-year due to an exceptional impact from asset impairment/valuation on investment properties and foreign exchange devaluation on non-Hong Kong dollar deposits. The Board has resolved to declare a final dividend of HK4.5 cents per share.

2008/09 was a fruitful year for Le Saunda as evidenced by various important achievements and milestones. With the openings of 177 new outlets, the Group's sales network grew further to 403 outlets. The Group has further consolidated its leading position in ladies' footwear through coming up with more fashionable designs and enhancing brand image, while at the same time actively broadening its product offering by expanding into men's footwear and ladies' handbag markets, as demonstrated by the openings of 9 men's footwear outlets and 8 ladies' handbag outlets. After a year in planning and construction, the expansion of Shunde production plant was completed in September 2008. With the addition of one new production line, the Group's annual production capacity has been increased to 1.5 million pairs. The strengthened production capacity would enable Le Saunda to better capture business opportunities and tackle challenges ahead.

Looking forward, downside risks remain though the governments of a number of countries have undertaken aggressive monetary and fiscal policies to support their own economies. This uncertainty in the macroeconomic environment has brought with it challenges to all players in the retail industry. Thanks to the massive fiscal stimulus initiatives taken by the Chinese government and its sound fundamentals, it is expected that the country's economy and domestic consumption to be relatively stable. Since April 2009, there were some early signs that economic activities in China are stabilizing. In Hong Kong and Macau, uncertainties in the employment are likely to continue to undermine consumer confidence.

Le Saunda is one of the leading vertically-integrated footwear retailers. With its competitive advantages in brand positioning, business strategies, production capacity, comprehensive product range, quality management and healthy balance sheet, the Group is well equipped to weather the storm ahead. In the longer run, a revived economy and an improved outlook on domestic consumption are expected to provide Le Saunda with immense growth opportunities and the Group shall place more emphasis on its retail operations in Mainland China. The Group shall continue to expand its outlet network in a prudent manner. In fiscal 2009/10, the Group plans to open 150 to 200 outlets. To boost sales, the Group is enriching its product offerings, particularly in men's footwear and accessories, and developing new product lines. While the OEM business is likely to experience some challenges in view of weaker demand from customers, the Group shall continue to develop new sales channels. Furthermore, the Group shall continue to implement stringent cost control measures and carry out retail outlets consolidation to enhance competitiveness.

Le Saunda believes the key to long-term growth is providing customers a quality shopping experience through offering them a comprehensive range of quality products and top notch customer service. The Group shall continue to make this its commitment.

Finally, I would like to take this opportunity to thank the Group's management team and employees for their hard work and unwavering commitment to customers and shareholders over the years.

Lee Tze Bun, Marces
Chairman

Hong Kong, 1 June 2009

OVERVIEW

A rapidly changing year full of challenges

During the fiscal year of 2008/09, the Group has lived up to its "Consolidation and Development" theme for the year by strengthening and optimising its business in a prudent manner. The Group is resolved to develop its footwear business with a pragmatic approach. To achieve cost efficiency, the Group has carried out stringent cost control measures and closely monitored the performance of its self-owned and franchised outlets.

The Group's core businesses achieved satisfactory performance in the first half as a result of the implementation of a series of restructuring and innovative marketing measures. Less aggressive stock clearance resulted in better profitability in retail operations in Mainland China. Key performance indicators such as revenue and profit margin also saw significant growth as a result of enhanced product mix, higher operational efficiency, effective brand-building activities and an improved management system. However, the global economy was overshadowed by unprecedented challenges in the second half of the year under review. The global financial crisis that began in late 2008 has hurt economies around the world. Its adverse impacts rippled through to the consumer level and had directly impacted on both the retail and export sectors. Despite the marked change in operating environment, the Group continued to formulate strategies to consolidate its business in a prudent manner in the second half of the fiscal year, while making continued improvements in product mix, pricing, and shop image. China's economy has been relatively little affected by the global financial crisis and there have been plenty of business opportunities across the country, allowing the Group to develop its business in the PRC further. The Group has newly opened 84 self-owned outlets and 39 franchise outlets in China and further strengthened its presence in major second-tier cities such as Nanjing, Mianyang and Suzhou in the second half of the year, whilst 12 self-owned outlets and 15 franchise outlets were closed. Despite the challenging business environment, our core retail business operations in Mainland China still managed to achieve strong organic growth. With no debt and a strong cash flow, the Group's healthy balance sheet has equipped us well to weather the global financial crisis.

For the fiscal year ended 28 February 2009, the Group's consolidated revenue reached HK$910.0 million, representing a year-on-year increase of 16.4%. Consolidated gross profit increased by 22.3%, while consolidated gross profit margin climbed a significant 2.6 percentage points to 52.6% mainly due to strong retail performance in Mainland China. As a result of stringent cost control and enhanced operational efficiency throughout the fiscal year, underlying profits from core businesses recorded an outstanding 73.9% year-on-year growth, amounting to HK$74.6 million. After accounting for losses in asset impairment/valuation on investment properties and foreign exchange devaluation on non-Hong Kong dollar deposits, consolidated profit attributable to equity holders of the Company for the fiscal year 2008/09 decreased by 7.7% to HK$72.1 million as compared to the last corresponding period. On a comparable basis, underlying profits from core businesses in the second half of the year were 28.2% above the first half of the year. As the Group has more outlet openings and less slow moving stock for aggressive clearance, stock turnover days slightly increased from 90 days to 121 days as at 28 February 2009.

The Board resolved to declare a final dividend of HK4.5 cents per share. (2007/08: HK4.5 cents). Together with the interim dividend of HK3.0 cents, the total dividend for the fiscal year 2008/09 will be HK7.5 cents per share.

REVIEW OF OPERATIONS

BUSINESS REVIEW

Retail Operations

Le Saunda expands its retail network through the operation of self-owned outlets and franchised outlets. As at 28 February 2009, the Group had a network of 403 retail outlets in Hong Kong, Macau and Mainland China. Capitalising on the strong brand recognition of *Le Saunda* and *CnE*, retail operations continued to be the major contributor in terms of revenue to the Group, accounting for 79.0% of the consolidated revenue during the fiscal year under review.

In line with the theme "Consolidation and Development" for fiscal year 2008/09, retail outlets consolidation continued. Regular evaluations of the performance of self-owned and franchised outlets were carried out. Underperforming retail outlets were closed in order to enhance operational efficiency. On the other hand, the Group focused on upgrading and renovating high-traffic outlets with unified yet innovative store designs to enhance brand awareness and image.

A series of initiatives were conducted to enhance its product mix and strengthen its product designs. Apart from the existing footwear collection, from high-end European dress shoes, casual comfort, to stylish and trendy, as well as executive classics, the Group has also further expanded ladies' handbag and men's footwear businesses to capture the enormous growth opportunities in the Mainland China market. Despite the challenging operational environment, the Group was still able to see a promising growth in its retail sales as a result of the unfailing dedication to expanding product range and mix as well as strengthening product designs.

In September 2008, the expansion of Shunde production base was completed with one new production line in operation to meet the growing demand from retail operations. The total production capacity of Shunde plant increased from 1.2 million to 1.5 million pairs of shoes per year.

REVIEW OF OPERATIONS (continued)

BUSINESS REVIEW (continued)

Hong Kong and Macau

Outlets optimisation in enhancing operational efficiency

As of 28 February 2009, the Group owned and operated 19 *Le Saunda* self-owned outlets in Hong Kong and Macau. Total revenue slightly increased by 2.2% to HK$187.9 million year-on-year. Though same-store-sales recorded a year-on-year growth of 12.4%, gross profit margin was under much pressure especially during the second half of the year, resulting in a 1.9% small drop in the full year gross profit margin as a percentage point of sales.

During the year under review, a new retail outlet was opened and 5 underperforming retail outlets were closed in Hong Kong to achieve operational efficiency. Moreover, existing retail outlets had undergone renovations that combined unique aesthetics with trendy elements with a view to attracting more customers and enhancing brand image during the period under review. Despite this, overall operating environment in Hong Kong and Macau was still a challenge to the Group due to weak market sentiments and subdued consumer spending, particularly after the Chinese New Year in 2009.

Mainland China

Strong sales growth on the back of rapid expansion of distribution network and enhanced product range and mix

In order to better capture the arising business opportunities in Mainland China, the Group has been expanding its distribution network in the region at a rapid rate. As of 28 February 2009, the Group operated 384 *Le Saunda* and *CnE* retail outlets in Mainland China, of which 237 were self-owned outlets and 147 were franchised outlets. The Group opened 112 self-owned outlets and 64 franchised outlets, and shut down a total of 49 underperforming retail outlets during the fiscal year under review:

Region	Self-owned	Franchise	Total
Huabei	46	33	79
Huadong	54	50	104
Xibei/Xinan/Huazhong	51	54	105
Huanan	86	10	96
Total No. of Outlets	237	147	384

REVIEW OF OPERATIONS (continued)

BUSINESS REVIEW (continued)

Mainland China (continued)

Thanks to robust economic growth and strong purchasing power of the middle class in China, total revenue generated in the China market recorded a significant growth of 26.2% to HK$531.2 million, while same-store-sales of self-owned outlets reached a year-on-year growth of 7.7%. Less slow moving stock for aggressive clearance helped to boost overall gross profit margin by 7.2% as a percentage point of sales in Mainland China.

The Group continued to increase its presence in first-tier and second-tier cities in China. New self-owned outlets were opened in major second-tier cities including Nanjing, Mianyang and Suzhou. In terms of performance by product categories, ladies' handbags were outstanding during the year under review:

Product Category	Year-on-Year Growth (%)	Sales Mix %
Ladies' Handbags	53.7	11.4
Ladies' Footwear	33.3	72.5
Men's Footwear	12.4	16.1

The Group has also further expanded its ladies' handbag and men's footwear businesses in the Mainland China market. 7 new outlets of men's footwear and 8 new outlets of ladies' handbag were opened during the second half of the fiscal year.

Same as retail outlets in Hong Kong and Macau, outlets in China were refurbished with new fashion elements to better position the brand image. Moreover, the Group actively participated in various marketing campaigns, including advertising in magazines and joint promotion with high-traffic shopping malls.

REVIEW OF OPERATIONS (continued)

BUSINESS REVIEW (continued)

OEM Business

OEM achieved business growth despite economic downturn

During the period under review, OEM accounted for approximately 21.0% of the total consolidated revenue. Despite the economic downturn in the second half of the year, the OEM business managed to achieve an 7.8% year-on-year growth in revenue. The average selling price of OEM products was up by 7.8% and the total production volume was almost on par to last year. Overall gross margin was, however, affected by weak Euro currency as most of the OEM invoices were denominated in Euro. Despite this, the Group continued to maintain stable and long-term partnership with its clients, which mainly included high-end market brands from Russia, Spain, Italy, the Middle East, Japan, Australia and New Zealand, etc.

Business Collaboration with Florencia Marco, S.L.

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

PROSPECT

2009/10 will be a year full of uncertainties, yet we are seeing ample growth in the China market in the long run

Though the uncertainties and challenges that are likely to persist going forward, the Group will continue to look for long-term growth through executing its organic growth strategies. Mainland China will be the core market. The Group will continue to boost its presence in Mainland China by looking for attractive locations with reasonable rents. The Group plans to open 150 to 200 outlets in the fiscal year 2009/10 and continue to further enhance its brand image in store. The expansion plan will be implemented in phases depending on the actual market environment. The Group will further expand its geographical reach to more first-tier and second-tier cities such as Taiyuan, Shenyang and Kunming in the second quarter of 2009. In spite of the global economic downturn, the purchasing power of consumers in China has been little affected.

