le saunda holdings ltd.

利 信 達 集 團 有 限 公 司

annual report 2010

(Stock Code : 738)

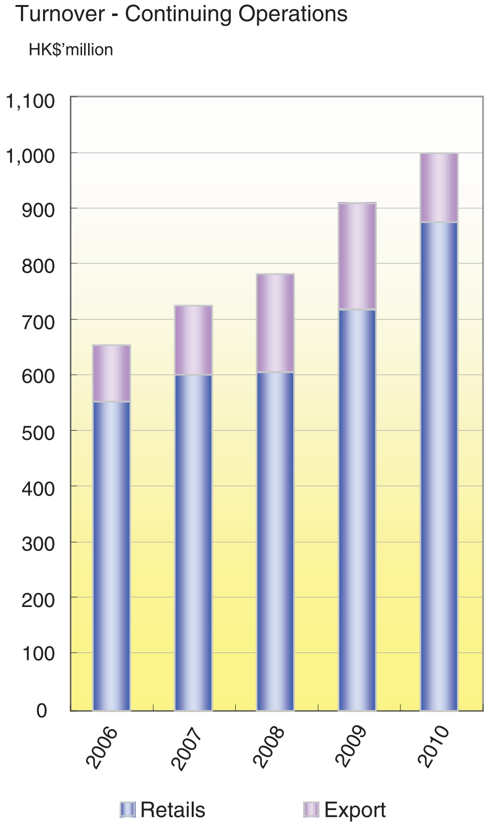
CONTENTS

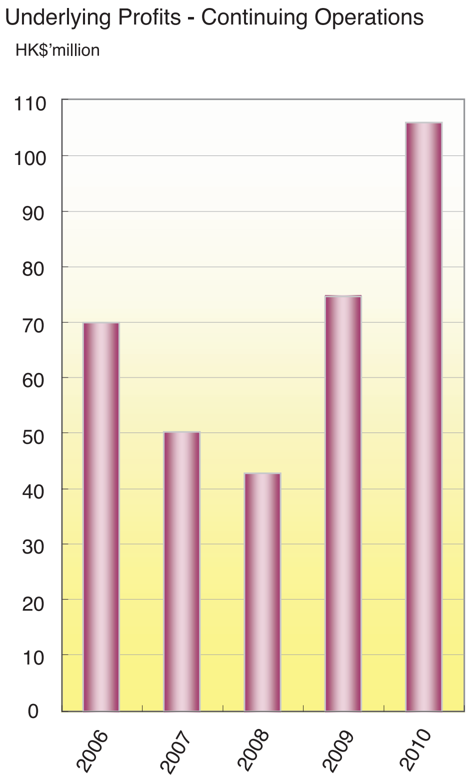
Note: All monetary values are expressed in Hong Kong Dollars unless stated otherwise.

FINANCIAL HIGHLIGHTS

	Year ended 28 February 2010 HK$m	Year ended 28 February 2009 HK$m	Change %
Profit and Loss Highlights			
Revenue	1,000.0	910.0	9.9
Underlying Profit for the year	106.0	74.6	42.1
Profit Attributable to Equity Holders	123.0	72.1	70.7
Basic Earnings per Share (HK Cents)	19.2	11.3	69.9
Dividend per Share (HK Cents)	10.0	7.5	33.3
Balance Sheet Highlights			
Total Equity	910.9	832.7	9.4
Net Cash Balances	285.3	203.5	40.2
Net Assets Value per Share (HK$)	1.42	1.30	9.4
Net Cash per Share (HK$)	0.45	0.32	40.6
Other Key Ratios			
Stock Turnover (Days)	164	121	
Quick Ratio (Times)	2.9	2.5	
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 profit for the year attributable to equity holders of the Company from share of profit of a jointly controlled entity, rental income, profit on disposal of investment properties, foreign currencies exchange gains/losses, unrealised fair value changes on investment properties and available-for-sale financial assets.





EXECUTIVE DIRECTORS

Lee Tze Bun, Marces *(Chairman)*
Lau Shun Wai *(Chief Executive Officer)*
Chui Kwan Ho, Jacky *(Managing Director)*
Wong Sau Han
Wong Tai Chung, Kenneth
Chu Tsui Lan *(appointed on 1 March 2009)*
Tsui Oi Kuen *(resigned on 1 March 2010)*

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)

HSBC Bank Bermuda Limtied
6 Front Street
Hamilton HM 11
Bermuda

REGISTRAR (IN HONG KONG)

Computershare Hong Kong Investor Services Limited
Unit 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

LISTING INFORMATION

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

INVESTOR RELATIONS

Email address: ir@lesaunda.com.hk

WEBSITE ADDRESS

http://www.lesaunda.com.hk

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2009/10 Interim Results Announcement	**16 November 2009**
Payment of 2009/10 Interim Dividend	**16 December 2009**
2009/10 Annual Results Announcement	**31 May 2010**
Closure of Register of Members (both days inclusive)	**16 – 19 July 2010**
Annual General Meeting	**19 July 2010**
Proposed Payment of 2009/10 Final Dividend	**26 July 2010**

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's Registrar:

Computershare Hong Kong Investor Services Limited
17M 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 Registrar 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

July 2009

Organized an inter-school shoes and handbags design competition with the theme "Stunning Life" in Hong Kong to encourage young people to join the industry.

September 2009

Participated in MICAM SHOEVENT 2009 in Milan, Italy, to showcase Le Saunda products.

October 2009

With the opening of the new Le Saunda outlet in Cloud Nine Shopping Mall "龍之夢", Shanghai in October 2009, the Group's number of outlets in Mainland China exceeded 500 for the first time.

December 2009

Mr. Lee Tze Bun, Marces, Chairman of Le Saunda (left 3), received DHL/ SCMP Hong Kong Business Awards 2009 – Owner-Operator Award on 3 December 2009.

March 2010

In March 2010, Le Saunda further participated in MICAM SHOEVENT 2010 in Milan, Italy.

March 2010

Le Saunda invited Marie Zhuge, Jessica C. and Jacqueline Chong to unveil the new footwear and handbag collections at the “2010 Spring & Summer Fashion Show” in Festival Walk, Hong Kong on 31 March 2010.

April & May 2010

A CnE Shop with the newly revamped image and logo was opened at Rainbow Mall, Suzhou in April 2010.

With the opening of a new CnE outlet in Grandbuy Department Store, Wuhan in May 2010, the Group’s number of outlet exceeded 600 for the first time in the 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 2010.

The Group delivered outstanding performance in the fiscal year 2009/10. Consolidated revenue recorded an increase of 9.9%, exceeding HK$1.0 billion for the first time in Le Saunda's history. Underlying profits from core businesses and consolidated profit attributable to equity holders grew by 42.1% and 70.7% respectively to record levels of HK$106.0 million and HK$123.0 million. The fruitful results reflected our enhanced profitability and efficiency as a result of a strengthened business platform, quality management and successful business strategies. Our vertically integrated business model demonstrated its strength and enabled us to capture the business opportunities brought by the improved operating environment in the second half of 2009 with signs of greater consumer confidence in Mainland China, Hong Kong and Macau.

During the year under review, our retail operations saw remarkable achievements. In Mainland China, we successfully achieved the target of opening 150-200 outlets. The broader sales network enabled us to capture opportunities generated by the fast-growing economy and by the increasing purchasing power of the urban population. The Mainland China market saw robust growth during the year under review, contributed to 73.9% of Group revenue and was also the focus of the Group's sales efforts.

The Group also achieved encouraging results in Hong Kong and Macau, as evidenced by the turnaround in full year net profit in spite of a weak half year due to sluggish customer spending in the first six months of the fiscal year 2009/10. As the economy demonstrated a stronger sign of recovery since August 2009, we successfully seized business opportunities and continued to enhance outlet efficiency. Same-store sales recorded a turnaround in the second half of the fiscal year 2009/10.

The fiscal year 2009/10 witnessed strong market demand for our products. The total sales volume for shoes and handbags hit a record of over two million pieces due primarily to our improved product design and enriched product portfolio.

We focused on enhancing operational efficiency while identifying inventory management as our priority. A series of proactive measures were undertaken to rationalize inventory mix and reduce the stock of off-season items. Our initiatives were successful, leading to improvement in average selling price, gross profit and gross profit margin in retail operations.

With China's GDP growth solidly improving, we anticipate a favorable operating environment in the Mainland China market in 2010. Capitalizing on the strong business platform and the foundation established in 2009, the Group is confident of robust expansion in its retail operations in Mainland China while staying alert to any new challenges that may arise. We will continue to accelerate network expansion, beef up product development, strengthen branding and optimize back office operation. We are optimistic about our retail business and aim to increase the total number of retail outlets to 1,000 in Mainland China by 2012. We will also continue to strive for operational efficiency in Hong Kong and Macau as the market sentiment improves further this year.

We initiated OBM business in the fiscal year 2009/10 to expand our revenue source. With our continuing efforts on marketing and client outreach, we have gradually expanded the OBM business platform and will strive to extend our foothold to more markets in the fiscal year 2010/11. Subject to the progress of the OBM segment, the OEM business will be phased out.

We will consolidate our market leadership by leveraging our competitive edge and maintaining strict operational and financial discipline. Looking ahead, we are confident to tackle new challenges facing us and we will take advantage of opportunities in the market to create greater value for our shareholders.

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

Lee Tze Bun, Marces
Chairman

Hong Kong, 31 May 2010

OVERVIEW

2009: A year of China economy revival, a positive sign for the operating environment, a time of remarkable growth for the Group

In 2009, major economies worldwide began to show signs of recovery, with China leading the way. The tremendous economic growth in China, especially in the second half of 2009, contributed to a positive operating environment for the Group. During the year under review, the Group achieved impressively in almost all aspects of its retail operations including an enhanced product mix, store optimization, better pricing, uplifted brand image, improved product development and cost-effective marketing campaigns. This stronger business platform coupled with the favorable operating environment in Mainland China translated into an outstanding growth in the Group's results performance.

For the fiscal year ended 28 February 2010, the Group's consolidated revenue reached HK$1.0 billion, which marked a solid growth of 9.9% compared to the same period last year. Consolidated gross profit jumped by 26.8% to HK$606.3 million, while gross profit margin rose 8.0 percentage points to 60.6%. Consolidated operating profit nearly doubled, up 94.6% to HK$150.8 million. Consolidated profit attributable to equity holders of the Company was HK$123.0 million, a significant year-on-year increase of 70.7%. The remarkable growth was mainly attributable to the encouraging profit enhancement in Mainland China retail business, improved Hong Kong retail operations in the second half of the fiscal year 2009/10, profit on disposal of investment properties, and net exchange gains and fair value gains on investment properties as opposed to net exchange losses and fair value losses on investment properties for the year ended 28 February 2009. Underlying profit, an indicator to show the profitability of the Groups footwear business, also saw an unparallel growth of 42.1% to HK$106.0 million as compared to last year. With more outlet openings in Mainland China, stock turnover days increased from 121 days to 164 days as at 28 February 2010. However, overall stock levels remained healthy as the inventory age of over 85% of our products was within one year.

The Board resolved to declare a final dividend of HK7.0 cents per ordinary share (2008/09: HK4.5 cents). Together with the interim dividend of HK3.0 cents, the total dividend for the fiscal year 2009/10 will be HK10.0 cents per ordinary share (2008/09: HK7.5 cents).

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

BUSINESS REVIEW

Retail operations

Our retail operations continued to be the major revenue contributor, accounting for 87.5% of the consolidated revenue. The Group's total consolidated retail revenue increased by 21.6% to HK$874.6 million, which was primarily attributable to the strong revenue growth in Mainland China. Gross profit margin of our retail operations improved by 4.6 percentage points to 64.9%. Due to increased sales and quicker turnaround of new products, we recorded an overall growth in the average selling price across different markets.

	2009/10			2008/09	
	Revenue HK$'M	% to Total	Year-on-Year Growth (%)	Revenue HK$'M	% to Total
Retail Operations					
Mainland China	738.9	73.9	+39.1	531.2	58.4
Hong Kong and Macau	135.7	13.6	-27.8	187.9	20.6
Sub-total	874.6	87.5	+21.6	719.1	79.0
Export	125.4	12.5	-34.3	190.9	21.0
Total	1,000.0	100.0	+9.9	910.0	100.0

As the economy improved in the second half of the fiscal year 2009/10, growth momentum of our retail operations in Mainland China, Hong Kong and Macau accelerated. We saw a net profit turnaround in Hong Kong and Macau in the second half of the fiscal year 2009/10.

Le Saunda expanded its retail network through the operation of self-owned outlets and franchised outlets. During the year under review, the store expansion plan in Mainland China rolled out efficiently while store optimization continued in Hong Kong and Macau to achieve operational efficiency. As at 28 February 2010, the Group had a network of 568 retail outlets in Hong Kong, Macau and Mainland China, 165 more compared to the same date last year. 555 outlets or 97.7% were located in Mainland China, forming an extensive and national network.

	2010				2009	
Number of Outlets by Region As at 28 February	Self-Owned	Franchise	Total	% to Total	Total	Increase/ (Decrease) in Outlet
Mainland China	376	179	555	97.7	384	171
Northern	78	94	172	30.3	79	93
Eastern	85	43	128	22.5	104	24
Central & Southern West	92	27	119	21.0	105	14
Southern	121	15	136	23.9	96	40
Hong Kong and Macau	13	—	13	2.3	19	(6)
Total	389	179	568	100.0	403	165

BUSINESS REVIEW (CONTINUED)

Retail operations (Continued)

During the year under review, the Group put in abundant resources in product development to enrich its product offering and design capability. With the expansion of our product development and merchandizing teams in Mainland China, we have better mastered the local customer preference and enhanced our product portfolio. For instance, we introduced a new Le Saunda product line named "Essential" for evergreen footwear. This product line attracted significant retail sales and contributed to 8.5% of the total revenue. We further enhanced the product offering of other Le Saunda product lines such as Savina C., our premium line, and Saunda, our young casual line. Together with the core Le Saunda, our urban smart line, we have formed a better product mix to enrich customers' shopping experience. The Group also expanded the product range of men's footwear and accessories to capture the enormous growth opportunities in the Mainland China market.

Furthermore, we strove to optimize inventory management to enhance profitability. Communications between retail outlets and back office were reinforced as we improved our reporting mechanism and information systems. As a result, we were able to respond to market trends more promptly and boost sales by adding more popular items and reducing off-season items. To better manage our stocks, we operate 24 factory outlets in Mainland China, which recorded 74.1% growth in sales during the year under review. These factory outlets helped us clear off-season items while preserve the margin of new items, which are available at regular outlets.

Hong Kong and Macau

Our Hong Kong and Macau business saw an overall improvement, as evidenced in the improved gross profit margin and net profit turnaround. The performance was particularly outstanding in the second half of the fiscal year 2009/10 as same-store sales reversed first half's declines, growing 1.1% while total revenue picked up significantly. Yet, the full fiscal year's performance was undermined by the weaker first half. Total revenue generated from Hong Kong and Macau dropped by 27.8% year-on-year to HK$135.7 million, due to the outlet optimization program which closed eight non-performing outlets. Same-store sales for the whole year fell by 9.7%.

During the year under review, the Group focused on store optimization to enhance operational efficiency in Hong Kong and Macau. We opened two new outlets in Hong Kong and continued to look for prime locations such as the hottest shopping malls in tourist or business districts for setting up new outlets. As at 28 February 2010, we operated 13 outlets in Hong Kong and Macau. Furthermore, the Group remained active in marketing and brand building. In June 2009, we held shoe design competitions to discover new telant in Hong Kong.

BUSINESS REVIEW (CONTINUED)

Retail operations (Continued)

Mainland China

During the year under review, the Group opened 157 self-owned outlets and 72 franchised outlets in Mainland China and shut down a total of 58. As at 28 February 2010, the total number of self-owned outlets and franchised outlets reached 376 and 179 respectively, 139 and 32 more compared with the same date last year. Currently, we have presence in all 27 provinces and municipalities in Mainland China.

Revenue from Mainland China surged 39.1% to HK$738.9 million and accounted for 73.9% of the total revenue while same-store sales grew by 9.4% due to higher customer spending. A double-digit increase in same-store sales growth was recorded in the second half of the fiscal year 2009/10.

Same-store sales growth of self-owned retail operations	2009/10			2008/09
	First Half	Second Half	Full Year	Full Year
Mainland China	+3.3%	+13.4%	+9.4%	+7.7%
Le Saunda	+3.0%	+11.2%	+8.0%	+8.1%
CnE	+4.3%	+20.3%	+14.0%	+6.4%

During the year under review, ladies' footwear and ladies' handbags grew steadily while men's footwear achieved a robust growth. The revenue from men's footwear recorded a 49.2% growth, due primarily to more outlets in operations. As at 28 February 2010, we had 57 standalone men's footwear counters and 9 standalone ladies' handbag counters. During the year under review, we continued to review our ladies' handbags segment with an aim to beef up product design.

Product Category	2009/10		2008/09	
	Year-on-Year Growth (%)	Sales Mix (%)	Year-on-Year Growth (%)	Sales Mix (%)
Ladies' footwear	+36.7	72.5	+33.3	72.5
Ladies' handbags	+31.6	12.7	+53.7	11.4
Men's footwear	+49.2	14.8	+12.4	16.1

Export Business

Our OEM segment was adversely affected by the weak demand in Europe where economic recovery was slow. As a result, revenue and total production volume of our export business declined 34.3% and 39.4% respectively. Nonetheless, average selling price and gross profit margin grew by 4.2% and 7.4% respectively. The slight improvement was attributable to a favourable sales mix.

With an aim to broaden our revenue source, we initiated a pilot scheme to explore the OBM market in mid-2009. Through referrals and trade fairs, particularly MICAM SHOEVENT in Milan, Italy in September 2009 and March 2010, we successfully marketed our products to overseas retailers. Le Saunda's products are now available in numerous countries, in particular Russia. As a result of the satisfactory progress, our OBM segment grew steadily and accounted for 4.5% of the total export sales in the fiscal year 2009/10.

PROSPECTS

The Chinese government has undertaken to maintain the economic growth momentum in 2010. A promising economic outlook coupled with improving household income has set a favorable scenario for us. Our prudent strategy paid off in the fiscal year 2009/10 after a host of measures introduced since 2007 to consolidate our business platform. Leveraging our experience, network, industry knowledge and a sizeable business platform, we will accelerate our operations in the fiscal year 2010/11.

The Group is endeavor to expand in China in a steady yet healthy manner. We are optimistic about the outlook of our retail business and will seize every potential development opportunity in Mainland China. We will continue our efforts to reach the target of 1,000 outlets in Mainland China by 2012. We plan to add 150 to 200 outlets in Mainland China in the fiscal year 2010/11, particularly exploring potential in second-tier cities as they are experiencing rapid growth and urbanization. We also plan to set up branch offices in second-tier cities, for instance Xiamen, Tianjin, Shenyang, Nanjing and etc, to provide logistic and inventory supports to our outlets. This is expected to help enhance operation efficiency and further boost sales growth. Moreover, we will explore new sales channels and further strengthen our retail operations in Mainland China. For instance, we have initiated an online shopping campaign on a renowned B2B platform starting from January 2010 while actively looking for strategic partnership opportunities with well-established department stores and prime shopping malls in town. We also plan to unlock the potential of our franchisees by providing more incentives, support, and other business collaborative initiatives. Moreover, the development of factory outlet business will continue in a bid to help manage the stock inventory of our off-season items and enhance gross profit.

The Group will step up its efforts to strengthen its product offering. We will re-position CnE as a fashionable footwear brand for modern girls by revamping its brand and shop image. The positioning of men's footwear will be further strengthened to express the charm of strong masculinity to attract sophisticated gentlemen. We will continue to expand our design team and product development capabilities to introduce new products that suit the style of local consumers.

We will continue to optimize inventory management and supply chain management. A more efficient back office platform and a faster stock replenishment will help enhance our profitability and drive our growth.

We believe brand awareness is important to maintain customer loyalty and lure new customers. We will initiate different marketing campaigns to enhance our brand image and publicity. In March 2010, we held a fashion show at one of our outlets in Hong Kong to unveil Spring Summer Collections 2010 as well as to strengthen our brand building. In May 2010, another fashion show was held at a prime shopping mall in Guangzhou.

The above inititatives are expected to drive revenue and same-store sales growth. To meet the increasing demand from our expanded retail operations, we plan to add one production line in each of our production bases in Shunde and Gaoming, bringing the annual production capacity to two million pairs. The enhanced production capacity will provide a solid support to our retail operations.