The Group is committed to providing customers with innovative and quality products at the most affordable prices. On the product front, the Group has developed a new “essential” product line to cater the needs of various consumers. While continuing to explore men’s shoes and accessories markets, the Group will, at the same time, review ladies’ handbag products and enrich existing ladies’ footwear portfolios.

PROSPECT (continued)

With regard to the OEM business, the Group expects the overall growth in this segment to slow down in 2009. With major markets in recession, client demand remains sluggish. Nevertheless, the Group will keep on exploring new sales channels and business models through strategic cooperation with existing OEM partners to widen revenue source for instance.

To capture the increasing demand for footwear products in China, the Group will prudently plan to add more production lines to further raise the annual production capacity before end of 2010.

The Group will strive to implement further stringent cost control measures to minimize expenses and closely monitor market circumstances in order to make timely adjustments on its strategies. The Group endeavors to streamline existing operations and structures to effectively control back-office expenses. Retail outlet consolidation will continue with regular evaluation on sales performance of all self-owned and franchised outlets.

With a strong cash position and an experienced management team, the Group is well positioned to tackle the challenges ahead. Although the macro environment remains challenging, the Group will continue to step up its efforts on creating more growth drivers and strengthening its retail operations with an aim to deliver better results and enhance shareholders' returns in the coming years.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

During the year under review, total capital expenditure of the Group increased from HK$47.5 million to HK$124.0 million, mainly for the expansion of existing Shunde production base and retail networks in Mainland China, and for the construction of a new production base in Gaoming, Foshan. As at 28 February 2009, the Group's cash position remains strong and healthy with net cash balances of HK$203.5 million (29 February 2008: HK$282.9 million). Total equity is maintained at HK$832.7 million, along with a quick ratio of 2.5 times (29 February 2008: 3.6 times).

FINANCIAL REVIEW (continued)

Pledge of Assets

As at 28 February 2009, the Group pledged certain of its properties and leasehold land with net book value amounting to HK$25.0 million (29 February 2008: HK$25.7 million) to secure Letters of Credit and bank loan facilities of HK$30.0 million (29 February 2008: HK$30.0 million), which has been granted to certain subsidiaries of the Group.

Capital Structure and Financial Resources of the Group

During the year ended 28 February 2009, 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 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.

DIVIDEND

The Directors declared an interim dividend of HK3.0 cents (2008: HK3.0 cents) per ordinary share in respect of the year ended 28 February 2009.

The Directors recommend the payment of a final dividend of HK4.5 cents (2008: HK4.5 cents) per ordinary share for the year ended 28 February 2009.

BANK GUARANTEES

The Company and several subsidiaries have jointly given corporate 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 (2008: HK$30.0 million) of which HK$12.9 million (2008: HK$8.0 million) was utilised as at 28 February 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2009, the Group had a staff force of 3,555 people. Of this, 185 were based in Hong Kong and 3,370 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 28 February 2009, including directors' emoluments and net pension contributions, amounted to HK$164.9 million (2008: HK$139.3 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 (Note: The basic of determining the directors' emoluments are set out in the Corporate Governance Report on pages 30 and 31 and the particulars are set out in notes 10 and 11 to the Financial Statements pursuant to Appendix 16 of the Listing Rules.).

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces, aged 75, is the founder of the Group and Chairman 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 shoe suppliers in Italy. He is responsible for the Group's leadership and management of the Board and the Group's strategy.

Lau Shun Wai, aged 38, is executive Director and chief executive officer of the Group. She first joined the Group in 1992 and has over 15 years of experience in retailing, merchandising and marketing in both Hong Kong and Mainland China markets. She holds a master degree in business administration (financial management) from The University of Hull in the United Kingdom, an Honors Diploma in marketing from Lingnan College in Hong Kong and a diploma in marketing from The Chartered Institute of marketing in the United Kingdom. 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 operations and development and to implementing the Group's strategies.

Chui Kwan Ho, Jacky, aged 45, is managing Director of the Group and Maior Limited, a subsidiary of the Group. She joined the Group in July 1981. She is responsible for the export business of the Group.

Tsui Oi Kuen, aged 53, is executive Director of the Group. She first joined the Group in 1979. Ms. Tsui is a 30-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 the Group's retail operation in Hong Kong and Macau.

Wong Sau Han, aged 49, is executive Director of the Group. She first joined the Group in 1989 and was appointed as an executive Director of the Group in March 1998. Ms. Wong has over 26 years of professional experience in human resources management for Hong Kong and Mainland China operations, of which the past 16 years were in the retail industry. She holds a master degree in human resources management from 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 whose securities are listed on The Stock Exchange of Hong Kong Limited. She is responsible for the Group's human resources, training and development, warehouse and administration functions.

Wong Tai Chung, Kenneth, aged 45, is executive Director, chief financial officer and company secretary of the Group. He joined the Group in October 2007. Mr. Wong is a fellow member of The Chartered Institute of Management Accountants and an associate member of The 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 of 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 master degree in business administration from The University of Hull in the United Kingdom. He is responsible for the Group's financial control and accounting, treasury, legal and secretarial, investor relations as well as information technology functions.

EXECUTIVE DIRECTORS (continued)

Chu Tsui Lan, aged 39, is executive Director and general manager, China of the Group. She joined the Group in 1992. She has over 17 years of retail experience in Hong Kong and Mainland China. She is responsible for the Group's retail and franchise business operations and development in Mainland China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon, aged 59, 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 The Hong Kong Institute of Certified Public Accountants respectively. Mr. Lam has been a practicing accountant for over 19 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 50, joined the Group in September 2004. Mr. Leung has over 21 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.

Hui Chi Kwan, aged 60, joined the Group in November 2007. Mr. Hui 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 Group, 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

Mak Ping Fai, aged 43, holds a bachelor degree in business administration. 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 46, joined the Group in 1996. He has over 22 years of experience in shoes production management. Mr. Ho serves as production director of Shunde factory and is responsible for manufacturing management and monitoring the quality of products.

Leung Wai Yin, aged 43, is the general manager of LS Factory Production of the Group. She holds a master degree in 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 production operation in respect of the in-house branded products.

Leung Choi Ngan, aged 43, 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 15 years' apparel retail experience in Mainland China and is responsible for the CnE brand's retail operations and development in Mainland China.

An You Ying, aged 39, holds a master degree in business administration from Dong Hua University in Shanghai, China. She joined the Group in 1997. Ms. An serves as assistant general manager, China of the Group. She has over 12 years of retail experience in Mainland China and is responsible for the Group's retail business operations in the regions in North Changjiang River of Mainland China.

Li Jing Bo, aged 39, graduated from Wuhan University and majored in public relations. Mr. Li is the assistant general manager, China of the Group. He first joined the Group in 1992 and has over 17 years' experience in market development and retail management experience in Mainland China. He left in October 2001 and re-joined the Group in June 2008. He is responsible for the Group's business development and building up of the retail marketing network 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 28 February, 2009:

A. DIRECTORS

A1 The Board

Code Principle

The board should assume responsibility for leadership and control of the Company and be responsible for directing and supervising the Company'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.	√	Five Board meetings were held during the year under review.
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 fo 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 maximize 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 secretary of the meeting 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 expense.
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 of the Company 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 Directors' attendance at the Board and other Board committee meetings during the year under review is set out in the following table:-

Name of Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. LEE Tze Bun, Marces (Chairman) (appointed as Chief Executive Officer on 1 October 2007 and resigned on 1 March 2009 respectively)	4	N/A	0
Ms. LAU Shun Wai (appointed as Chief Executive Officer on 1 March 2009)	5	2 (Note 1)	N/A
Ms. CHUI Kwan Ho, Jacky	5	2 (Note 1)	N/A
Ms. TSUI Oi Kuen	4	1 (Note 1)	N/A
Ms. WONG Sau Han	5	2 (Note 1)	N/A
Mr. WONG Tai Chung, Kenneth (appointed on 1 September 2008)	2	1 (Note 1)	N/A
Ms. CHU Tsui Lan (appointed on 1 March 2009)	N/A	N/A	N/A
Independent non-executive Directors			
Mr. LAM Siu Lun, Simon	5	4	3
Mr. LEUNG Wai Ki, George	5	4	3
Mr. HUI Chi Kwan	5	3	2
Total meetings held during the year under review	5	4	3

Note:

1. Ms. LAU Shun Wai, Ms. CHUI Kwan Ho, Jacky, Ms. TSUI Oi Kuen, Ms. WONG Sau Han and Mr. WONG Tai Chung, Kenneth attended the audit committee meetings as invitees.

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 separate, clearly established and set out in writing.	Deviation – See Note 1*	The roles of Chairman and CEO are currently exercised by separate persons. Besides, power and authority are not concentrated in any one individual as responsibilities are also shared with the five 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 at the Board Level.
A2.2	The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	√	The chairman accepts her 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 in a timely manner.	√	

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

A. DIRECTORS (continued)

A2 Chairman and Chief Executive Officer (continued)

Code Principle (continued)

Mr. LEE Tze Bun, Marces held both the offices of the Chairman and CEO of the Company between 1 October 2007 and 1 March 2009. That arrangement was considered by the Board as conducive to the execution of the Group's business strategies and maximizing the effectiveness of the Company's operation at that time. When Mr. LEE Tze Bun, Marces resigned from the office of the CEO of the Company effective on 1 March 2009, the Board reviewed the structure of governance of the Company and appointed Ms. LAU Shun Wai, the Executive Director, as the CEO of the Company on 1 March 2009. The Board considers Ms. LAU Shun Wai to be an appropriate individual for the future development of the Company's operations and business and that the appointment is in the interest of the Company. Mr. LEE Tze Bun, Marces continues to act as Chairman of the Board and executive Director of the Company after his resignation from the office of the CEO. The roles of the Chairman and CEO of the Company are therefore currently vested in separate persons and the Code provision A2.1 is now fully complied with.

A3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the company 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 are expressly identified in all corporate communications that disclose the names of the Directors.

The Board currently consists of a total of ten Directors, comprises of seven executive Directors, namely Mr. LEE Tze Bun, Marces, Ms. LAU Shun Wai, Ms. CHUI Kwan Ho, Jacky, Ms. TSUI Oi Kuen, Ms. WONG Sau Han, Mr. WONG Tai Chung, Kenneth (appointed on 1 September 2008) and Ms. CHU Tsui Lan (appointed on 1 March 2009) and three independent non-executive Directors, namely Mr. LAM Siu 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. At least one of the independent non-executive Directors has appointed professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. 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.

The Directors have no relationships (including financial, business, family or other material relationships) among themselves.

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. The terms of appointment of Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, the non-executive Directors, are for 2 years.
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 after their appointment, and every Director would be subject to rotation at least once every three years.

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.

In reviewing the suitability of a potential candidate, the Board considers various factors including but not limited to:-

(i) the skills, experience, expertise and personal qualities that will best complement the Board's effectiveness;

(ii) the capability of the candidate to devote the necessary time and commitment to the role and this involves consideration of matters such as other board or executive appointments of the candidate; and

(iii) potential conflicts of interests and independence of the candidate.

A. DIRECTORS (continued)

A4 Appointment, Re-election and Removal (continued)

Code Principle (continued)

During the year under review, the Board held three meetings relating to the nomination of Directors. The Board reviewed and considered at the relevant Board meetings the appointment of Mr. Wong Tai Chung, Kenneth as executive Director with effect from 1 September 2008, and Ms. Lau Shun Wai and Ms. Chu Tsui Lan as chief executive officer and executive Director respectively with effect from 1 March 2009, whose appointments were subsequently approved by the Board.

The Directors' attendance at the said meetings during the year under review is set out in the following table:-

Name of Directors	Attendance
Executive Directors	
Mr. LEE Tze Bun, Marces *(Chairman)* *(appointed as Chief Executive Officer on 1 October 2007 and resigned on 1 March 2009 respectively)*	2
Ms. LAU Shun Wai *(appointed as Chief Executive Officer on 1 March 2009)*	2
Ms. CHUI Kwan Ho, Jacky	3
Ms. TSUI Oi Kuen	3
Ms. WONG Sau Han	3
Mr. WONG Tai Chung, Kenneth *(appointed on 1 September 2008)*	2
Ms. CHU Tsui Lan *(appointed on 1 March 2009)*	N/A
Independent non-executive Directors	
Mr. LAM Siu Lun, Simon	1
Mr. LEUNG Wai Ki, George	0
Mr. HUI Chi Kwan	1
Total meetings held during the year under review	3

The Company will consider establishing a nomination committee to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes.

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 the 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 familiarize 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 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 and sufficient time and attention to the Company's affairs.

A. DIRECTORS (continued)

A5 Responsibilities of Directors (continued)

Code Principle (continued)

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A5.4	Every director must comply with the Model Code for Securities Transactions by 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 of the Group 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 of all Directors, the Company confirmed that each of the Directors has complied with the required standards during the year under review.

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 board meeting or committee meeting.	√	Board papers are circulated not less than 3 days before 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 Accountants of the Company are in attendance at regular Board and Board committee meetings to advise on corporate governance, statutory compliance, accounting and financial matters. The Directors are encouraged to make further enquiries where they require more information than those volunteered by management for discharging their responsibilities. 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

B.1 Level and Make-up of Remuneration and Disclosure

Code Principle

A formal and transparent procedure should be established for setting policy on executive directors' 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	The company should establish remuneration committee, majority of which shall be independent non-executive directors.	√	Please refer to the section on page 31.
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 B.1.3 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)

B.1 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 B.1.3 of the Code, are clearly set out in its terms of reference which are available at the Company's website. Mr. LAM Siu Lun, Simon is the chairman of the Remuneration Committee.

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 three meetings. 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 company'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 auditors about their reporting responsibilities in the auditors' 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 if the directors are aware of material uncertainties that cast significant doubt on the company's ability to continue as a going concern.	√	Please refer to the section on page 33.

C. ACCOUNTABILITY AND AUDIT (continued)

C1 Financial Reporting (continued)

Code Principle (continued)

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
C1.3	The Board should present a balanced, clear and understandable assessment including in the reports and disclosures required under the Listing Rules, and reports to regulators and to information required to be disclosed pursuant to statutory requirements.	√	Please refer to the section below.

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.

With the assistance of the finance department which is under the supervision of the chief financial officer of the Group, the Directors have ensured that the preparation of the financial statements of the Group is in accordance with statutory requirement and applicable accounting standards. 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 a going concern basis.

The Independent Auditor's Report on page 56 to 57 of this annual report has set out the reporting responsibilities of PricewaterhouseCoopers, the auditor of the Company.

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 recognizes the importance of good corporate governance and transparency and its accountability to shareholders. It has exercised due diligence to ensure that it has presented a balanced, clear and understandable assessment in 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.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

C. ACCOUNTABILITY AND AUDIT (continued)

C2 Internal Controls

Code Principle

The Board should ensure that the company 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.
C2.2	The board should consider the adequacy of resources, qualifications and experience of staff of the company's accounting and financial reporting function, and their training programmes and budget in the annual review.	√	Resources, qualifications and experience of the Group's accounting staff and financial reporting function, and their training programmes and budget are reviewed by the Board from time to time.

One of the Board's main areas of responsibility is the Group's system of internal controls. To this end, policies and procedures have been put in place (i) to safeguard assets against unauthorized 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 minimize 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 organizational 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.

C. ACCOUNTABILITY AND AUDIT (continued)

C2 Internal Controls (continued)

Code Principle

The Board has overall responsibility for maintaining a sound and effective system of internal control 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 under review, the Group outsourced the internal control review function to an independent business consulting and internal audit firm.

During the year ended 28 February, 2009, the independent business consulting and internal audit firm conducted a comprehensive risk assessment exercise for the Group which covered the Group's operations in Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China ("PRC") and the PRC.

In conducting the risk assessment, management embraced a "top-down" approach as recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), i.e. management defines the objectives of the Group and the related risk categories impacting those objectives.

By utilizing an outsourced facilitating function, surveys and interviews with each individual member of senior management team have been arranged so as to discuss, identify and customize the objectives and risks encountered by the Group.

Risk owner(s) are identified for each of the key priority risks. Response strategies and mitigation plans with respect to each key risks identified have been developed and put into action.

Besides, during the year under review, the Group has also established an internal control review team assisting the Board in maintaining an effective internal control system by evaluating its effectiveness and efficiency and by promoting continuous improvement.

In conducting the internal control review, the team selected key business processes in various locations. Findings and recommendations on internal control deficiencies were well communicated with management and action plans were developed by management to address the issues identified.

The internal control review team which is independent of management reports directly to the audit committee. Key findings of risk assessment and of each internal control review assignment were reported to and reviewed by the audit committee on a regularly basis.

The Board is generally satisfied as to the effectiveness of the system of internal controls of the Company and its subsidiaries during the year under review.

C. ACCOUNTABILITY AND AUDIT (continued)

C3 Audit Committee

Code Principle

An audit committee should be established with clear terms of reference. The board should establish formal and transparent arrangements for considering how it applies the financial reporting and internal control principles and for maintaining 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 or former 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.	√	

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 re-appoint PricewaterhouseCoopers as the Company's external auditors 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 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. Mr. LAM Siu Lun, Simon is the chairman of the Audit Committee.

For the year ended 28 February 2009, the external auditors received HK$2.3 million for audit services and HK$0.7 million for non-audit services. The non-audit services consist mainly of tax advisory services of HK$0.2 million and due diligence services of HK$0.5 million on business collaboration with Florencia Marco, S.L. 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.

C. ACCOUNTABILITY AND AUDIT (continued)

C3 Audit Committee (continued)

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

(i) review the annual budget of the Group and the Group's performance against budget;

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

(iii) review the draft interim and annual financial statements and related draft results announcements and documents including the external auditors' reports and other documents produced by the external auditors;

(iv) review the independence of the external auditors and engagement of external audit for audit related services;

(v) review the engagement of internal audit services by the independent business consulting and internal audit firm including scope, internal audit plan and fee;

(vi) review the internal audit reports and updates by the independent business consulting and internal audit firm in respect of the Group's internal control system and procedures, its effectiveness and key risk areas;

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

(viii) 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 matters requiring reporting back to and prior approval from the board.	√	Please refer to the section below.
D1.2	Company should formalize functions reserved to the board and functions delegated to management	√	

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 formalized. 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.

D. DELEGATION BY THE BOARD (continued)

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.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
D2.1	Board committees should have clear terms of reference to enable such committees to discharge their functions properly.	√	Please refer to terms of reference of the Audit Committee and Remuneration Committee of the Company. The Audit Committee and Remuneration Committee are required to report to the Board their decisions under the respective terms of reference.
D2.2	Terms of reference of Board committees should require such committees to report their decisions to the board.	√	

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 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 present and available to answer question at the annual general meeting 2008 ("AGM 2008").
E1.3	Notice should be sent to shareholders at least 20 clear business days before AGM and at least 10 clear business days before other general meetings.	√	Notices were sent to shareholders at least 21 clear business days before the AGM 2008.

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.

E. COMMUNICATION WITH SHAREHOLDERS (continued)

E1 Effective Communication (continued)

Shareholders' Rights

Shareholders are encouraged to attend the annual general meetings for which at least 21 clear 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, press interviews 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.

E2 Voting by Poll

Code Principle

The Company should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
E2.1	Chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders regarding voting by way of poll.	√	The chairman of the Board had duly performed the terms as set out in Code provision E2.1 of the Code in the AGM 2008. The Company's share registrar acted as scrutineer for the poll.

DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 28 February 2009.

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 28 February 2009 are set out in the consolidated income statements on page 58.

The Directors declared an interim dividend of HK3.0 cents (2008: HK3.0 cents) per ordinary share in respect of the year ended 28 February 2009, totaling approximately HK$19,172,000, which was paid on 17 December 2008.

The Directors recommend the payment of a final dividend of HK4.5 cents (2008: HK4.5 cents) per ordinary share, totaling approximately HK$28,758,000 in respect of the year ended 28 February 2009 (2008: HK$28,722,000).

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in note 27 to the financial statements.

FINANCIAL SUMMARY

The financial summary of the Group is set out on page 123 of this annual report. The summary does not form part of the audited financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance and, save as otherwise stated and explained in the Corporate Governance Report on pages 20 to 42 of the annual report, has complied throughout the year under review with the code provisions of the Code on Corporate Governance Practice (the "Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CHARITABLE DONATIONS

Donations made by the Group during the year amount to HK$263,000 (2008: HK$518,000).

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 124.

DIRECTORS

The Directors during the year and up to the date of the report were :

Executive Directors

Lee Tze Bun, Marces *(Chairman)*
(resigned as Chief Executive Officer on 1 March 2009)
Lau Shun Wai *(Chief Executive Officer)*
(appointed as Chief Executive Officer on 1 March 2009)
Chui Kwan Ho, Jacky *(Managing Director)*
Tsui Oi Kuen
Wong Sau Han
Wong Tai Chung, Kenneth *(appointed on 1 September 2008)*
Chu Tsui Lan *(appointed on 1 March 2009)*

Independent Non-Executive Directors

Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan

RE-ELECTION OF DIRECTORS

During the year under review, both Mr. Wong Tai Chung, Kenneth and Ms. Chu Tsui Lan were appointed as executive Directors with effect from 1 September 2008 and 1 March 2009 respectively. According to Bye-law 86(2) of the 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. Wong Tai Chung, Kenneth and Ms. Chu Tsui Lan will retire and, being eligible, offer themselves for re-election.

Also, in accordance with Bye-law 87 of the Bye-laws, at the forthcoming annual general meeting, Ms. Lau Shun Wai, Ms. Chui Kwan Ho, Jacky, Ms. Tsui Oi Kuen and Mr. Leung Wai Ki, George will retire by rotation 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 are 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. None of the service contracts between the Company and the Executive Directors proposed for re-election have a fixed term. The service contract of Mr. Leung Wai Ki, George will expiry on 31 October 2009.

DIRECTORS' INTERESTS IN SECURITIES

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

As at 28 February 2009, 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 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")	35,964,000	—	31,384,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	272,348,000	42.62%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4,686,000	—	—	50,000,000 *(Note 4)*	54,686,000	8.56% *(Note 5)*
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,200,000	—	—	50,000,000 *(Note 4)*	51,200,000	8.01% *(Note 6)*
Ms. Lau Shun Wai ("Ms. Lau")	400,000	—	—	—	400,000	0.06%
Ms. Wong Sau Han ("Ms. Wong")	114,000	150,000	—	—	264,000	0.04% *(Note 7)*
Mr. Wong Tai Chung, Kenneth ("Mr. Wong")	400,000	—	—	—	400,000	0.06%
Ms. Chu Tsui Lan ("Ms. Chu")	1,800,000	—	—	—	1,800,000	0.28%

DIRECTORS' INTERESTS IN SECURITIES (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES 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 32.08% 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 7.82% 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 4,686,000 Shares. Together with the Shares mentioned in (4) above, Ms. Chui is interested in an aggregate of 54,686,000 Shares, representing approximately 8.56% of the issued share capital of the Company.