PROSPECTS (CONTINUED)

In Hong Kong and Macau, the operating environment has recovered gradually since the second half of 2009. Supported by this positive trend, our retail business in Hong Kong and Macau continues to deliver positive results as evidenced by a solid same-store sales growth in the first quarter of fiscal year 2010/11. We believe that Hong Kong and Macau retail operations will continue to grow, and deliver a positive contribution to our revenue in the years to come. The Group will continue to look for prime locations with enormous development potential for setting up new outlets. For instance, we opened a new outlet in Kowloon Bay, Hong Kong in April 2010 and another new flagship outlet is targeted to be set up in Tsim Sha Tsui, Hong Kong in June 2010.

The OEM segment of our export business will remain sluggish if there is no major economic breakthrough in Europe and Eastern Europe. We plan to allocate more resources to expand OBM segment to enlarge revenue source. After one year's hard work, our OBM segment grew steadily, in particular in Russia and Japan. New orders were generated from Switzerland, Turkey, U.S., New Zealand and Australia in the first few months in 2010. We have successfully established our brand and reputation internationally which will facilitate our further growth in the fiscal year 2010/11. Subject to the progress of the OBM segment, the OEM business will be phased out.

We see a promising outlook with impressive growth potential. The Group will seize every opportunity to boost growth and create value for shareholders leveraging our competitive edge.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

During the year under review, total capital expenditure of the Group decreased from HK$124.0 million to HK$44.1 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 2010, the Group's cash position remains strong and healthy with net cash balances of HK$285.3 million (28 February 2009: HK$203.5 million). Total equity is maintained at HK$910.9 million, along with a quick ratio of 2.9 times (28 February 2009: 2.5 times).

Capital Structure and Financial Resources of the Group

During the year ended 28 February 2010, the Group's cash and bank balances were in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity dates falling within one year. The Group did not borrow any bank loan during the year. 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.

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.

Pledge of Assets

As at 28 February 2010, the Group has not pledged any asset (28 February 2009: HK$25.0 million) to secure letters of credit and bank loan facilities of HK$50.0 million (28 February 2009: HK$30.0 million), which has been granted to certain subsidiaries of the Group.

DIVIDEND

The Directors declared an interim dividend of HK3.0 cents (2009: HK3.0 cents) per ordinary share in respect of the year ended 28 February 2010.

The Directors recommend the payment of a final dividend of HK7.0 cents (2009: HK4.5 cents) per ordinary share for the year ended 28 February 2010.

CORPORATE GUARANTEES

The Company has given guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loan to the extent of HK$50.0 million (2009: HK$30.0 million) of which HK$20.4 million (2009: HK$12.9 million) was utilised as at 28 February 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2010, the Group had a staff force of 3,970 people. Of this, 161 were based in Hong Kong and 3,809 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 comprises basic salaries, bonuses and long-term incentives. Total staff costs for the year ended 28 February 2010, including directors' emoluments and net pension contributions, amounted to HK$197.8 million (2009: HK$184.8 million). The Group has all along organized structured and diversified training programmes for staff of different levels. Outside consultants would be invited to broaden the content of the programmes. *(Note:The basis 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 9 and 10 to the Consolidated Financial Statements pursuant to Appendix 16 of the Listing Rules.)*

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces, aged 76, is the founder of the Group and Chairman of the Company. With more than 31 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. Mr. Lee is the winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2009. He is responsible for the Group's leadership and management of the Board and the Group's strategy.

Lau Shun Wai, aged 39, is executive Director and chief executive officer of the Group. She first joined the Group in 1992 and has over 16 years of experience in retailing, merchandising and marketing in both Hong Kong and Mainland China markets. She holds a master's degree in business administration (financial management) from The University of Hull in the United Kingdom, an Honours 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 then served as deputy director of the retail operations of Moiselle International Holdings Limited. Ms. Lau re-joined the Group in February 2007. She is responsible for the Group's operations and development and implementing the Group's strategies, especially in monitoring the Group's product design, merchandising, marketing and shop and brand image.

Chui Kwan Ho, Jacky, aged 46, is managing Director of the Group and Maior Limited, a subsidiary of the Group. Ms. Chui joined the Group in July 1981. She is responsible for OEM (original equipment manufacturing) and OBM (original brand manufacturing) business of the Group. She is also responsible for promoting our own label brand for regions other than Hong Kong, Macau and Mainland China.

Wong Sau Han, aged 50, is executive Director and Head of Human Resources and General Affairs 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 27 years of professional experience in human resources management for Hong Kong and Mainland China operations, of which the past 17 years were in the retail industry. She holds a master's 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 47, 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. He has 24 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's 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 40, is executive Director and general manager, China of the Group. She joined the Group in 1992. She has over 18 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 60, 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 practising accountant for over 20 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. Mr. Lam is an independent non-executive director of Lifestyle International Holdings Limited and Kiu Hung Energy Holdings Limited.

Leung Wai Ki, George, aged 51, joined the Group in September 2004, Mr. Leung has over 22 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 61, joined the Group in November 2007. Mr. Hui has been a solicitor practising 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 44, 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 47, joined the Group in 1996. He has over 23 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 Choi Ngan, aged 44, 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 16 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 40, holds a master degree in business administration from Dong Hua University in Shanghai, China. She joined the Group in 1997. Ms. An is the general manager, China (business operations) of the Group. She has over 13 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.

SENIOR MANAGEMENT EXECUTIVES (CONTINUED)

Li Jing Bo, aged 40, graduated from Wuhan University and majored in public relations. Mr. Li is the general manager, China (business development and men shoes) of the Group. He first joined the Group in 1992 and left in October 2001. He re-joined the Group in June 2008. He has over 18 years of experience in business development and retail management in Mainland China. He is responsible for the Group's business development and men shoes business in Mainland China.

Lai Siu Ying, Sylvia, aged 41, holds a bachelor degree of applied arts in fashion merchandising retail management from Ryerson Polytechnic University in Canada. She joined the group in 1998. Ms Lai serves as deputy product director of the Group and is responsible for monitoring all ladies shoes and handbag products of the group.

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 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.

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 2010:

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	√	Four 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 for regular board meetings and reasonable notice should be given for other board meetings.	√	Timetable for regular Board meetings are scheduled at least 14 days in advance to facilitate and 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) (resigned as Chief Executive Officer on 1 March 2009)	3	N/A	0
Ms. LAU Shun Wai (appointed as Chief Executive Officer on 1 March 2009)	4	4 (Note 1)	N/A
Ms. CHUI Kwan Ho, Jacky	3	N/A	N/A
Ms. TSUI Oi Kuen (resigned on 1 March 2010)	4	N/A	N/A
Ms. WONG Sau Han	4	N/A	N/A
Mr. WONG Tai Chung, Kenneth	4	4 (Note 1)	N/A
Ms. CHU Tsui Lan (appointed on 1 March 2009)	4	N/A	N/A
Independent non-executive Directors			
Mr. LAM Siu Lun, Simon	3	4	1
Mr. LEUNG Wai Ki, George	3	4	1
Mr. HUI Chi Kwan	3	4	1
Total meetings held during the year under review	4	4	1

Note:

1. Ms. LAU Shun Wai 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.	√	The roles of Chairman and CEO are exercised by separate persons. Besides, power and authority are not concentrated in any one individual as responsibilities are also currently shared with the four executive Directors and all major decisions are made in consultation with members of the Board and appropriate Board committees, as well as top management. There are three independent non-executive Directors on the Board offering independent and different perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place 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 his responsibility to ensure that major issues of the Company are addressed by the Board, and that these issues are presented in a manner which facilitates thorough discussion and resolution, and all Directors are properly briefed on issues arising at the Board meetings. The Chairman would also ensure that Directors could receive adequate information, which must be complete, reliable and in a timely manner.
A2.3	The chairman should ensure that directors receive adequate, complete and reliable information in a timely manner.	√	

A. DIRECTORS (continued)

A3 Board Composition

Code Principle

The board should have a balance of skills and experience appropriate for the requirements of the business of the 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 consisted of a total of ten Directors during the year under review, including seven executive Directors, namely Mr. LEE Tze Bun, Marces, Ms. LAU Shun Wai, Ms. CHUI Kwan Ho, Jacky, Ms. Tsui Oi Kuen (resigned on 1 March 2010), Ms. WONG Sau Han, Mr. WONG Tai Chung, Kenneth 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 offered diversified expertise and served to advise the Board and management on strategic development and provided 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 appropriate 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. No nomination or recommendation was made during the year under review.

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)

One Board meeting was held in relation to the appointment or removal of Directors during the year under review. The Board reviewed and considered at the relevant Board meeting the resignation of Ms. Tsui Oi Kuen as an executive Director with effect from 1 March 2010, whose resignation was subsequently approved by the Board.

The Directors' attendance at the said meeting is set out in the following table:-

Name of Directors	Attendance
Executive Directors	
Mr. LEE Tze Bun, Marces	1
Ms. LAU Shun Wai	1
Ms. CHUI Kwan Ho, Jacky	1
Ms. TSUI Oi Kuen (resigned on 1 March 2010)	N/A
Ms. WONG Sau Han	1
Mr. WONG Tai Chung, Kenneth	1
Ms. CHU Tsui Lan	1
Independent non-executive Directors	
Mr. LAM Siu Lun , Simon	0
Mr. LEUNG Wai Ki, George	0
Mr. HUI Chi Kwan	0
Total meeting held	1

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.

A. DIRECTORS (continued)

A5 Responsibilities of Directors (continued)

Code Principle (continued)

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
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.
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

B1 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.	√	
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.	√	Please refer to the section on page 31.
B1.4	Remuneration committee should make available its terms of reference explaining its role and the authority delegated to it by the Board.	√	
B1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	

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

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

Code Principle (continued)

The Board established the Remuneration Committee in 2005. There are four members currently, namely Mr. LEE Tze Bun, Marces, Mr. LAM Siu Lun, Simon, Mr. LEUNG Wai Ki, George and Mr. HUI Chi Kwan, the 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 remuneration of the Directors and senior management and to ensure that executive Directors and senior management could be retained and motivated by being fairly rewarded for their individual contribution to the Group's overall performance as measured against corporate objectives, having regard to the interests of shareholders. The principal duties include the revision of the terms of the remuneration packages of all Directors and senior management as well as reviewing and approving performance-based remuneration on the basis of their merit, qualification and competence by reference to corporate goals and objectives resolved by the Board from time to time.