6. Ms. Tsui personally holds 1,200,000 Shares. Together with the Shares mentioned in (4) above, Ms. Tsui is interested in an aggregate of 51,200,000 Shares, representing approximately 8.01% of the issued share capital of the Company.

7. Ms. Wong personally holds 114,000 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 264,000 Shares, representing approximately 0.04% 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 AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares 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 5.89% 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 forfeited, 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.

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.

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

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

Share Option Scheme (continued)

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 granted share options to certain Directors and employees of the Company to subscribe for the Shares. 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 2008	Exercised during the year	Forfeited during the year	Outstanding as at 28 February 2009	Exercise price per Share	Exercise period
	(Notes 1 & 2)		*(Note 3)*				
Employee in aggregate	16 January 2006	1,276,000	804,000	224,000	248,000	HK$0.87	7 March 2008 – 15 January 2016

As at 28 February 2009, none of the Directors or Chief Executives held the share options of the Company granted under a share option scheme adopted by the Company.

DIRECTORS' INTERESTS IN SECURITIES (continued)

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

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

Share Option Scheme (continued)

Notes :

1. The vesting period of the above share options is from the date of the grant until the commencement of the exercise period.
2. The closing price of the Shares immediately before 16 January 2006 on which the share options was granted was HK$0.87 per Share.
3. The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK$0.98 per Share.

Save as disclosed above, as at 28 February 2009, 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 or 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 under review.

SUBSTANTIAL SHAREHOLDERS

As at 28 February 2009, 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 following persons or corporations (other than the director or chief executive of the Company) had an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

		Number of Shares				
Name	*Note*	Personal interests	Corporate interests	Other interests	Total	Approximate percentage of the issued share capital of the Company
LGT	1	—	205,000,000	—	205,000,000	32.08%
Stable Gain	1	205,000,000	—	—	205,000,000	32.08%
Ms. Lee	2	4,000,000	—	50,000,000	54,000,000	8.45%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	3	—	—	50,000,000	50,000,000	7.82%
Commerzbank AG	4	—	33,660,000	—	33,660,000	5.27%

Notes :

1. Stable Gain holds 205,000,000 Shares, representing approximately 32.08% 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.

2. 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 8.45% of the issued share capital of the Company.

3. Ms. Chui, Ms. Tsui and Ms. Lee jointly hold 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.82% of the issued share capital of the Company.

4. Commerzbank AG is deemed to be interested in 33,660,000 Shares, representing approximately 5.27% of the issued share capital of the Company, by virtue of its indirect 100% interest in Dresdner Bank VPV NV.

Save as disclosed above, as at 28 February 2009, the Company has not been notified of any other person or corporation who had an interest directly or indirectly and/or short positions in the Shares or 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 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 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 ("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, executive Director and the 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, Mr. Lee leased the Macau Premises to Le Saunda Calcado for a term of three years commencing on 1 March 2006 and ending on 28 February 2009. The amount payable by Le Saunda Calcado is the total of (i) rental which is the higher of : (a) HK$1,320,000 per annum; or (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 MOP224,738 (approximately HK$218,192.23) per annum, payable annually on demand in cash to the Government of Macau, an Independent Third Party. The Premises was used to operate as "Le Saunda" retail shop of the Group.

    The total amount of rent paid by the Group to Mr. Lee under the Macau Lease for the year ended 28 February 2009 was HK$1,363,948.43, which was based on 12.5% of the total turnover for the year ended 28 February 2009.

    On 21 January 2009, Mr. Lee as landlord and Le Saunda Calcado as tenant entered into renewal lease agreements of Macau Premises of a further two-year term ("Renewed Term") commencing from 1 March 2009 and ending on 28 February 2011. The amount payable in respect of the Macau Premises is the aggregate of (i) the rental of HK$1,560,000 per annum, payable in advance on a monthly basis in cash; and (ii) the property tax of HK$249,600 based on the annual rent and the current property tax rate of 16%, payable annually to the Government of Macau, an independent third party during the Renewed Term. The Macau Premises was used as "Le Saunda" retail shop of the Group.

CONTINUING CONNECTED TRANSACTIONS (continued)

(2) 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"), which is indirectly wholly and beneficially owned by Mr. Lee and his associates 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, Genda Investment leased the Guangzhou Premises to Le Saunda Business for a term of three years commencing on 1 March 2006 and ending on 28 February 2009. The amont payable by Le Saunda Business is the aggregate of (i) the rent of (i) RMB1,148,201.40 per annum, payable to Genda Investment in advance on a monthly basis in cash; and (ii) the management fee of RMB249,609.60 (approximately HK$258,743.23) per annum, payable in cash on a monthly basis by Le Saunda Business 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 28 February 2009 was RMB1,148,201.40 (approximately HK$1,296,778.66).

The Guangzhou Lease expired on 28 February 2009. A new tenancy agreement dated 21 January 2009 in respect of Units 3501-3504, 3510-3516, 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 3501-3504,3510-3516單位) ("Guangzhou Premises 35/F") were entered into between Genda Investment and Le Saunda Business, for a term of two years commencing on 1 March 2009 and ending on 28 February 2011. The amount payable in respect of the Guangzhou Premises 35/F is the aggregate of (i) the rent of RMB1,150,002 (equivalent to approximately HK$1,299,500) per annum, payable in advance on a monthly basis in cash and (ii) the management fee of RMB273,810 (equivalent to approximately HK$309,400) per annum, payable in cash on a monthly basis by Le Saunda Business 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 during the tenancy period. The Guangzhou Premises 35/F is used for the Group's operation in PRC as showrooms for the Group to display samples of the Group's products.

(3) On 21 January 2009, Super Billion Properties Limited ("Super Billion"), a company indirectly wholly and beneficially owned by Mr. Lee and his associates as landlord and Le Saunda Business as tenant entered into a lease agreement for a term of two years commencing on 1 March 2009 and ending on 28 February 2011 in respect of Units 3005-3009, 30/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 3005-3009 單位) ("Guangzhou Premises 30/F") at (i) the rental of RMB574,799.40 (equivalent to approximately HK$649,500) per annum, payable in advance on a monthly basis in cash; and (ii) the management fee of RMB136,857 (equivalent to approximately HK$154,600) per annum, payable in cash on a monthly basis by Le Saunda Business 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 during the tenancy period. The Guangzhou Premises 30/F is used for the Group's operation in PRC as showrooms for the Group to display samples of the Group's products.

CONTINUING CONNECTED TRANSACTIONS (continued)

(4) 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 V09") entered into between Dragon Venture Enterprises Limited ("Dragon Venture") as landlord, which is indirectly wholly and beneficially owned by Mr. Lee and his associates and L. S. Retailing Limited ("L.S. Retailing") as tenant, an indirect wholly-owned subsidiary of the Company, Dragon Venture leased to L.S. Retailing Car Park V09 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 being HK$38,400 per annum (inclusive of management fee and rates), payable in advance on a monthly basis in cash. The Car Park V09 was used for parking a lorry of the Group.

The total amount of rent paid by the Group to Dragon Venture under the Car Park Lease for the year ended 28 February 2009 was HK$38,400.

The Car Park Lease expired on 28 February 2009. On 21 January 2009, Prosper Hon Investment Limited ("Prosper Hon") as landlord, which is indirectly wholly and beneficially owned by Mr. Lee and his associates and L. S. Retailing as tenant entered into a new lease agreement for a term of two years commencing on 1 March 2009 and ending on 28 February 2011 in respect of the Car Park No.V06 on the ground floor of Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong (the "Car Park V06"). The rental for Car Park V06 is HK$38,400 per annum (inclusive of management fee, government rent and rates), payable in advance on a monthly basis in cash during the tenancy period. The Car Park V06 is used for parking a lorry of the Group.

The aggregate rental paid by the Group to Mr. Lee, Genda Investment and Dragon Venture under the Macau Lease, Guangzhou Lease, Car Park Lease was HK$2,699,127.09 for the year ended 28 February 2009.

Mr. Lee is the chairman, the chief executive officer (resigned on 1 March 2009), and executive Director and the controlling shareholder of the Company. Each of Mr. Lee and his associates (as defined under the Listing Rules) is a connected person of the Company; as such the above Lease Agreements dated 21 January 2009 ("Lease Agreement 2009") constituted continuing connected transactions of the Company. Based on the maximum aggregate annual rental payable under the Lease Agreements 2009 of approximately HK$3,547,400 for each of the financial years of the Company ending 28 February 2010 and 2011, the Lease Agreements 2009 constituted continuing connected transactions of the Company that are exempt from independent shareholders' approval requirements but are subject to the reporting and announcement requirements of the Listing Rules.

Announcements were published regarding the above continuing connected transactions in accordance with the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

CONTINUING CONNECTED TRANSACTIONS (continued)

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions and confirmed that they have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms;

(3) in accordance with the relevant agreements entered into on terms which are fair and reasonable, and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis 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 auditor have reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors.

RELATED PARTY TRANSACTIONS

Certain connected transactions which are significant are also disclosed as related party transactions (see note 33 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

The Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold 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

For the year ended 28 February 2009, the five largest customers of the Group together accounted for approximately 16.1% of the Group’s total turnover, with the largest customer accounted for approximately 5.2% of the Group’s total turnover. The aggregate purchases attributable to the Group’s five largest suppliers was approximately 29.2% of the total purchase of the Group for the year ended 28 February 2009, with the largest supplier accounted for approximately 13.2% of the Group’s total purchase. At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the best knowledge of the Directors owned more than 5% of the Company’s issued share capital, had any beneficial interests in the Group’s five largest customers and suppliers mentioned above.

AUDITOR

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, 1 June 2009

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 58 to 122, which comprise the consolidated and company balance sheets as at 28 February 2009, and the consolidated income statement, the consolidated statement 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 28 February 2009 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, 1 June 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2009

	Note	2009 HK$'000	2008 HK$'000
Continuing operations:			
Revenue	5	910,018	781,993
Cost of sales	8	(431,756)	(391,091)
Gross profit		478,262	390,902
Other income	7	2,419	2,056
Other (losses)/gains, net	7	(9,122)	44,329
Selling and distribution costs	8	(281,270)	(247,946)
General and administrative expenses	8	(112,778)	(105,720)
Operating profit		77,511	83,621
Finance income	9	4,191	5,318
Finance costs	9	(20)	(294)
Finance income, net	9	4,171	5,024
Share of profit of a jointly controlled entity		534	14,509
Profit before income tax		82,216	103,154
Income tax expense	12	(10,146)	(7,092)
Profit for the year from continuing operations		72,070	96,062
Loss for the year from discontinued operations	6	–	(17,986)
Profit attributable to equity holders of the Company	13	72,070	78,076
Dividends	14	47,930	47,864
Basic earnings/(losses) per share attributable to the equity holders of the Company			
- continuing operations	15	11.3 cents	15.1 cents
- discontinued operations	15	–	(2.8) cents
		11.3 cents	12.3 cents
Diluted earnings/(losses) per share attributable to the equity holders of the Company			
- continuing operations	15	11.3 cents	15.0 cents
- discontinued operations	15	–	(2.8) cents
		11.3 cents	12.2 cents

The notes on pages 64 to 122 are an integral part of these financial statements.

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investment properties	16	100,893	72,617
Property, plant and equipment	17	195,709	99,550
Leasehold land and land use rights	18	43,023	51,879
Long-term deposits and prepayments		6,534	12,657
Interest in a jointly controlled entity	20	37,441	56,251
Interest in and amount due from an available-for-sale financial asset	21	22,381	24,255
Deferred tax assets	22	32,286	38,680
		438,267	355,889
Current assets			
Inventories	23	190,670	147,663
Trade and other receivables	24	107,025	90,696
Deposits and prepayments		22,340	19,702
Cash and bank balances	25	203,510	282,940
		523,545	541,001
Total assets		961,812	896,890

CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2009

	Note	2009 HK$'000	2008 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	63,906	63,826
Reserves			
Proposed final dividend	29	28,758	28,722
Others	29	740,082	694,256
Total equity		832,746	786,804
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	22	6,476	5,166
Current liabilities			
Trade payables and accruals	26	118,592	102,585
Amount due to a jointly controlled entity	20	1,016	767
Current income tax liabilities		2,982	1,568
		122,590	104,920
Total liabilities		129,066	110,086
Total equity and liabilities		961,812	896,890
Net current assets		400,955	436,081
Total assets less current liabilities		839,222	791,970

Lee Tze Bun, Marces
Director

Lau Shun Wai
Director

The notes on pages 64 to 122 are an integral part of these financial statements.

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	19	587,996	509,206
Current assets			
Other receivables	24	214	292
Cash and bank balances	25	121	294
		335	586
Total assets		588,331	509,792
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	63,906	63,826
Reserves			
Proposed final dividend	29	28,758	28,722
Others	29	495,385	416,887
Total equity		588,049	509,435
LIABILITIES			
Current liabilities			
Accruals	26	282	357
Total liabilities		282	357
Total equity and liabilities		588,331	509,792
Net current assets		53	229
Total assets less current liabilities		588,049	509,435

Lee Tze Bun, Marces
Director

Lau Shun Wai
Director

The notes on pages 64 to 122 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2009

	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 March 2007	62,406	673,257	735,663
Currency translation differences recognised directly in equity	—	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	—	8	8
- exercise of share options	1,420	5,313	6,733
Dividends	—	(47,664)	(47,664)
	1,420	(42,343)	(40,923)
Balance at 29 February 2008	63,826	722,978	786,804
Balance at 1 March 2008	63,826	722,978	786,804
Currency translation differences recognised directly in equity	—	5,732	5,732
Revaluation on investment property transferred from property, plant and equipment and leasehold land and land use rights	—	18,957	18,957
Deferred tax on revaluation gain	—	(3,456)	(3,456)
Profit for the year	—	72,070	72,070
Total recognised income for the year	—	93,303	93,303
Share option scheme:			
- value of service provided	—	(130)	(130)
- exercise of share options	80	619	699
Dividends	—	(47,930)	(47,930)
	80	(47,441)	(47,361)
Balance at 28 February 2009	63,906	768,840	832,746

The notes on pages 64 to 122 are an integral part of these financial statements.

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Net cash generated from continuing operations	32(a)	69,293	177,207
Interest paid		(20)	(294)
Overseas taxation paid		(4,484)	(8,246)
Operating cash flows of discontinued operations			
- Property development	6(a)	—	2,262
- Apparel retailing	6(b)	—	(18,305)
Net cash generated from operating activities		64,789	152,624
Investing activities			
Interest received		4,191	5,318
Purchase of property, plant and equipment		(123,986)	(35,819)
Purchase of leasehold land and land use rights		—	(11,657)
Proceeds from sales of property, plant and equipment		873	90
Proceeds from disposal of a subsidiary	32(b)	—	27,475
Reduction in share capital of a jointly controlled entity		20,035	—
Dividend received from a jointly controlled entity		—	30,712
Increase in term deposits with initial term of over three months		(3,221)	—
Increase in pledged deposits		(1,853)	—
Investing cash flows of discontinued operations			
- Property development	6(a)	—	71
- Apparel retailing	6(b)	—	(268)
Net cash (used in)/generated from investing activities		(103,961)	15,922
Financing activities			
Repayment of short-term bank loans		—	(3,409)
Issue of shares		699	6,733
Dividends paid		(47,930)	(47,664)
Net cash used in financing activities		(47,231)	(44,340)
Net (decrease)/increase in cash and cash equivalents		(86,403)	124,206
Effect of foreign exchange rate changes, net		1,899	1,685
Cash and cash equivalents at beginning of year		282,940	157,049
Cash and cash equivalents at end of year	25	198,436	282,940

The notes on pages 64 to 122 are an integral part of these financial statements.

1 GENERAL INFORMATION

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

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

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 1 June 2009.

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 of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and an available-for-sale financial asset.

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 amendments and interpretations are mandatory for accounting periods beginning on or after 1 March 2008 but are not relevant to the Group:

- Amendments to HKAS 39 and HKFRS 7, Reclassification of Financial Assets;
- HK(IFRIC)-Int 11, HKFRS 2 - Group and Treasury Share Transactions;
- HK(IFRIC)-Int 12, Service Concession Arrangements;
- HK(IFRIC)-Int 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

The following new standard, amendments/revisions to standards and interpretations have been issued but are not yet effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of Financial Statements	1 January 2009
HKAS 23 (Revised)	Borrowing Costs	1 January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
HKFRS 1 and HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 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
HK(IFRIC)-Int 13	Customer Loyalty Programmes	1 July 2008
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate	1 January 2009
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1 July 2009
HK(IFRIC)-Int 18	Transfers of Assets from Customers	Effective for transfers received on or after 1 July 2009

Improvements to HKFRS were published in October 2008 by the Hong Kong Institute of Certified Public Accountants, which set out amendments to a number of HKFRS primarily with a view to removing inconsistencies and clarify wordings.

The Group has already commenced an assessment of the related impact of adopting the above new standard, amendments/revisions to standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

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 29 February 2008 and 28 February 2009.

(i) Subsidiaries

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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies 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 dividend received and receivable.

(ii) 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. Interest in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its jointly controlled entity's 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 or for sale in the ordinary course of business, is classified as investment property.

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.

After initial recognition, 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.

(d) Property, plant and equipment

All property, plant and equipment are stated at historical 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 their costs to 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% - 33.3%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An 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(e)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Assets that have an indefinite useful life 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 value in use and fair value less costs to sell. 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.

(f) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (Continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade and other receivables is described in Note 2(h).

(g) 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 selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

(j) 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.

(k) Trade payables

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

(l) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Current and deferred income tax (Continued)

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

(n) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(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 over the lease period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition (Continued)

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

(v) Revenue from sale of properties is recognised when the significant risks and rewards of the properties are transferred to the buyers, which is when the construction of the relevant properties have been completed, notification of delivery of properties have been issued to the buyers and collectability of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to transfer of the significant risks and rewards of the properties are regarded as deferred revenue.

(o) 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 the 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 Hong Kong employees. Both the Company and the staff are required to contribute 5% of the employees' relevant income up to a maximum of HK$1,000 per employee per month. Staff may elect to contribute more than the required amount 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)

(o) 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 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.

(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) Foreign currency translation

(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 consolidated financial statements are presented in Hong Kong dollars ("HK dollars" or "HK$"), which is the Company's functional and the Group's presentation currency.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currency translation (Continued)

(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.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(r) Segment reporting

A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products within a particular economic environment that are subject to risks and returns that are different from those 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, trade and other receivables, deposits and prepayments, operating cash and interest in and amount due from an available-for-sale financial asset, and mainly exclude interest in a jointly controlled entity and deferred tax assets. Segment liabilities comprise operating liabilities and exclude current income tax liabilities, deferred tax liabilities and amount due to a jointly controlled entity. 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 based on the country where the assets are located.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in HK dollars and Renminbi ("RMB"). The Group is exposed to foreign exchange risk arising mainly from the exposure of RMB against HK dollars. In addition, as at 29 February 2008 and 28 February 2009, the Group had certain deposits in banks, receivable from an available-for-sale financial asset, trade receivables and trade payables denominated in foreign currencies, mainly RMB and Euro ("EUR").

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.

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.

At 28 February 2009, 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$6,335,000 (2008: HK$6,973,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated receivables, deposits in banks and trade payables.

At 28 February 2009, if EUR had strengthened/weakened by 3% against the HK dollars with all other variables held constant, profit for the year would have been approximately HK$1,435,000 (2008: HK$3,733,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of EUR denominated receivables, deposits in banks and trade payables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Profit is less sensitive to movement in RMB and EUR exchange rates in 2009 than 2008 because of the decreased amount of RMB and EUR denominated cash and bank balances.

At 29 February 2008 and 28 February 2009, foreign exchange risk on financial assets and liabilities denominated in United States dollars and other currencies were insignificant to the Group.

(ii) 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 and liabilities except for the deposits in banks, details of which have been disclosed in Note 25. The interest rate risk is considered to be insignificant.

(b) Credit risk

The carrying amounts of the trade and other receivables (Note 24), amount due from an available-for-sale financial asset (Note 21) and deposits with banks (Note 25) included in the consolidated balance sheet represent 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has significant concentration of credit risk on amount due from an available-for-sale financial asset, that is, 佛山市順德區陳村鎮碧桂園物業發展有限公司 (the “investee company”) of approximately HK$22,155,000 as at 28 February 2009. Management of the Group assesses the recoverability of the receivable balance as at year end. The assessment is based on the financial status of the investee company and its ability to repay the obligations. The management has discussed with the investee company about future plans of repayment and believes that the investee company has adequate repayment capability.

As at 29 February 2008 and 28 February 2009, substantially all the deposits with the 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group	
	2009 HK$'000	2008 HK$'000
Less than 1 year		
Trade payables and accruals	118,592	102,585
Amount due to a jointly controlled entity	1,016	767
	119,608	103,352

	Company	
	2009 HK$'000	2008 HK$'000
Less than 1 year		
Accruals	282	357

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 makes 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, 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(e). The recoverable amount is the higher of an asset's value in use and 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 tax 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 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 the amount due from an available-for-sale financial asset.

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 the amount due from an available-for-sale financial asset is based on the financial status of the investee company and its ability to repay the obligations. Management reassesses the estimation at each balance sheet date.

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

The best evidence of fair value is current prices in an active market for similar available-for-sale financial asset. 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 asset of different nature, condition or location, with adjustments to reflect those differences; and

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

(f) Estimate of fair values of investment properties

The investment properties of the Group are revalued at each balance sheet date on market value basis by an independent professional valuer. Such valuations are based on certain assumptions, which are subject to uncertainty and may differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

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 or transfers between the business segments.

(a) The segment results include gross rental income and fair value losses from investment properties of approximately HK$2,419,000 (2008: HK$2,056,000) and HK$3,624,000 (2008: fair value gains of HK$16,485,000) respectively. The segment assets include investment properties amounted to HK$100,893,000 (2008: HK$72,617,000).