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

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

C. ACCOUNTABILITY AND AUDIT

C1 Financial Reporting

Code Principle

The board should present a balanced, clear and comprehensible assessment of the 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 requirements 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 pages 56 to 57 of this annual report has set out the reporting responsibilities of PricewaterhouseCoopers, the auditors 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.	√	Adequacy of 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;

C. ACCOUNTABILITY AND AUDIT (continued)

C2 Internal Controls (continued)

Code Principle (continued)

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

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

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

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

The Board has overall responsibility for maintaining a sound and effective system of internal 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, which is not the auditor of any members of the Group.

The Group has an internal control review team which assists the Board in maintaining an effective internal control system. During the year under review, the internal control review team reviewed the effectiveness of the Company's system of internal control of 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 consulting firm 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.

Besides, the Group has also established an internal audit department in February 2010. The internal audit department of the Group reports directly to the Chief Executive Officer and the Audit Committee and is independent of the Group's daily operations. It supports the management by carrying out systematic and periodic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

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.

<table>
<tr><th colspan="2">Summary of Code provisions</th><th>Compliance</th><th>Corporate Governance Practices adopted by the Group</th></tr>
<tr><td>C3.1</td><td>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.</td><td>√</td><td>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.</td></tr>
<tr><td>C3.2</td><td>A former partner of the Company's audit firm should not act as a member of the audit committee.</td><td>√</td><td>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.</td></tr>
<tr><td>C3.3</td><td>The terms of reference of audit committee should include terms set out in Code provision C3.3 of the Code.</td><td>√</td><td rowspan="2">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.</td></tr>
<tr><td>C3.4</td><td>Audit committee should make available its terms of reference explaining its role and the authority delegated to it by the board.</td><td>√</td></tr>
</table>

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 has established the Audit Committee with written terms of reference since 1999. To comply with the requirements 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 whom are independent non-executive Directors and at least one of whom possesses 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 2010, the remuneration charged by the Group's principal auditor, PricewaterhouseCoopers, for the provision of audit services and non-audit services amounted to approximately HK$1,400,000 and HK$72,000 respectively. The non-audit services mainly relate to tax advisory services.The Audit Committee is of the view that the auditor's independence was not affected by the provision of non-audit related services.

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

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 work 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 is 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.

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

E COMMUNICATION WITH SHAREHOLDERS

E1 Effective Communication

Code Principle

The board should endeavor to maintain an on-going dialogue with shareholders and in particular, use annual general meetings 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 2009 ("AGM 2009").
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 2009.

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 business at the meetings.

To foster effective communication 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 duly performed the terms as set out in Code provision E2.1 of the Code in the AGM 2009.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 2010.

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 18 to the consolidated 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 consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2010 are set out in the consolidated income statements on page 58.

The Directors declared an interim dividend of HK3.0 cents (2009: HK3.0 cents) per ordinary share in respect of the year ended 28 February 2010, totaling approximately HK$19,172,000, which was paid on 16 December 2009.

The Directors recommend the payment of a final dividend of HK7.0 cents (2009: HK4.5 cents) per ordinary share, totaling approximately HK$44,749,000 in respect of the year ended 28 February 2010 (2009: HK$28,758,000).

SHARE CAPITAL

Details of the issued share capital of the Company during the year under review are set out in note 26 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on page 125 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 under review are set out in note 28 to the consolidated 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 this 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

No donation was made by the Group during the year under review (2009: HK$263,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the principal investment properties held by the Group are set out on page 126.

DIRECTORS

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

Executive Directors

Lee Tze Bun, Marces *(Chairman)*
Lau Shun Wai *(Chief Executive Officer)*
Chui Kwan Ho, Jacky *(Managing Director)*
Wong Sau Han
Wong Tai Chung, Kenneth
Chu Tsui Lan *(appointed on 1 March 2009)*
Tsui Oi Kuen *(resigned on 1 March 2010)*

Independent Non-Executive Directors

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

RE-ELECTION OF DIRECTORS

In accordance with Bye-law 87 of the Company, at the forthcoming annual general meeting, Ms. Wong Sau Han, Mr. Lam Siu Lun, Simon and Mr. Hui Chi Kwan 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 has a fixed term.

The service contracts of Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, independent non-executive Directors, were renewed for 2 years as from 16 January 2010, 1 November 2009 and 26 November 2009 respectively.

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 2010, 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")	39,792,000	—	31,384,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	276,176,000	43.20%
Ms. Lau Shun Wai ("Ms. Lau")	400,000	—	—	—	400,000	0.06%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4,686,000	—	—	50,000,000 *(Note 4)*	54,686,000	8.55% *(Note 5)*
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,200,000	—	—	50,000,000 *(Note 4)*	51,200,000	8.01% *(Note 6)*
Ms. Wong Sau Han ("Ms. Wong")	164,000	350,000	—	—	514,000	0.08% *(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 32.07% of the issued share capital of the Company. 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 8.55% 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 164,000 Shares. Together with 350,000 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 514,000 Shares, representing approximately 0.08% 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 date of this annual report, a total of 31,541,960 shares, which represents 4.93% of the issued share capital of the Company, are available for issue under the Scheme. In the calculation of the total available Shares in the Annual Report of 2009 of the Company, options covering 6,130,000 shares, which were granted in 2006, were inadvertently included. As no option were issued under the scheme during the year under review, the total available shares for issue under the Scheme for the year 2009 should also be 31,541,960 shares.

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

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

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 sheet 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 2009	Exercised during the year	Cancelled during the year	Outstanding as at 28 February 2010	Exercise price per Share	Exercise period
	(Notes 1 & 2)		*(Note 3)*				
Employee in aggregate	16 January 2006	248,000	200,000	—	48,000	HK$0.87	7 March 2008 – 15 January 2016

As at 28 February 2010, none of the Directors or chief executives held any 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$1.704 per Share.

Save as disclosed above, as at 28 February 2010, 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 2010, 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	32.07%
Stable Gain	1	205,000,000	—	—	205,000,000	32.07%
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%
Martin Currie (Holdings) Limited	4	—	32,104,000	—	32,104,000	5.02%

Notes :

1. Stable Gain holds 205,000,000 Shares, representing approximately 32.07% of the issued share capital of the Company. The entire issued share capital of Stable Gain is registered in the name of LGT as trustee of the Lee Family Trust. Therefore, LGT 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. Martin Currie (Holdings) Limited is deemed to be interested in 32,104,000 Shares, representing approximately 5.02% of the issued share capital of the Company, by virtue of its 100% interests in both Martin Currie Investment Management and Martin Currie Inc., which hold 17,964,000 Shares and 14,140,000 Shares respectively.

Save as disclosed above, as at 28 February 2010, 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 and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 21 January 2009 ("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 two years commencing on 1 March 2009 and ending on 28 February 2011. The amount payable by Le Saunda Calcado 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. The Macau Premises was used 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 2010 was HK$1,560,000.

CONTINUING CONNECTED TRANSACTIONS (continued)

(2) Pursuant to a tenancy agreement dated 21 January 2009 ("Guangzhou 35/F Lease") in respect of Units 3501-04, 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3501-04, 3510-16單位）("Guangzhou Premises 35/F") entered into between Genda Investment Limited ("Genda Investment"), a company 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 35/F to Le Saunda Business for a term of two years commencing on 1 March 2009 and ending on 28 February 2011. The amount payable by Le Saunda Business was 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. The Guangzhou Premises 35/F was used for the Group's operation in PRC as showrooms for the Group to display samples of the Group's products. The Guangzhou 35/F Lease has been terminated and replaced as described below.

A new tenancy agreement dated 9 October 2009 ("Guangzhou 3504 Lease") in respect of Units 3504, 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3504單位）("Guangzhou Premises 3504") was entered into between Genda Investment and Le Saunda Business to supersede the Guangzhou 35/F Lease for the period commencing on 15 October 2009 and ending on 28 February 2011. The amount payable by Le Saunda Business is the aggregate of (i) the rent of RMB101,640 (equivalent to approximately HK$114,850) per annum, payable in advance on a monthly basis in cash and (ii) the management fee of RMB24,201 (equivalent to approximately HK$27,490) 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 3504 is used as office premises for the Group's operation in the PRC.

The total amount of rent paid by the Group to Genda Investment under the Guangzhou 35/F Lease and Guangzhou 3504 Lease for the year ended 28 February 2010 was RMB752,639 (approximately HK$854,502).

CONTINUING CONNECTED TRANSACTIONS (continued)

(3) Pursuant to a tenancy agreement dated 21 January 2009 ("Guangzhou 30/F Lease") 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號大都會廣場三十樓3005-3009單位）("Guangzhou Premises 30/F") entered into between Super Billion Properties Limited ("Super Billion"), a company indirectly wholly and beneficially owned by Mr. Lee and his associates, and Le Saunda Business. Super Billion leased the Guangzhou Premises 30/F to Le Saunda Business for a term of two years commencing on 1 March 2009 and ending on 28 February 2011. The amount payable by Le Saunda Business is the aggregate of (i) the rental of RMB574,799 (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. The Guangzhou Premises 30/F is used as office premises for the Group's operation in PRC.

    The total amount of rent paid by the Group to Super Billion under the Guangzhou 30/F Lease for the year ended 28 February 2010 was RMB574,799 (approximately HK$652,931).

(4) Pursuant to a tenancy agreement dated 21 January 2009 ("Car Park Lease") 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") entered into between Prosper Hon Investment Limited ("Prosper Hon"), a company indirectly wholly and beneficially owned by Mr. Lee and his associates, and L. S. Retailing Limited ("L. S. Retailing"), an indirect wholly-owned subsidiary of the Company. Prosper Hon leased the Car Park V06 to L. S. Retailing for a term of two years commencing on 1 March 2009 and ending on 28 February 2011. The amount payable by L. S. Retailing under the Car Park Lease is HK$38,400 per annum (inclusive of management fee, government rent and rates), payable in advance on a monthly basis in cash. The Car Park V06 is used for parking a lorry of the Group.

    The total amount of rent paid by the Group to Prosper Hon under the Car Park Lease for the year ended 28 February 2010 was HK$38,400.

The aggregate rental paid by the Group to Mr. Lee, Genda Investment, Super Billion and Prosper Hon under the Macau Lease, Guangzhou 35/F Lease, Guangzhou 3504 Lease, Guangzhou 30/F Lease and Car Park Lease was HK$3,105,833 for the year ended 28 February 2010.

Mr. Lee is the chairman, 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 (together "Lease Agreements 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 constitute 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.

CONTINUING CONNECTED TRANSACTIONS (continued)

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.

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 Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the above continuing connected transactions 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 has reported the 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 32 to the consolidated 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 2010, the five largest customers of the Group together accounted for approximately 9.6% of the Group's total turnover, with the largest customer accounted for approximately 4.8% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 29.0% of the total purchase of the Group for the year ended 28 February 2010, with the largest supplier accounted for approximately 12.3% 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 issued share capital of the Company, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

DISPOSAL OF PROPERTIES

Trend Door Company Limited ("Trend Door"), a wholly owned subsidiary of the Company, sold and assigned its entire ownership interests in the property located at 28/F Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong to Shine Star Investments Limited (the "Purchaser"), a third party independent of the Company and its connected persons on 3 November 2009, at a cash consideration of HK$33.0 million pursuant to a sale and purchase agreement dated 18 September 2009 entered into between Trend Door and the Purchaser. Furthermore, Trend Light Trading Company Limited ("Trend Light"), a wholly owned subsidiary of the Company, sold and assigned its entire ownership interests in the property located at 30/F Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong to Kind Bright Corporation Limited (the "Purchaser"), a third party independent of the Company and its connected persons on 17 November 2009, at a cash consideration of HK$34.6 million pursuant to a preliminary sale and purchase agreement dated 2 October 2009 entered into between Trend Light and the Purchaser.

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, 31 May 2010

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 124, which comprise the consolidated and company balance sheets as at 28 February 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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 2010 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, 31 May 2010

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	5	1,000,018	910,018
Cost of sales	7	(393,727)	(431,756)
Gross profit		606,291	478,262
Other income	6	2,934	2,419
Other gains/(losses), net	6	15,415	(9,122)
Selling and distribution costs	7	(344,213)	(281,270)
General and administrative expenses	7	(129,619)	(112,778)
Operating profit		150,808	77,511
Finance income	8	975	4,191
Finance costs	8	—	(20)
Finance income, net	8	975	4,171
Share of profit of a jointly controlled entity	19	386	534
Profit before income tax		152,169	82,216
Income tax expense	11	(29,167)	(10,146)
Profit for the year attributable to equity holders of the Company	12	123,002	72,070
Earnings per share attributable to equity holders of the Company (expressed in HK cents)			
– Basic	14	19.2	11.3
– Diluted	14	19.2	11.3
Dividends	13	63,921	47,930

The notes on pages 65 to 124 are an integral part of these financial statements.

	2010 HK$'000	2009 HK$'000
Profit for the year	**123,002**	72,070
Other comprehensive income		
Currency translation differences	**2,944**	5,732
Gains on revaluation of investment property transferred from property, plant and equipment and leasehold land and land use right, net of tax	**—**	15,501
Other comprehensive income for the year, net of tax	**2,944**	21,233
Total comprehensive income for the year attributable to equity holders of the Company	**125,946**	93,303

The notes on pages 65 to 124 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Investment properties	15	**43,964**	100,893
Property, plant and equipment	16	**211,190**	195,709
Leasehold land and land use rights	17	**42,026**	43,023
Long-term deposits and prepayments		**9,621**	6,534
Interest in a jointly controlled entity	19	**38,109**	37,441
Interest in and amount due from an available-for-sale financial asset	20	**4,553**	22,381
Deferred tax assets	21	**24,407**	32,286
		373,870	438,267
Current assets			
Inventories	22	**244,884**	190,670
Trade and other receivables	23	**141,257**	107,025
Deposits and prepayments		**19,394**	22,340
Cash and bank balances	24	**285,308**	203,510
		690,843	523,545
Total assets		**1,064,713**	961,812

	Note	2010 HK$'000	2009 HK$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	63,926	63,906
Reserves			
Proposed final dividend	28	44,749	28,758
Others	28	802,257	740,082
Total equity		910,932	832,746
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	4,697	6,476
Current liabilities			
Trade payables and accruals	25	139,165	118,592
Amount due to a jointly controlled entity	19	—	1,016
Current income tax liabilities		9,919	2,982
		149,084	122,590
Total liabilities		153,781	129,066
Total equity and liabilities		1,064,713	961,812
Net current assets		541,759	400,955
Total assets less current liabilities		915,629	839,222

Lee Tze Bun, Marces
Director

Lau Shun Wai
Director

The notes on pages 65 to 124 are an integral part of these financial statements.

BALANCE SHEET

AS AT 28 FEBRUARY 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	588,678	587,996
Current assets			
Other receivables	23	225	214
Cash and bank balances	24	1,500	121
		1,725	335
Total assets		590,403	588,331
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	63,926	63,906
Reserves			
Proposed final dividend	28	44,749	28,758
Others	28	481,511	495,385
Total equity		590,186	588,049
LIABILITIES			
Current liabilities			
Accruals	25	217	282
Total liabilities		217	282
Total equity and liabilities		590,403	588,331
Net current assets		1,508	53
Total assets less current liabilities		590,186	588,049

Lee Tze Bun, Marces
Director

Lau Shun Wai
Director

The notes on pages 65 to 124 are an integral part of these financial statements.

	Share capital HK$'000	Reserves HK$'000	Total HK$'000
Balance at 1 March 2008	63,826	722,978	786,804
Comprehensive income			
Profit for the year	—	72,070	72,070
Other comprehensive income			
Currency translation differences	—	5,732	5,732
Gains on revaluation of investment property transferred from property, plant and equipment and leasehold land and land use right, net of tax	—	15,501	15,501
Total comprehensive income for the year	—	93,303	93,303
Transactions with owners			
Share option scheme:			
– value of service provided	—	(130)	(130)
– exercise of share options	80	619	699
Dividends	—	(47,930)	(47,930)
Total transactions with owners for the year	80	(47,441)	(47,361)
Balance at 28 February 2009	63,906	768,840	832,746
Balance at 1 March 2009	63,906	768,840	832,746
Comprehensive income			
Profit for the year	—	123,002	123,002
Other comprehensive income			
Currency translation differences	—	2,944	2,944
Total comprehensive income for the year	—	125,946	125,946
Transactions with owners			
Share option scheme:			
– exercise of share options	20	154	174
Dividends	—	(47,934)	(47,934)
Total transactions with owners for the year	20	(47,780)	(47,760)
Balance at 28 February 2010	63,926	847,006	910,932

The notes on pages 65 to 124 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Net cash generated from operations	31	106,968	69,293
Interest paid		—	(20)
Overseas taxation paid		(16,053)	(4,484)
Net cash generated from operating activities		90,915	64,789
Investing activities			
Interest received		975	4,191
Purchase of property, plant and equipment		(44,112)	(123,986)
Proceeds from disposal of property, plant and equipment		—	873
Proceeds from disposal of investment properties		67,232	—
Reduction in share capital of a jointly controlled entity		—	20,035
Increase in term deposits (over 3 months)		(2,434)	(3,221)
Decrease/(increase) in pledged deposit		195	(1,853)
Decrease in amount due from available-for-sale financial asset		13,747	—
Net cash generated from/(used in) investing activities		35,603	(103,961)
Financing activities			
Issue of shares		174	699
Dividends paid		(47,982)	(47,930)
Net cash used in financing activities		(47,808)	(47,231)
Net increase/(decrease) in cash and cash equivalents		78,710	(86,403)
Effect of foreign exchange rate changes, net		849	1,899
Cash and cash equivalents at beginning of year		198,436	282,940
Cash and cash equivalents at end of year	24	277,995	198,436

The notes on pages 65 to 124 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 (the "Stock Exchange").

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 31 May 2010.

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 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 Group has adopted the following new, revised or amended standards as at 1 March 2009:

- HKAS 1 (revised), 'Presentation of financial statements' – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

- HKFRS 7 'Financial instruments – Disclosures' (amendment) – The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- HKFRS 8, 'Operating segments' – HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The following revised or amended standards and interpretations are also mandatory for the first time for the financial year beginning 1 March 2009 but are either not relevant to the Group or have no significant impact on the Group's consolidated financial statements:

- HKAS 23 (revised) – Borrowing costs
- HKAS 27 (amendment) – Consolidated and separate financial statements
- HKAS 32 (amendment) – Financial instruments: presentation
- HKAS 39 (amendment) – Financial instruments: Recognition and measurement
- HKFRS 2 (amendment) – Share-based payment
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives
- HK(IFRIC) – Int 13 – Customer loyalty programmes
- HK(IFRIC) – Int 15 – Agreements for the construction of real estate
- HK(IFRIC) – Int 16 – Hedges of a net investment in a foreign operation
- HK(IFRIC) – Int 18 – Transfer of assets from customers
- First annual improvement project
  - HKAS 1 – Presentation of financial statements
  - HKAS 16 – Property, plant and equipment
  - HKAS 19 – Employee benefits
  - HKAS 20 – Accounting for government grants and disclosure of government assistance
  - HKAS 28 – Investments in associates
  - HKAS 29 – Financial reporting in hyperinflationary economies
  - HKAS 31 – Interests in joint ventures
  - HKAS 36 – Impairment of assets
  - HKAS 38 – Intangible assets
  - HKAS 39 – Financial instruments: Recognition and measurement
  - HKAS 40 – Investment property

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

The following new, revised or amended standards and interpretations have been issued, but are not yet effective for the financial year beginning 1 March 2009 and have not been early adopted:

- HKAS 1 (amendment) – Presentation of financial statements[1]
- HKAS 7 (amendment) – Statement of cash flows[1]
- HKAS 17 (amendment) – Leases[1]
- HKAS 24 (revised) – Related party disclosures[4]
- HKAS 27 (revised) – Consolidated and separate financial statements[2]
- HKAS 32 (amendment) – Classification of rights issue[5]
- HKAS 36 (amendment) – Impairment of assets[1]
- HKAS 38 (amendment) – Intangible assets[2]
- HKAS 39 (amendment) – Financial instruments: recognition and measurement[1,2]
- HKFRS 2 (amendment) – Share-based payments[1,2]
- HKFRS 3 (revised) – Business combination[2]
- HKFRS 5 (amendment) – Non-current assets held for sale and discontinued operations[1]
- HKFRS 8 (amendment) – Operating segments[1]
- HKFRS 9 – Financial instruments[3]
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives[2]
- HK(IFRIC) – Int 14 – Prepayments of a minimum funding requirement[4]
- HK(IFRIC) – Int 16 – Hedges of a net investment in a foreign operation[2]
- HK(IFRIC) – Int 17 – Distributions of non-cash assets to owners[2]
- HK(IFRIC) – Int 19 – Extinguishing financial liabilities with equity instruments[6]

[1] Changes effective for annual periods beginning on or after 1 January 2010.
[2] Changes effective for annual periods beginning on or after 1 July 2009.
[3] Changes effective for annual periods beginning on or after 1 January 2013.
[4] Changes effective for annual periods beginning on or after 1 January 2011.
[5] Changes effective for annual periods beginning on or after 1 February 2010.
[6] Changes effective for annual periods beginning on or after 1 July 2010.