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) Primary reporting format - business segments

	Manufacture and sales of shoes 2009 HK$'000	Property development 2009 HK$'000	Total 2009 HK$'000
Revenue	910,018	—	910,018
Segment results	77,297	214	77,511
Finance income	4,089	102	4,191
Finance costs	(20)	—	(20)
Share of profit of a jointly controlled entity	—	534	534
Profit before income tax	81,366	850	82,216
Income tax expense			(10,146)
Profit for the year			72,070
Segment assets	869,351	22,734	892,085
Interest in a jointly controlled entity	—	37,441	37,441
Unallocated assets			
Deferred tax assets			32,286
Total assets			961,812
Segment liabilities	114,230	4,362	118,592
Amount due to a jointly controlled entity	—	1,016	1,016
Unallocated liabilities			
Current income tax liabilities			2,982
Deferred tax liabilities			6,476
Total liabilities			129,066
Capital expenditure	123,986	—	123,986
Depreciation	21,294	3	21,297
Amortisation	1,252	—	1,252
Impairment provision	—	2,596	2,596

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	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 income tax	93,073	10,081	—	103,154
Income tax expense				(7,092)
Profit/(loss) for the year from:				
- Continuing operations				96,062
- Discontinued operations (Note 6)	—	2,731	(20,717)	(17,986)
				78,076
Segment assets	768,000	32,236	1,723	801,959
Interest in a jointly controlled entity	—	56,251	—	56,251
Unallocated assets				
Deferred tax assets				38,680
Total assets				896,890
Segment liabilities	96,798	4,353	1,434	102,585
Amount due to a jointly controlled entity	—	767	—	767
Unallocated liabilities				
Current income tax liabilities				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
Impairment provision	—	—	—	—

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) Secondary reporting format - geographical segments

	Revenue 2009 HK$'000	Segment results 2009 HK$'000	Total assets 2009 HK$'000	Capital expenditure 2009 HK$'000
Hong Kong (Note (a))	170,160	(10,458)	189,403	5,081
Mainland China (Note (a))	531,211	62,890	666,078	118,537
Macau (Note (a))	17,770	1,193	38,429	368
Others (Note (b))	190,877	23,886	35,616	—
	910,018	77,511	929,526	123,986
Unallocated assets				
Deferred tax assets			32,286	
Total assets			961,812	

	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 (Note (a))	421,039	23,078	630,422	43,717
Macau (Note (a))	16,372	7,377	36,990	1,412
Others (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	

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

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

6 DISCONTINUED OPERATIONS

The results of discontinued operations for the year ended 29 February 2008 were analysed as follows:

	2008 HK$'000
Property development (Note (a))	2,731
Apparel retailing (Note (b))	(20,717)
	(17,986)

(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.

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

	2008 HK$'000
Revenue	908
Expenses	(1,632)
Loss for the year	(724)
Gain on disposal of a subsidiary, 信達房地產	3,455
	2,731
Operating cash flows	2,262
Investing cash flows	71
Total cash flows	2,333

6 DISCONTINUED OPERATIONS (CONTINUED)

(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.

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

	2008 HK$'000
Revenue	13,276
Expenses	(33,993)
Loss for the year	(20,717)
Operating cash flows	(18,305)
Investing cash flows	(268)
Total cash flows	(18,573)

7 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2009 HK$'000	2008 HK$'000
Other income		
Gross rental income from investment properties	2,419	2,056
Other (losses)/gains – net		
Fair value (losses)/gains on investment properties (Note 16)	(3,624)	16,485
Net exchange (losses)/gains (Note (a))	(5,498)	27,844
	(9,122)	44,329
	(6,703)	46,385

(a) Net exchange (losses)/gains 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:

	2009 HK$'000	2008 HK$'000
Auditors' remuneration	2,323	2,161
Amortisation of leasehold land and land use rights (Note 18)	1,252	1,139
Depreciation of property, plant and equipment (Note 17)	21,297	22,145
Loss on disposal of property, plant and equipment	2,738	393
Cost of inventories sold included in cost of sales (Note 34)	370,004	353,533
Operating lease rentals in respect of land and buildings		
- minimum lease payments	75,889	78,438
- contingent rents	1,919	2,646
Freight charges	8,083	9,638
Advertising and promotional expenses	17,149	6,721
Concessionaire fees	86,107	57,624
Direct operating expenses arising from investment properties that generated rental income	987	550
Employee benefit expenses (including directors' emoluments) (Note 10)	164,871	133,039
Other expenses (Note 34)	73,185	76,730
Total cost of sales, selling and distribution costs, and general and administrative expenses	825,804	744,757

8 EXPENSES BY NATURE (CONTINUED)

Expenses included in discontinued operations are analysed as follows:

	2009 HK$'000	2008 HK$'000
Auditors' remuneration	–	16
Depreciation of property, plant and equipment (Note 17)	–	1,384
Loss on disposal of property, plant and equipment	–	760
Cost of inventories sold included in cost of sales	–	13,283
Operating lease rentals in respect of land and buildings		
- minimum lease payments	–	8,112
Building management fee and rates	–	2,241
Advertising and promotional expenses	–	757
Concessionaire fees	–	163
Employee benefit expenses		
- wages and salaries	–	5,880
- staff welfare and other benefits	–	170
- pension costs – defined contribution plans	–	251
Other expenses	–	2,608
	–	35,625

9 FINANCE INCOME, NET

	2009 HK$'000	2008 HK$'000
Interest income on bank deposits	4,191	5,318
Interest expense on short-term bank loans	(20)	(294)
	4,171	5,024

10 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 HK$'000	2008 HK$'000
Wages and salaries	147,134	116,221
Staff welfare and other benefits	6,859	7,655
Share options granted to Directors and employees	(130)	8
Pension costs – defined contribution plans (Note a)	11,008	9,155
	164,871	133,039

(a) 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.

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 schemes to fund the retirement benefits of the employees which are calculated on certain percentages of the average employee salaries as agreed by the municipal governments. 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.

Retirement benefit scheme costs amounting to HK$11,008,000 (2008: HK$9,155,000) were paid by the Group during the year. Forfeited contributions totaling HK$144,000 (2008: HK$191,000) 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 28 February 2009 is set out below:

Name of Director	Fees HK$'000	Salary, bonus, other allowances, share options and benefits in kind HK$'000	Employer's contribution to retirement scheme HK$'000	Total HK$'000
Executive Directors				
Mr. Lee Tze Bun, Marces	–	–	–	–
Ms. Chui Kwan Ho, Jacky	–	1,985	12	1,997
Ms. Tsui Oi Kuen	–	1,617	12	1,629
Ms. Lau Shun Wai	–	1,505	12	1,517
Ms. Wong Sau Han	–	1,300	12	1,312
Mr. Wong Tai Chung, Kenneth (appointed on 1 September 2008) (Note (i))	–	791	6	797
Independent non-executive Directors				
Mr. Lam Siu Lun, Simon	120	–	–	120
Mr. Leung Wai Ki, George	120	–	–	120
Mr. Hui Chi Kwan	120	–	–	120
	360	7,198	54	7,612

Note : (i) Mr. Wong Tai Chung, Kenneth ("Mr. Wong") joined the Company in October 2007 and subsequently was appointed as Executive Director on 1 September 2008. During the year ended 28 February 2009, the aggregate of emolument paid to Mr. Wong (including salary, bonus, other allowances, share options and benefits in kind and employer's contribution to retirement scheme) was approximately HK$1,403,000.

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 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	Employer's contribution 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	31	—	—	31
	360	6,044	45	6,449

Employee share-based compensation is included above 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 28 February 2009, none (2008: 4,000,000) of these options were exercised by the Directors. The fair value of such options which has been recognised in 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 general and administrative expenses.

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

(b) Five highest paid individuals

The Directors' emoluments presented above include the emoluments of the five (2008: four) highest paid individuals in the Group. The emoluments of the remaining one highest paid individual during the year ended 29 February 2008 was:

	2009 HK$'000	2008 HK$'000
Salaries, bonus, other allowances, share options and benefits in kind	–	1,246
Employer's contribution to retirement scheme	–	12

Emolument bands	Number of individuals 2009	2008
HK$1,000,001 - HK$1,500,000	–	1

12 INCOME TAX EXPENSE

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

	2009 HK$'000	2008 HK$'000
Current income tax		
- People's Republic of China ("PRC") enterprise income tax	(5,898)	(7,717)
Deferred taxation (Note 22)	(4,248)	625
	(10,146)	(7,092)

PRC enterprise income tax is provided on the profits of the Group's subsidiaries in PRC at a range from 18% to 25% (2008: range from 15% to 33%), except for one of the subsidiaries of the Company established in the PRC that is entitled to two years' exemption from the PRC enterprise income tax of 25% followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward (at most five years). Accordingly, the subsidiary was fully exempted from the PRC enterprise income tax in 2007 and 2008, and subject to a reduced tax rate of 12.5% in 2009.

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

Certain companies within the Group are subject to Hong Kong profits tax. The Group did not recognise any current Hong Kong profits tax as the Group had sufficient tax losses brought forward to offset the estimated assessable profit for the year (2008: HK$ Nil).

12 INCOME TAX EXPENSE (CONTINUED)

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

	2009 HK$'000	2008 HK$'000
Profit before income tax, less share of profit of a jointly controlled entity	81,682	88,645
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	21,126	21,325
Income not subject to taxation	(4,483)	(10,631)
Expenses not deductible for taxation purposes	3,057	3,683
Profit of subsidiaries under tax holiday	(7,055)	(4,402)
Tax losses for which no deferred tax asset was recognised	2,710	5,833
Utilisation of previously unrecognised tax losses	(2,121)	—
Recognition of previously unrecognised tax losses	(3,088)	(8,716)
Income tax expense	10,146	7,092

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 profit of HK$125,975,000 (2008: loss of HK$1,992,000).

14 DIVIDENDS

	2009 HK$'000	2008 HK$'000
Interim, paid, of HK3.0 cents (2008: HK3.0 cents) per ordinary share	19,172	19,142
Final, proposed, of HK4.5 cents (2008: HK4.5 cents) per ordinary share	28,758	28,722
	47,930	47,864

At a meeting held on 1 June 2009, the Directors proposed a final dividend of HK4.5 cents per ordinary share totaling approximately HK$28,758,000. 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 2010.

15 EARNINGS PER SHARE

Basic

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

	2009 HK$'000	2008 HK$'000
Profit/(loss) attributable to equity holders of the Company		
- continuing operations	72,070	96,062
- discontinued operations	—	(17,986)
	72,070	78,076
Weighted average number of ordinary shares in issue ('000)	638,999	633,688
Basic earnings/(losses) per share (HK cents)		
- continuing operations	11.3	15.1
- discontinued operations	—	(2.8)
	11.3	12.3

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share for the year ended 28 February 2009 is the same as the basic earnings per share as the Company's share options outstanding during the year were anti-dilutive potential ordinary shares.

For the year ended 29 February 2008, 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.

15 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

	2008 HK$'000
Profit/(loss) attributable to equity holders of the Company	
- continuing operations	96,062
- discontinued operations	(17,986)
	78,076
Weighted average number of ordinary shares in issue ('000)	633,688
Adjustments for share options ('000)	4,133
Weighted average number of ordinary shares for diluted earnings per share ('000)	637,821
Diluted earnings/(losses) per share (HK cents)	
- continuing operations	15.0
- discontinued operations	(2.8)
	12.2

16 INVESTMENT PROPERTIES

	Group	
	2009 HK$'000	2008 HK$'000
At beginning of year	72,617	56,132
Transfer from property, plant and equipment (Note 17) and leasehold land and land use rights (Note 18)	12,943	—
Revaluation on an investment property transferred from property, plant and equipment and leasehold land and land use rights (Note 29)	18,957	—
Fair value (losses)/gains recognised in the income statement (Note 7)	(3,624)	16,485
At end of year	100,893	72,617

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2009 by an independent professional valuer, Jones Lang LaSalle Sallmanns Limited.