The Group has already commenced an assessment of the related impact of adopting the above new, revised or amended 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 consolidated 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 28 February 2009 and 2010.

(i) Subsidiaries are all entities (including special purpose 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 consolidated income statement.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated. 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 for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(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 consolidated 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.

(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 consolidated 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 consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs 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(g)).

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

(e) Construction-in-progress

Construction-in-progress, representing buildings on which construction work has not been completed and machinery pending installation, is stated at historical cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, the construction-in-progress is transferred to appropriate categories of property, plant and equipment.

(f) Leasehold land and land use rights

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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 fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or jointly controlled entity is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(h) 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 determines 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 consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

(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 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.

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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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 as ‘gains and losses from investment securities’.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio;
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(j) Inventories

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

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Operating leases

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

(n) Trade payables

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

(o) Current and deferred income tax

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

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.

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 and jointly controlled entity 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) 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 when specific criteria have been met for each of the Group's activities as described below. 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 right to receive payment is established.

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Employee benefit entitlements

Salaries, bonuses, 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. Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

The Group also contributes to pension schemes established by municipal governments in respect of certain subsidiaries 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 consolidated income statement as incurred.

(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 consolidated 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 consolidated 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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 consolidated income statement in the year in which they are incurred.

(t) Share capital

Ordinary shares are classified as equity incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) 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 functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK dollars"), which is the Company'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 consolidated 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)

(u) 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 rate on 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 consolidated income statement as part of the gain or loss on sale.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements for the year 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 (included 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 RMB. The Group is exposed to foreign exchange risk arising mainly from the exposure of HK dollars against RMB. In addition, as at 28 February 2009 and 2010, the Group had certain deposits in banks, trade receivables and trade payables denominated in foreign currencies, mainly HK dollars, Euro ("EUR") and US dollars ("USD").

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 and 2010, if HK dollars had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately HK$2,520,000 (2009: HK$1,262,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK dollars denominated deposits in banks, trade receivables and trade payables.

At 28 February 2009 and 2010, if EUR had strengthened/weakened by 3% against RMB with all other variables held constant, profit for the year would have been approximately HK$44,000 (2009: HK$1,435,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of EUR denominated deposits in banks, trade receivables and trade payables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 28 February 2009 and 2010, if USD had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately HK$1,989,000 (2009: HK$647,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of USD denominated deposits in banks, trade receivables and trade payables.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities except for the deposits in banks, details of which have been disclosed in Note 24. The interest rate risk is considered to be insignificant.

(b) Credit risk

The carrying amounts of the trade and other receivables (Note 23), amount due from an available-for-sale financial asset (Note 20) and deposits with banks (Note 24) 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 no provision for uncollectible receivables has to be made.

The Group has an 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"). 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 to settle the net balance, after provision made, recorded as at year end.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 28 February 2009 and 2010, substantially all the deposits with banks are held in international financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

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

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	
	2010 HK$'000	2009 HK$'000
Less than 1 year		
Trade payables and accruals	139,165	118,592
Amount due to a jointly controlled entity	—	1,016
	139,165	119,608

	Company	
	2010 HK$'000	2009 HK$'000
Less than 1 year		
Accruals	217	282

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair values estimation

Effective 1 March 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair values estimation (Continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's investment in an available-for-sale financial asset is classified as level 3.

3.3 Capital risk management

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated, 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(f). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, 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.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 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 consolidated income statement, the Group's results are exposed to the risk of fluctuation of such fair values.

5 REVENUE AND SEGMENT INFORMATION

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

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Segment liabilities mainly exclude amount due to a jointly controlled entity, current income tax liabilities, deferred tax liabilities and other liabilities that are managed on a central basis.

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

The segment information provided to the Executive Directors for the reportable segments for the year ended 28 February 2010 is as follows:

	Retail		Export	Total
	HK & Macau	Mainland China	(Note (a))	
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	135,676	738,931	125,411	1,000,018
Reportable segment profit	4,944	111,238	19,022	135,204
Other income				2,934
Other gains, net				15,415
Finance income				975
Share of profit of a jointly controlled entity				386
Unallocated expenses				(2,745)
Profit before income tax				152,169
Income tax expense				(29,167)
Profit for the year				123,002
Depreciation and amortisation	4,776	21,437	3,733	29,946
Additions to non-current assets (Note (b))	2,007	39,643	2,462	44,112

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information for the year ended 28 February 2009 is as follows:

	Retail		Export	Total
	HK & Macau HK$'000	Mainland China HK$'000	(Note (a)) HK$'000	HK$'000
Revenue from external customers	187,930	531,211	190,877	910,018
Reportable segment profit/(loss)	(4,809)	59,683	29,517	84,391
Other income				2,419
Other losses, net				(9,122)
Finance income				4,191
Finance costs				(20)
Share of profit of a jointly controlled entity				534
Unallocated expenses				(177)
Profit before income tax				82,216
Income tax expense				(10,146)
Profit for the year				72,070
Depreciation and amortisation	5,768	11,515	5,266	22,549
Additions to non-current assets (Note (b))	392	74,508	49,086	123,986

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

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

(b) The amounts comprise additions to property, plant and equipment.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's assets as at 28 February 2009 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	263,155	398,742	207,451	869,348
Interest in a jointly controlled entity				37,441
Interest in and amount due from an available-for-sale financial asset				22,381
Deferred tax assets				32,286
Unallocated assets				356
Total assets per consolidated balance sheet				961,812
Segment liabilities	15,372	60,348	38,510	114,230
Amount due to a jointly controlled entity				1,016
Current income tax liabilities				2,982
Deferred tax liabilities				6,476
Unallocated liabilities				4,362
Total liabilities per consolidated balance sheet				129,066

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Revenue

	2010 HK$'000	2009 HK$'000
Hong Kong	121,346	170,160
Mainland China	738,931	531,211
Macau	14,329	17,770
Russia	33,962	48,404
Italy	13,097	38,425
Other countries (Note (a))	78,353	104,048
Total	1,000,018	910,018

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

For the year ended 28 February 2010, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2009: HK$ Nil).

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

Non-current assets

	2010 HK$'000	2009 HK$'000
Hong Kong	27,399	87,825
Mainland China	281,949	281,311
Macau	40,115	36,845
Total	349,463	405,981

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

	2010 HK$'000	2009 HK$'000
Other income		
Gross rental income from investment properties	2,934	2,419
Other gains/(losses) – net		
Gains on disposal of investment properties	5,632	—
Fair value gains/(losses) on investment properties (Note 15)	4,671	(3,624)
Net exchange gains/(losses) (Note (a))	5,112	(5,498)
	15,415	(9,122)
	18,349	(6,703)

(a) Net exchange gains/(losses) 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.

7 EXPENSES BY NATURE

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

	2010 HK$'000	2009 HK$'000 (Restated)
Auditors' remuneration	1,536	2,323
Amortisation of leasehold land and land use rights (Note 17)	1,098	1,252
Depreciation of property, plant and equipment (Note 16)	28,848	21,297
Loss on disposal of property, plant and equipment	810	2,738
Costs of inventories sold included in cost of sales	326,252	370,004
Operating lease rentals in respect of land and buildings		
– minimum lease payments	61,732	75,889
– contingent rents	1,977	1,919
Freight charges	8,411	8,083
Advertising and promotional expenses	22,859	17,149
Concessionaire fees	146,818	86,107
Direct operating expenses arising from investment properties that generated rental income	1,689	987
Employee benefit expenses (including directors' emoluments) (Note 9)	197,757	184,830
Other expenses	67,772	53,226
Total cost of sales, selling and distribution costs, and general and administrative expenses	867,559	825,804

8 FINANCE INCOME, NET

	2010 HK$'000	2009 HK$'000
Interest income on bank deposits	975	4,191
Interest expense on short-term bank loans	—	(20)
	975	4,171

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$'000	2009 HK$'000 (Restated)
Wages and salaries	169,527	159,143
Staff welfare and other benefits	8,743	8,835
Share options granted to Directors and employees	—	(130)
Pension costs – defined contribution plans (Note (a))	19,487	16,982
	197,757	184,830

(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 MPF Scheme 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 the 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$19,487,000 (2009: HK$16,982,000) were paid by the Group during the year. Forfeited contributions totalling HK$694,000 (2009: HK$144,000) were refunded during the year.

10 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 2010 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. Lau Shun Wai	—	1,988	12	2,000
Ms. Chui Kwan Ho, Jacky	—	1,943	12	1,955
Ms. Tsui Oi Kuen	—	1,603	12	1,615
Ms. Wong Sau Han	—	1,400	12	1,412
Mr. Wong Tai Chung, Kenneth	—	1,400	12	1,412
Ms. Chu Tsui Lan	—	1,400	12	1,412
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	9,734	72	10,166

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

(a) Directors' emoluments (Continued)

The remuneration of each of the Directors of the Company for the year ended 28 February 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. Lau Shun Wai	—	1,505	12	1,517
Ms. Chui Kwan Ho, Jacky	—	1,985	12	1,997
Ms. Tsui Oi Kuen	—	1,617	12	1,629
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 was subsequently appointed as Executive Director on 1 September 2008. During the year ended 28 February 2009, the aggregate of emolument paid (including salary, bonus and contribution to retirement scheme) to Mr. Wong was approximately HK$1,403,000.

Employee share-based compensation is also included in 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 2010, none (2009: none) of these options were exercised by the Directors. The fair value of such options which has been recognised in the consolidated income statement over the vesting period was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the staff costs, and directors' and senior management's emoluments.

No remuneration has been paid by the Group to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2009: HK$ Nil).

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

(b) Five highest paid individuals

The Directors' emoluments presented above include the emoluments of the five highest paid individuals in the Group during the year ended 28 February 2009 and 2010.

11 INCOME TAX EXPENSE

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

	2010 HK$'000	2009 HK$'000
Current income tax		
– Hong Kong profits tax	848	—
– People's Republic of China ("PRC") corporate income tax	22,128	5,898
Deferred taxation (Note 21)	6,191	4,248
	29,167	10,146

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: Nil) on the estimated assessable profit for the year.

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

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

11 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:

	2010 HK$'000	2009 HK$'000
Profit before income tax, less share of profit of a jointly controlled entity	151,783	81,682
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	34,976	21,126
Income not subject to taxation	(4,276)	(4,483)
Expenses not deductible for taxation purposes	1,215	3,057
Profit of subsidiaries under tax holiday	(8,813)	(7,055)
Tax losses for which no deferred tax asset was recognised	321	2,710
Utilisation of previously unrecognised tax losses	(256)	(2,121)
Recognition of previously unrecognised tax losses	—	(3,088)
Reversal of previously recognised tax losses	6,000	—
Income tax expense	29,167	10,146

The tax charge relating to components of other comprehensive income is as follows:

	2010			2009		
	Before tax HK$'000	Tax charge HK$'000	After tax HK$'000	Before tax HK$'000	Tax charge HK$'000	After tax HK$'000
Currency translation differences	2,944	—	2,944	5,732	—	5,732
Gain on revaluation of investment property transferred from property, plant and equipment and leasehold land and land use right	—	—	—	18,957	(3,456)	15,501
Other comprehensive income	2,944	—	2,944	24,689	(3,456)	21,233
Deferred tax (Note 21)		—			(3,456)	

12 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$45,032,000 (2009: profit of HK$125,975,000).

13 DIVIDENDS

	2010 **HK$'000**	2009 HK$'000
Interim, paid, of HK3.0 cents (2009: HK3.0 cents) per ordinary share	**19,172**	19,172
Final, proposed, of HK7.0 cents (2009: HK4.5 cents) per ordinary share	**44,749**	28,758
	63,921	47,930

At a meeting held on 31 May 2010, the Directors proposed a final dividend of HK7.0 cents per ordinary share totalling approximately HK$44,749,000. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2011.

14 EARNINGS PER SHARE

Basic

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

	2010 **HK$'000**	2009 HK$'000
Profit attributable to equity holders of the Company	**123,002**	72,070
Weighted average number of ordinary shares in issue ('000)	**639,108**	638,999
Basic earnings per share (HK cents)	**19.2**	11.3

14 EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 28 February 2010, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010 HK$'000
Profit attributable to equity holders of the Company	123,002
Weighted average number of ordinary shares in issue ('000)	639,108
Adjustments for share options ('000)	39
Weighted average number of ordinary shares for diluted earnings per share ('000)	639,147
Diluted earnings per share (HK cents)	19.2

For the year ended 28 February 2009, diluted earnings per share was the same as the basic earnings per share as the Company's share options outstanding during the year were anti-dilutive potential ordinary shares.

15 INVESTMENT PROPERTIES

	Group	
	2010 HK$'000	2009 HK$'000
At beginning of year	100,893	72,617
Transfer from property, plant and equipment (Note 16) and leasehold land and land use rights (Note 17)	—	12,943
Revaluation of an investment property transferred from property, plant and equipment and leasehold land and land use rights credited to equity	—	18,957
Disposal during the year	(61,600)	—
Fair value gains/(losses) recognised in the consolidated income statement (Note 6)	4,671	(3,624)
At end of year	43,964	100,893

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2010 by an independent professional valuer, Jones Lang LaSalle Sallmanns Limited.

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

	Group	
	2010 HK$'000	2009 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	2,600	64,200
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	41,364	36,693
	43,964	100,893

16 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in-progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 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
Year ended 28 February 2010							
Opening net book amount	69,135	23,407	58,499	7,734	1,640	35,294	195,709
Exchange differences	(4)	134	487	76	10	324	1,027
Additions	—	20,175	5,981	2,470	—	15,486	44,112
Disposals	—	(747)	—	—	(63)	—	(810)
Depreciation	(2,965)	(15,406)	(8,019)	(2,035)	(423)	—	(28,848)
Closing net book amount	66,166	27,563	56,948	8,245	1,164	51,104	211,190
At 28 February 2010							
Cost	102,066	89,437	107,095	25,018	4,133	51,104	378,853
Accumulated depreciation	(35,900)	(61,874)	(50,147)	(16,773)	(2,969)	—	(167,663)
Net book amount	66,166	27,563	56,948	8,245	1,164	51,104	211,190

As at 28 February 2010, no property, plant and equipment (2009: HK$9,603,000) was pledged to secure letters of credit and bank loan facilities granted to certain subsidiaries of the Group.

17 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**43,023**	51,879
Transfer to investment properties	**—**	(7,967)
Amortisation	**(1,098)**	(1,252)
Exchange differences	**101**	363
At end of year	**42,026**	43,023

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	
	2010	2009
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**7,800**	8,009
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**29,054**	29,748
Leases of over 50 years	**5,172**	5,266
	42,026	43,023

As at 28 February 2010, no leasehold land and land use rights (2009: HK$15,425,000) was pledged to secure letter of credit and bank loan facilities granted to certain subsidiaries of the Group.

18 INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**108,549**	107,657
Amount due from a subsidiary (Note (a))	**480,129**	480,339
	588,678	587,996

(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 2010 and 2009.

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation and 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%
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%

18 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 %
L.S. Retailing Limited (Note b)	Hong Kong, limited liability company	2 Ordinary shares of 1,000 HK dollar each plus 20,000 non-voting deferred shares of 1,000 HK dollar each	Retailing of shoes	100%
Maior Limited	Hong Kong, limited liability company	1,000 Ordinary shares of HK dollar 2,000 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%
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%

18 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 %
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$6,500,000	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%
Gracemark (Hangzhou) Limited	PRC, limited liability company	RMB$9,000,000	Retailing of shoes	66.67%
佛山市順德區藝恒信製鞋廠有限公司	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100%
佛山市順德區大信製鞋有限公司	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.

19 INTEREST IN A JOINTLY CONTROLLED ENTITY

(a) Share of net assets

	Group 2010 HK$'000	Group 2009 HK$'000
Registered capital at cost, unlisted	16,351	16,351
Share of undistributed post-acquisition reserves	21,758	21,090
Share of net assets	38,109	37,441
At beginning of the year	37,441	56,251
Capital reduction	—	(20,035)
Share of result of a jointly controlled entity	386	534
Exchange differences	282	691
At end of year	38,109	37,441

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 ("SSQ")	PRC	Property development	50%

The jointly controlled entity is held indirectly by the Company.

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

Under the joint venture agreement, each of LSRE and SHREC has committed to contribute US$5,000,000 (equivalent to approximately HK$38,650,000) capital to SSQ and share the results of SSQ equally. Up to 29 February 2008, LSRE had contributed US$4,800,000 (approximately HK$36,386,000) to SSQ.

Under the revised joint venture agreement on 13 November 2007, the total registered share capital of SSQ was reduced to US$4,200,000 (approximately HK$32,702,000) and equally shared by LSRE and SHREC. The application of capital reduction was approved on 3 March 2008 and the capital was finally reduced on 27 March 2008.

19 INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

(a) Share of net assets (Continued)

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

	2010 HK$'000	2009 HK$'000
Operating results		
Revenue	60,508	22,760
Profit for the year	772	1,068
Group's share of profit for the year	386	534
Financial position		
Non-current assets	44	60
Current assets	108,343	86,998
Current liabilities	(32,169)	(12,176)
Net assets	76,218	74,882
Group's share of net assets	38,109	37,441

(b) Amount due to a jointly controlled entity

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

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

	Group	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at fair value (Note (a))		
- Investment cost	**2,846**	2,822
- Provision for impairment	**(2,846)**	(2,596)
	—	226
Amount due from an available-for-sale financial asset (Note (b))	**8,537**	22,155
Less : Provision for impairment	**(3,984)**	—
	4,553	22,155
	4,553	22,381

(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 Group has no participation in decision making of its financial and operating policies. Accordingly, the Group does not have 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	
	2010	2009
	HK$'000	HK$'000
At beginning of the year	**226**	2,740
Exchange differences	**—**	82
Provision for impairment	**(226)**	(2,596)
At end of the year	**—**	226

(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.

21 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	
	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**24,407**	32,286
Deferred tax liabilities	**(4,697)**	(6,476)
	19,710	25,810

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	
	2010	2009
	HK$'000	HK$'000
At beginning of year	**25,810**	33,514
Charged to consolidated income statement (Note 11)	**(6,191)**	(4,248)
Credited to reserve	**—**	(3,456)
Exchange realignment	**91**	—
At end of year	**19,710**	25,810

The movement on deferred tax assets and liabilities are as follows:

	Unrealised profits on inventories		Tax losses		Revaluation of investment properties		Other provision		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**6,520**	6,464	**25,766**	32,216	**(6,476)**	(5,166)	**—**	—	**25,810**	33,514
Credited/(charged) to consolidated income statement	**3,264**	56	**(12,158)**	(6,450)	**1,779**	2,146	**924**	—	**(6,191)**	(4,248)
Credited to reserve	**—**	—	**—**	—	**—**	(3,456)	**—**	—	**—**	(3,456)
Exchange realignment	**52**	—	**39**	—	**—**	—	**—**	—	**91**	—
At end of year	**9,836**	6,520	**13,647**	25,766	**(4,697)**	(6,476)	**924**	—	**19,710**	25,810

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 2010, the Group had unrecognised tax losses of approximately HK$89,398,000 (2009: HK$52,205,000) to be carried forward against future taxable income. These tax losses have no expiration date.

22 INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	50,541	37,133
Work in progress	20,612	13,011
Finished goods	178,594	144,148
	249,747	194,292
Less: Provision for impairment of inventories	(4,863)	(3,622)
	244,884	190,670

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$326,252,000 (2009: HK$370,004,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables (Note (a))	138,772	105,730	—	—
Other receivables	2,485	1,295	225	214
	141,257	107,025	225	214

(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.

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 28 February 2010, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Current to 30 days	111,277	71,650
31 to 60 days	23,859	20,722
61 to 90 days	2,354	11,017
Over 90 days	1,282	2,341
	138,772	105,730

Trade and other receivables are denominated in the following currencies:

	Group	
	2010 HK$'000	2009 HK$'000
HK$	705	805
US$	22,221	7,415
RMB	114,167	69,222
EUR	1,529	28,201
Other currencies	150	87
	138,772	105,730

No trade receivables as at 28 February 2009 and 2010 were impaired and therefore, there was no provision made as at 28 February 2009 and 2010.