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

	Group	
	2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	64,200	35,867
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	36,693	36,750
	100,893	72,617

17 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings (Note 34) HK$'000	Leasehold improvements (Note 34) HK$'000	Plant and machinery (Note 34) HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 March 2007							
Cost	64,702	65,873	47,339	25,331	3,404	—	206,649
Accumulated depreciation	(29,474)	(45,050)	(26,530)	(20,432)	(1,833)	—	(123,319)
Net book amount	35,228	20,823	20,809	4,899	1,571	—	83,330
Year ended 29 February 2008							
Opening net book amount	35,228	20,823	20,809	4,899	1,571	—	83,330
Exchange differences	860	592	2,693	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	(1,693)	(15,645)	(4,359)	(1,457)	(375)	—	(23,529)
Closing net book amount	34,395	12,212	34,016	5,215	2,205	11,507	99,550
At 29 February 2008							
Cost	66,397	66,542	67,278	27,239	4,168	11,507	243,131
Accumulated depreciation	(32,002)	(54,330)	(33,262)	(22,024)	(1,963)	—	(143,581)
Net book amount	34,395	12,212	34,016	5,215	2,205	11,507	99,550
Year ended 28 February 2009							
Opening net book amount	34,395	12,212	34,016	5,215	2,205	11,507	99,550
Exchange differences	420	147	993	116	49	332	2,057
Additions	5,081	22,873	26,316	4,786	–	64,930	123,986
Transfers	35,582	765	5,128	–	–	(41,475)	–
Transfers to investment properties	(4,976)	–	–	–	–	–	(4,976)
Disposals	–	(2,700)	(160)	(748)	(3)	–	(3,611)
Depreciation	(1,367)	(9,890)	(7,794)	(1,635)	(611)	–	(21,297)
Closing net book amount	69,135	23,407	58,499	7,734	1,640	35,294	195,709
At 28 February 2009							
Cost	102,066	77,525	99,792	22,263	4,254	35,294	341,194
Accumulated depreciation	(32,931)	(54,118)	(41,293)	(14,529)	(2,614)	–	(145,485)
Net book amount	69,135	23,407	58,499	7,734	1,640	35,294	195,709

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group revisited the useful life of the buildings and decided it was appropriate to change the useful life from 20 years to 33 years. The change in accounting estimate is accounted for prospectively from 1 March 2008. The depreciation expense for the year decreased by HK$780,000 as a result of this change in useful life.

As at 28 February 2009, buildings with net book amount of HK$9,603,000 (2008: HK$9,913,000) were pledged to secure letters of credit and bank loan facilities granted to certain subsidiaries of the Group.

18 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2009 HK$'000	2008 HK$'000
At beginning of year	51,879	40,697
Additions	—	11,657
Transfer to investment properties	(7,967)	—
Amortisation	(1,252)	(1,139)
Exchange differences	363	664
At end of year	43,023	51,879

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	
	2009 HK$'000	2008 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	8,009	16,314
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	29,748	30,203
Leases of over 50 years	5,266	5,362
	43,023	51,879

As at 28 February 2009, leasehold land and land use rights with net book amount of HK$15,425,000 (2008: HK$15,824,000) were pledged to secure Letters of Credit and bank loan facilities granted to certain subsidiaries of the Group.

19 INTERESTS IN SUBSIDIARIES

	Company	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	107,657	107,657
Amount due from a subsidiary (Note (a))	480,339	401,549
	587,996	509,206

(a) The amount due from a subsidiary is unsecured, interest free, not repayable within twelve months and is denominated in HK dollar.

The balance is not in default or impaired as at 28 February 2009 and 29 February 2008.

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 kind of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Blooming On Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding	100%
Brightly Investment Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding	100%
Le Saunda (B.V.I.) Limited (Note a)	British Virgin Islands, limited liability company	31,500 Ordinary shares of 1 US dollar each	Investment holding	100%
Le Saunda Calcado, Limitada	Macau, limited liability company	MOP200,000	Retailing of shoes	100%
Le Saunda (China) Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Investment holding	100%
Le Saunda China Investment Limited	Hong Kong, limited liability company	100 Ordinary shares of 1 HK dollar each	Investment holding	100%
Le Saunda Merchandising (International) Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Merchandising of shoes	100%

19 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Le Saunda Licensing Limited	Bahamas, limited liability company	5,000 Ordinary shares of 1 US dollar each	Holding and licensing of trade-marks and names	100%
Le Saunda Management Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Provision of management services	100%
Le Saunda Real Estate Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Investment holding	100%
L.S. Retailing Limited (Note b)	Hong Kong, limited liability company	2 Ordinary shares of 1,000 HK dollars each plus 20,000 non-voting deferred shares of 1,000 HK dollars each	Retailing of shoes	100%
Maior Limited	Hong Kong, limited liability company	1,000 Ordinary shares of 2,000 HK dollars each	Trading of shoes and investment holding	100%
Master Benefit Limited	Hong Kong, limited liability company	3,000,000 Ordinary shares of 1 HK dollar each	Provision of management services	100%
Multiple Reward Limited	Hong Kong, limited liability company	100 Ordinary shares of 1 HK dollar each	Provision of financial services	100%
Parklink Investment Development Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding	100%
Trend Door Company Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding	100%
Trend Light Trading Company Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding	100%
廣州利信達有限公司	PRC, limited liability company	RMB7,000,000	Retailing of shoes	100%

19 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
廣州信高鞋服有限公司	PRC, limited liability company	RMB3,750,950	Retailing of shoes	100%
廣州銘高鞋服有限公司	PRC, limited liability company	RMB500,000	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%
利信達商業（中國）有限公司	PRC, limited liability company	HK$53,000,000	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%
億才商業（上海）有限公司	PRC, limited liability company	US$3,500,000	Retailing 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%
佛山市順德區藝恒信制鞋廠有限公司	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100%
佛山市順德區大信制鞋有限公司	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100%
佛山市順德區利信達鞋業有限公司	PRC, limited liability company	US$3,800,000	Manufacturing and trading of shoes	100%
佛山市順德區盈達鞋業有限公司	PRC, limited liability company	US$1,050,000	Manufacturing and trading 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%
佛山市高明區盈信達鞋業有限公司	PRC, limited liability company	RMB55,000,000	Manufacturing and trading of shoes	100%

(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) 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 INTEREST IN A JOINTLY CONTROLLED ENTITY

(a) Share of net assets

	Group	
	2009 HK$'000	2008 HK$'000
Registered capital at cost, unlisted	16,351	36,386
Share of undistributed post-acquisition reserves	21,090	19,865
Share of net assets	37,441	56,251
At beginning of the year	56,251	57,829
Capital reduction	(20,035)	—
Share of result of a jointly controlled entity	534	14,509
Dividend	—	(20,622)
Exchange differences	691	4,535
At end of year	37,441	56,251

Details of the jointly controlled entity are as follows:

Name	Place of establishment/ operation	Principal activities	Group's equity interest %
佛山市順德區雙強房地產開發有限公司 ("雙強")	PRC	Property development	50%

The jointly controlled entity is held indirectly by the Company.

20 INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

(a) Share of net assets (Continued)

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 雙強 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 to 雙強 and share the results of 雙強 equally. Up to 29 February 2008, LSRE had contributed US$4.8 million (approximately HK$36,386,000) to 雙強.

Under the revised joint venture agreement on 13 November 2007, the total registered share capital of 雙強 was reduced to US$4.2 million (approximately HK$32,702,000). The application of capital reduction was approved on 3 March 2008.

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

	2009 HK$'000	2008 HK$'000
Operating results		
Revenue	22,760	234,442
Profit for the year	1,068	29,017
Group's share of profit for the year	534	14,509
Financial position		
Non-current assets	60	92
Current assets	86,998	135,576
Current liabilities	(12,176)	(23,166)
Net assets	74,882	112,502
Group's share of net assets	37,441	56,251

(b) Amount due to a jointly controlled entity

The amount due to a jointly controlled entity of the Company is unsecured, interest free and repayable on demand. The amount approximates its fair value and is denominated in RMB.

21 INTEREST IN AND AMOUNT DUE FROM AN AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2009 HK$'000	2008 HK$'000
Unlisted shares, at fair value (Note (a))	226	2,740
Amount due from an available-for-sale financial asset (Note (b))	22,155	21,515
	22,381	24,255

(a) Details of available-for-sale financial asset are as follows:

Name of the company	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 .

Movement of the unlisted shares of the available-for-sale financial asset is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
At beginning of the year	2,740	2,522
Exchange differences	82	218
Provision for impairment	(2,596)	—
At end of the year	226	2,740

(b) The amount due from an available-for-sale financial asset is unsecured, interest-free, not repayable within twelve months and is denominated in RMB.

22 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the tax assets against the 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	
	2009 HK$'000	2008 HK$'000
Deferred tax assets	32,286	38,680
Deferred tax liabilities	(6,476)	(5,166)
	25,810	33,514

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	
	2009 HK$'000	2008 HK$'000
At beginning of year	33,514	32,889
(Charged)/credited to income statement (Note 12)	(4,248)	625
Credited to reserve	(3,456)	—
At end of year	25,810	33,514

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

	Unrealised profits on inventories		Tax losses		Revaluation of investment properties		Total	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
At beginning of year	6,464	20,741	32,216	14,400	(5,166)	(2,252)	33,514	32,889
Credited/(charged) to income statement	56	(14,277)	(6,450)	17,816	2,146	(2,914)	(4,248)	625
Credited to reserve	–	—	–	—	(3,456)	—	(3,456)	—
At end of year	6,520	6,464	25,766	32,216	(6,476)	(5,166)	25,810	33,514

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 28 February 2009, the Group had unrecognised tax losses of HK$52,205,000 (2008: HK$49,798,000) to be carried forward against future taxable income.

22 DEFERRED TAXATION (CONTINUED)

The expiry of unrecognised tax losses are as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Tax losses without expiry date	52,205	21,347
Tax losses expire within five years	–	28,451
	52,205	49,798

23 INVENTORIES

	Group	
	2009 HK$'000	2008 HK$'000
Raw materials	37,133	37,120
Work in progress	13,011	12,139
Finished goods	144,148	103,374
	194,292	152,633
Less: Provision for impairment of inventories	(3,622)	(4,970)
	190,670	147,663

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$370,004,000 (2008: HK$353,533,000).

During the year ended 28 February 2009, the Group sold some of the goods that were provided for in last year. As a result, the Group wrote-back inventory impairment provision of HK$4,189,000, which has been included in "cost of sales" in the income statement.

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade receivables (Note (a))	105,730	89,284	–	—
Less: Provision for impairment of receivables	–	(921)	–	—
Trade receivables – net	105,730	88,363	–	—
Other receivables	1,295	2,333	214	292
	107,025	90,696	214	292

(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 28 February 2009, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Current to 30 days	71,650	65,023
31 to 60 days	20,722	15,188
61 to 90 days	11,017	6,811
Over 90 days	2,341	2,262
	105,730	89,284

Trade receivables are denominated in the following currencies:

	Group	
	2009 HK$'000	2008 HK$'000
HK$	805	357
US$	7,415	1,051
RMB	69,222	61,778
EUR	28,201	26,028
Other currencies	87	70
	105,730	89,284

24 TRADE AND OTHER RECEIVABLES (CONTINUED)

No trade receivables as at 28 February 2009 (2008: HK$921,000) were impaired. There was no (2008: HK$921,000) provision as at 28 February 2009. The individually impaired receivables mainly relate to customers which were in unexpected financial difficulties. The ageing of these impaired receivables is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Over 90 days	–	921

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 default history in the past.