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 2010, trade receivables of HK$3,636,000 (2009: HK$7,127,000) 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	
	2010 HK$'000	2009 HK$'000
61 to 90 days	2,354	4,786
Over 90 days	1,282	2,341
	3,636	7,127

24 CASH AND BANK BALANCES

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Cash at bank and on hand	217,429	160,230	1,500	121
Short-term bank deposits (Note (a))	60,566	38,206	—	—
Cash and cash equivalents	277,995	198,436	1,500	121
Term deposits with initial term over three months (Note (a))	5,655	3,221	—	—
Pledged bank deposits (Note (b))	1,658	1,853	—	—
	285,308	203,510	1,500	121

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
HK$	84,752	43,041	1,500	121
RMB	138,067	109,715	—	—
US$	55,586	20,964	—	—
EUR	3,808	28,862	—	—
Other currencies	3,095	928	—	—
	285,308	203,510	1,500	121

Notes:

(a) The effective interest rate on short-term bank deposits and term deposits was 0.46% (2009: 0.88%) per annum; these deposits have a maturity ranging from 7 to 365 days.

(b) Bank deposits of HK$1,658,000 (2009: HK$1,853,000) have been pledged as rental deposits for certain subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 0.30% per annum (2009: 2.34% per annum).

(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.

25 TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	54,726	44,430	—	—
Accruals	84,439	74,162	217	282
	139,165	118,592	217	282

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2010, the ageing analysis of the trade payables as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current to 30 days	33,823	29,145
31 to 60 days	14,745	8,880
61 to 90 days	3,928	3,162
91 to 120 days	695	945
Over 120 days	1,535	2,298
	54,726	44,430

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

	Group	
	2010	2009
	HK$'000	HK$'000
HK$	1,471	1,794
RMB	34,941	26,592
US$	11,517	6,825
EUR	6,797	9,219
	54,726	44,430

26 SHARE CAPITAL

	2010		2009	
	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	639,065,600	63,906	638,261,600	63,826
Exercise of share options (Note 27)	200,000	20	804,000	80
At end of year	639,265,600	63,926	639,065,600	63,906

27 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 sheets issued by the Stock Exchange for the five business days immediately preceeding the date of offer of grant.

27 SHARE OPTIONS (CONTINUED)

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

	2010		2009	
	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	248	0.87	1,276
Forfeited	—	—	0.87	(224)
Exercised	0.87	(200)	0.87	(804)
At end of year	0.87	48	0.87	248

The Group has no legal or constructive obligation to repurchase or settle the options in cash. Option exercised during the year resulted in 200,000 shares (2009: 804,000 shares) being issued at an average exercise price of HK$0.87 each (2009: HK$0.87 each). The related weighted average share price at the time of exercise was HK$1.704 per share (2009: HK$0.98 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 2010 (thousands)	28 February 2009 (thousands)
15 January 2016 (Note)	0.87	48	248

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

28 RESERVES

Group

	Share premium	Exchange translation reserve	Statutory reserves (Note (i))	Retained earnings	Capital reserve	Revaluation reserve	Employee share-based compensation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2009	416,277	34,810	21,415	276,349	4,261	15,501	227	768,840
Comprehensive income								
Profit for the year	—	—	—	123,002	—	—	—	123,002
Other comprehensive income								
Currency translation differences	—	2,944	—	—	—	—	—	2,944
Transactions with owners								
Transfers upon disposal of an investment property	—	—	—	15,501	—	(15,501)	—	—
Share option scheme – exercise of share options	245	—	—	—	—	—	(91)	154
Transfer	—	—	1,896	(1,896)	—	—	—	—
Dividends	—	—	—	(47,934)	—	—	—	(47,934)
At 28 February 2010	416,522	37,754	23,311	365,022	4,261	—	136	847,006
Representing:								
2010 proposed final dividend								44,749
Others								802,257
								847,006

28 RESERVES (CONTINUED)

Group (Continued)

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves (Note (i)) HK$'000	Retained earnings HK$'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
Comprehensive income								
Profit for the year	—	—	—	72,070	—	—	—	72,070
Other comprehensive income								
Gains on revaluation of an investment property transferred from property, plant and equipment and leasehold land and land use right, net of tax	—	—	—	—	—	15,501	—	15,501
Currency translation differences	—	5,732	—	—	—	—	—	5,732
Transactions with owners								
Share option scheme								
– value of service provided	—	—	—	—	—	—	(130)	(130)
– exercise of share options	983	—	—	—	—	—	(364)	619
Transfer	—	—	1,210	(1,210)	—	—	—	—
Dividends	—	—	—	(47,930)	—	—	—	(47,930)
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

28 RESERVES (CONTINUED)

Company

	Share premium	Exchange translation reserve	Contributed surplus (Note (ii))	Retained earnings	Employee share-based compensation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2009	416,277	—	30,164	77,475	227	524,143
Comprehensive income						
Profit for the year	—	—	—	45,032	—	45,032
Other comprehensive income						
Currency translation differences	—	4,865	—	—	—	4,865
Transactions with owners						
Share option scheme:						
– exercise of share options	245	—	—	—	(91)	154
Dividends	—	—	—	(47,934)	—	(47,934)
At 28 February 2010	416,522	4,865	30,164	74,573	136	526,260
Representing:						
2010 proposed final dividend						44,749
Others						481,511
						526,260

28 RESERVES (CONTINUED)

Company (Continued)

	Share premium	Contributed surplus (Note (ii))	Retained earnings/ (accumulated losses)	Employee share-based compensation reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2008	415,294	30,164	(570)	721	445,609
Comprehensive income					
Profit for the year	—	—	125,975	—	125,975
Transactions with owners					
Share option scheme:					
– value of service provided	—	—	—	(130)	(130)
– exercise of share options	983	—	—	(364)	619
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

Note:

(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 fund may be used to make up losses or to increase the capital of the corresponding subsidiaries whilst the enterprise expansion fund 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 2010 amounted to approximately HK$104,737,000 (2009: HK$107,639,000).

29 CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loan to the extent of HK$50,000,000 (2009: HK$30,000,000) of which HK$20,391,000 (2009: HK$12,915,000) was utilised as at 28 February 2010.

30 COMMITMENTS

(a) Capital commitments

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for, in respect of		
– purchase of property, plant and equipment	**2,867**	17,014
– unpaid capital contributions to a subsidiary	**10,244**	—

At 28 February 2010, the Company had no capital commitment (2009: HK$ Nil).

(b) Commitments under operating leases

(i) At 28 February 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**45,592**	44,664
Later than one year and not later than five years	**28,643**	31,148
	74,235	75,812

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 2010, the Company had no future aggregate minimum lease payments under non-cancellable operating leases (2009: HK$ Nil).

30 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (Continued)

(ii) At 28 February 2010, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**3,127**	2,619
Later than one year and not later than five years	**182**	2,163
	3,309	4,782

At 28 February 2010, the Company had no future aggregate minimum rental receivable under non-cancellable operating leases (2009: HK$ Nil).

31 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to net cash generated from operations

	2010 HK$'000	2009 HK$'000
Profit before income tax	152,169	82,216
Share of profit of a jointly controlled entity	(386)	(534)
Fair value (gains)/losses on investment properties	(4,671)	3,624
Gains on disposal of investment properties	(5,632)	—
Depreciation of property, plant and equipment	28,848	21,297
Loss on disposal of property, plant and equipment	810	2,738
Amortisation of leasehold land and land use rights	1,098	1,252
Impairment provision of an available-for-sale financial asset	226	2,596
Impairment provision of the amount due from available-for-sale financial asset	3,984	—
Share option scheme benefits	—	(130)
Interest income	(975)	(4,191)
Interest expense	—	20
Operating profit before working capital changes	175,471	108,888
Increase in inventories	(53,740)	(43,007)
Increase in trade and other receivables	(33,999)	(16,329)
(Increase)/decrease in deposits and prepayments	(141)	3,485
Increase in trade payables and accruals	20,393	16,007
(Decrease)/increase in amount due to a jointly controlled entity	(1,016)	249
Net cash generated from operations	106,968	69,293

32 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2010, Stable Gain Holdings Limited had a 32.07% equity interest in the Company as the single largest shareholder. The ultimate controlling party of the Company is Mr. Lee Tze Bun, Marces ("Mr. Lee"), a Director of the Company.

(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	
	2010	2009
	HK$'000	HK$'000
Rental expenses charged by:		
– a related party (Note (i))	**1,560**	1,364
– related companies (Note (ii))	**1,508**	1,297

(i) During the year, the Group rented a shop located in Macau from 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 and Super Billion Properties Limited, companies controlled by Mr. Lee.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Year-end balances with related parties

	Group	
	2010	2009
	HK$'000	HK$'000
Payable to a related party (Note (i))	**—**	491
Amount due to a jointly controlled entity	**—**	1,016

(i) The balance represented amount payable to Mr. Lee, which was unsecured, interest free and repayable on demand. The amount approximated its fair value and was denominated in HK dollars.

(d) Key management compensation

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**9,734**	7,798
Contributions to retirement scheme	**72**	60
	9,806	7,858

33 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

	2010		2009		2008		2007		2006	
	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	1,000,018	–	910,018	–	781,993	14,184	724,284	48,487	653,028	68,520
Operating profit/(loss)	150,808	–	77,511	–	83,621	(21,535)	109,285	3,353	94,366	(12,121)
Finance income, net	975	–	4,171	–	5,024	94	1,670	384	932	683
Share of profit of a jointly controlled entity	386	–	534	–	14,509	–	1,925	–	4,726	–
Profit/(loss) before income tax	152,169	–	82,216	–	103,154	(21,441)	112,880	3,737	100,024	(11,438)
Income tax (expense)/credit	(29,167)	–	(10,146)	–	(7,092)	–	(5,729)	(5,162)	1,578	(8)
Gain on disposal of a subsidiary	–	–	–	–	–	3,455	–	–	–	–
Profit/(loss) attributable to equity holders of the Company	123,002	–	72,070	–	96,062	(17,986)	107,151	(1,425)	101,602	(11,446)

ASSETS AND LIABILITIES OF THE GROUP

	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Investment properties, property, plant and equipment and leasehold land and land use rights	297,180	339,625	224,046	180,159	138,571
Interest in a jointly controlled entity	38,109	37,441	56,251	57,829	53,374
Long term deposits and prepayments	9,621	6,534	12,657	16,734	44,703
Interest in and amount due from an available-for-sale financial asset/other investment	4,553	22,381	24,255	7,189	4,822
Deferred tax assets	24,407	32,286	38,680	36,339	29,710
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	541,759	400,955	436,081	404,590	285,916
	915,629	839,222	791,970	739,113	557,096
Shareholders' funds	910,932	832,746	786,804	735,663	557,096
Deferred tax liabilities	4,697	6,476	5,166	3,450	—
	915,629	839,222	791,970	739,113	557,096

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