As at 28 February 2009, trade receivables of HK$7,127,000 (2008: HK$3,514,000) 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	
	2009 HK$'000	2008 HK$'000
61 to 90 days	4,786	2,173
Over 90 days	2,341	1,341
	7,127	3,514

25 CASH AND BANK BALANCES

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Cash at bank and on hand	160,230	148,330	121	294
Short-term bank deposits (Note (a))	38,206	134,610	—	—
Cash and cash equivalents	198,436	282,940	121	294
Term deposits with initial term over three months (Note (a))	3,221	—	—	—
Pledged bank deposits (Note (b))	1,853	—	—	—
	203,510	282,940	121	294

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

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
HK$	43,041	45,146	121	294
RMB	109,715	116,848	—	—
US$	20,964	32,764	—	—
EUR	28,862	87,867	—	—
Other currencies	928	315	—	—
	203,510	282,940	121	294

Notes:

(a) The effective interest rate on short-term bank deposits and term deposits was 0.88% (2008: 2.8%) per annum; these deposits have a maturity ranging from 7 to 180 days.

(b) Bank deposits of HK$1,853,000 (2008: HK$ Nil) have been pledged as rental deposits for certain subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 2.34% per annum (2008: Nil).

(c) The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

26 TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Trade payables	44,430	38,895	—	—
Accruals	74,162	63,690	282	357
	118,592	102,585	282	357

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2009, the ageing analysis of the trade creditors is as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Current to 30 days	29,145	19,360
31 to 60 days	8,880	13,082
61 to 90 days	3,162	2,287
91 to 120 days	945	2,261
Over 120 days	2,298	1,905
	44,430	38,895

The carrying amounts of the trade creditor balances approximate their fair values and are denominated in the following currencies:

	Group	
	2009 HK$'000	2008 HK$'000
HK$	1,794	897
RMB	26,592	25,944
US$	6,825	1,532
EUR	9,219	10,522
	44,430	38,895

27 SHARE CAPITAL

	2009		2008	
	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	638,261,600	63,826	624,056,600	62,406
Exercise of share options (Note 28)	804,000	80	14,205,000	1,420
At end of year	639,065,600	63,906	638,261,600	63,826

28 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 quotation 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 quotation sheet issued by the Stock Exchange for the five business days immediately preceeding the date of offer of grant.

28 SHARE OPTIONS (CONTINUED)

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

	2009		2008	
	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	0.87	1,276	0.54	16,433
Forfeited	0.87	(224)	1.18	(952)
Exercised	0.87	(804)	0.47	(14,205)
At end of year	0.87	248	0.87	1,276

The Group has no legal or constructive obligation to repurchase or settle the options in cash. Option exercised during the period resulted in 804,000 shares (2008: 14,205,000 shares) being issued at an average exercise price of HK$0.87 each (2008: HK$0.47 each). The related weighted average share price at the time of exercise was HK$0.98 per share (2008: HK$1.94 per share).

(b) 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$)	28 February 2009 (thousands)	29 February 2008 (thousands)
15 January 2016 (Note (i))	0.87	248	1,276

Note (i): Become exercisable from 7 March 2008 and expiring on the 10th anniversary from date of grants.

29 RESERVES

Group

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves (Note (i)&34) HK$'000	Retained earnings (Note 34) HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2008	415,294	29,078	20,205	253,419	4,261	–	721	722,978
Share option scheme:								
– value of service provided	–	–	–	–	–	–	(130)	(130)
– exercise of share options	983	–	–	–	–	–	(364)	619
Profit for the year	–	–	–	72,070	–	–	–	72,070
Transfer	–	–	1,210	(1,210)	–	–	–	–
Revaluation on an investment property transferred from property, plant and equipment and leasehold land and land use rights	–	–	–	–	–	18,957	–	18,957
Deferred tax on revaluation gain	–	–	–	–	–	(3,456)	–	(3,456)
Dividends	–	–	–	(47,930)	–	–	–	(47,930)
Currency translation differences	–	5,732	–	–	–	–	–	5,732
At 28 February 2009	416,277	34,810	21,415	276,349	4,261	15,501	227	768,840
Representing:								
2009 proposed final dividend								28,758
Others								740,082
								768,840

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves (Note (i)&34) HK$'000	Retained earnings (Note 34) HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2007	408,192	15,090	18,686	224,526	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
Transfer	—	—	1,519	(1,519)	—	—	—	—
Dividends	—	—	—	(47,664)	—	—	—	(47,664)
Currency translation differences	—	13,988	—	—	—	—	—	13,988
At 29 February 2008	415,294	29,078	20,205	253,419	4,261	—	721	722,978
Representing:								
2008 proposed final dividend								28,722
Others								694,256
								722,978

29 RESERVES (CONTINUED)

Company

	Share premium HK$'000	Contributed surplus (Note (ii)) HK$'000	Retained earnings/ (accumulated losses) HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2008	415,294	30,164	(570)	721	445,609
Share option scheme:					
- value of service provided	–	–	–	(130)	(130)
- exercise of share options	983	–	–	(364)	619
Profit for the year	–	–	125,975	–	125,975
Dividends	–	–	(47,930)	–	(47,930)
At 28 February 2009	416,277	30,164	77,475	227	524,143
Representing:					
2009 proposed final dividend					28,758
Others					495,385
					524,143

	Share premium HK$'000	Contributed surplus (Note (ii)) HK$'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					416,887
					445,609

29 RESERVES (CONTINUED)

Notes:

(i) Statutory reserves represent enterprise expansion and general reserve funds set up by subsidiaries established and operated in the PRC. As stipulated by regulation in the PRC, the subsidiaries are required to appropriate to statutory reserves an amount of not less than 5% or 10% of the amount of profit after income tax of respective PRC subsidiaries, calculated based on PRC accounting standards. Should the accumulated total of the statutory reserves reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. Pursuant to relevant PRC regulations, the general reserve funds may be used to make up losses or to increase the capital of the corresponding subsidiaries while the enterprise expansion funds may be used to expand the corresponding subsidiaries' production operations or to increase the capital of the corresponding subsidiaries.

(ii) 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.

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 28 February 2009 amounted to HK$107,639,000 (2008: HK$29,594,000).

30 BANK GUARANTEES

The Company and several subsidiaries have jointly given corporate 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 (2008: HK$30,000,000) of which HK$12,915,000 (2008: HK$8,055,000) was utilised as at 28 February 2009.

31 COMMITMENTS

(a) Capital commitments

	Group	
	2009 HK$'000	2008 HK$'000
Contracted but not provided for, in respect of		
- purchase of property, plant and equipment	17,014	22,482

At 28 February 2009, the Company had no capital commitment (2008: Nil).

(b) Commitments under operating leases

(i) At 28 February 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Land and buildings:		
Not later than one year	44,664	62,390
Later than one year and not later than five years	31,148	38,016
	75,812	100,406

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

At 28 February 2009, the Company had no future aggregate minimum lease payments under non-cancellable operating leases (2008: Nil).

(ii) At 28 February 2009, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Group	
	2009 HK$'000	2008 HK$'000
Land and buildings:		
Not later than one year	2,619	1,709
Later than one year and not later than five years	2,163	153
	4,782	1,862

At 28 February 2009, the Company had no future aggregate minimum rental receivable under non-cancellable operating leases (2008: Nil).

32 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

	2009 HK$'000	2008 HK$'000
Profit before income tax from continuing operations	82,216	103,154
Share of profit of a jointly controlled entity	(534)	(14,509)
Amortisation of leasehold land and land use rights	1,252	1,139
Depreciation of property, plant and equipment	21,297	22,145
Loss on disposal of property, plant and equipment	2,738	393
Fair value losses/(gains) on investment properties	3,624	(16,485)
Share option scheme benefits	(130)	8
Interest income	(4,191)	(5,318)
Interest expense	20	294
Impairment provision of an available-for-sale financial asset	2,596	—
Operating profit before working capital changes	108,888	90,821
(Increase)/decrease in inventories	(43,007)	41,208
Increase in trade and other receivables	(16,329)	(9,202)
Decrease in deposits and prepayments	3,485	9,278
Increase in net amount due to a jointly controlled entity	249	11,078
Increase in trade payables and accruals	16,007	34,024
Net cash generated from continuing operations	69,293	177,207

32 NOTE TO 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 payables and accruals	(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

33 RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are individuals and companies where the individual, the Company or the 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	
	2009 HK$'000	2008 HK$'000
Rental expenses charged by:		
- a related party (Note (i))	1,364	1,600
- a related company (Note (ii))	1,297	1,190
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 ended 29 February 2008, the Group disposed of 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.

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances with related parties

	Group	
	2009 HK$'000	2008 HK$'000
Payable to a related party (Note (i))	491	508
Amount due to a jointly controlled entity (Note 20)	1,016	767

(i) Balance represents amount payable to Mr. Lee, which is unsecured, interest free and repayable on demand. The amount approximates its fair value and is denominated in HK dollars.

(d) Key management compensation

	Group	
	2009 HK$'000	2008 HK$'000
Salaries and other short-term employee benefits	7,798	6,044
Employer's contribution to retirement scheme	60	45
	7,858	6,089

34 COMPARATIVE FIGURES

Certain prior year comparative figures have been reclassified to conform with the changes in presentation in the current year.

RESULTS OF THE GROUP

	2009		2008		2007		2006		2005	
	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
Revenue	910,018	–	781,993	14,184	724,284	48,487	653,028	68,520	546,948	20,565
Operating profit/(loss)	81,682	–	88,645	(21,441)	110,955	3,737	95,298	(11,438)	72,651	(3,156)
Share of profits of jointly controlled entity	534	–	14,509	—	1,925	—	4,726	—	3,466	—
Profit/(loss) before income tax	82,216	–	103,154	(21,441)	112,880	3,737	100,024	(11,438)	76,117	(3,156)
Income tax (expense)/credit	(10,146)	–	(7,092)	—	(5,729)	(5,162)	1,578	(8)	(4,815)	(5)
Gain on disposal of a subsidiary	–	–	—	3,455	—	—	—	—	—	—
Profit/(loss) attributable to equity holders of the Company	72,070	–	96,062	(17,986)	107,151	(1,425)	101,602	(11,446)	71,302	(3,161)

ASSETS AND LIABILITIES OF THE GROUP

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Investment properties, property, plant and equipment and leasehold land and land use rights	339,625	224,046	180,159	138,571	132,504
Interest in a jointly controlled entity	37,441	56,251	57,829	53,374	56,888
Long term deposits and prepayments	6,534	12,657	16,734	44,703	13,263
Interest in and amount due from an available-for-sale financial asset/other investment	22,381	24,255	7,189	4,822	4,712
Deferred tax assets	32,286	38,680	36,339	29,710	16,880
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	400,955	436,081	404,590	285,916	267,964
	839,222	791,970	739,113	557,096	492,211
Shareholders' funds	832,746	786,804	735,663	557,096	492,211
Deferred tax liabilities	6,476	5,166	3,450	—	—
	839,222	791,970	739,113	557,096	492,211

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)	30/F, Hing Wai Centre, No.7 Tin Wan Praya Road, Aberdeen, Hong Kong	Office	Medium lease
(e)	Car Parking Space No. V6 , UG/F, Hing Wai Centre, No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease
(f)	Car Parking Space No. V7, UG/F, Hing Wai Centre, No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease
(g)	Car Parking Space No. L15, G/F, Hing Wai Centre, No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease
(h)	Car Parking Space No. L16, G/F, Hing Wai Centre, No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong	Car park	Medium lease