le saunda holdings ltd.

利 信 達 集 團 有 限 公 司

annual report 2012

(Stock Code : 0738)

CONTENTS

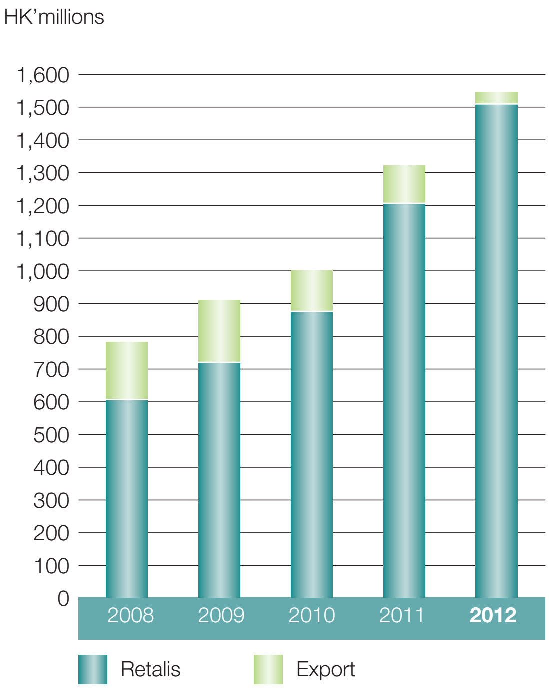
Note: All monetary values are expressed in Hong Kong Dollars unless stated otherwise.

FINANCIAL HIGHLIGHTS

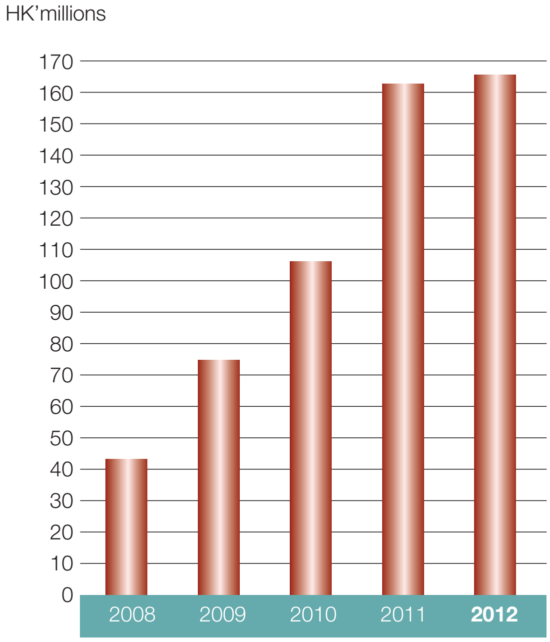
	Year ended 29 February 2012 HK$m	Year ended 28 February 2011 HK$m	Change %
Profit and Loss Highlights			
Revenue	**1,545.0**	1,319.9	17.1
Underlying Profit Attributable to Equity Holders	**165.5**	162.7	1.7
Profit Attributable to Equity Holders	**194.2**	168.5	15.3
Basic Earnings per Share (HK Cents)	**30.38**	26.36	15.3
Dividend per Share (HK Cents)	**13.7**	13.0	5.4
Balance Sheet Highlights			
Total Equity	**1,196.0**	1,054.2	13.4
Net Cash Balances	**424.7**	344.9	23.2
Net Assets Value per Share (HK$)	**1.87**	1.65	13.4
Net Cash per Share (HK$)	**0.66**	0.54	23.2
Other Key Ratios			
Stock Turnover (Days)	**210**	170	
Quick Ratio (Times)	**2.3**	2.1	
Gearing Ratio (%)	**—**	0.3	

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

Revenue — Continuing Operations



Underlying profits — Attributable to Equity Holders



CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Lee Tze Bun, Marces *(Chairman)*
(will retire from Chairman and become a non-executive Director on 1 June 2012)
Lau Shun Wai *(Chief Executive Officer)*
Wong Sau Han
Chu Tsui Lan *(Chief Operating Officer)*
An You Ying
(appointed on 10 October 2011)

NON-EXECUTIVE DIRECTOR
James Ngai
(appointed as non-executive Director on 25 March 2011 and will be re-designated as non-executive Director and Chairman on 1 June 2012)

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

NOMINATION COMMITTEE
(Established on 19 March 2012)
Hui Chi Kwan *(Chairman)*
Lam Siu Lun, Simon
Leung Wai Ki, George
James Ngai

COMPANY SECRETARY
Yuen Chee Wing

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
1063 King's Road
Quarry Bay
Hong Kong

REGISTRAR (IN BERMUDA)
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

REGISTRAR (IN HONG KONG)
Computershare Hong Kong Investor Services Limited
Units 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: 0738
Board Size: 2,000 Shares

INVESTOR RELATIONS
Email address: ir@lesaunda.com.hk

WEBSITE ADDRESS
http://www.lesaunda.com.hk

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

2011/12 Interim Results Announcement	**24 October 2011**
Payment of 2011/12 Interim Dividend	**23 November 2011**
2011/12 Annual Results Announcement	**28 May 2012**
Closure of Register of Members for Annual General Meeting (both days inclusive)	**12–16 July 2012**
Annual General Meeting	**16 July 2012**
Closure of Register of Members for Dividend (both days inclusive)	**20–24 July 2012**
Proposed Payment of 2011/12 Final Dividend	**2 August 2012**

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
1063 King's Road
Quarry Bay, Hong Kong

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

AUGUST & SEPTEMBER 2011

The first Linea Rosa store was opened in August 2011 at Wuhan International Plaza, Wuhan, China.

With the opening of the new le saunda franchise store at Zhengzhou Parkson in September 2011, the number of the Group's stores in Mainland China exceeded 800 for the first time.

OCTOBER 2011

Han Huohuo Autograph and Sale Session for Linea Rosa was held at Wuhan International Plaza, China.

OCTOBER
2011

Celebrity model Chrissie Chau along with a team of professional models to present the latest le saunda footwear and handbag collection at the "2011 Fall/Winter fashion show" at Times Square, Causeway Bay, Hong Kong.

DECEMBER
2011

With outstanding performance in customer service, le saunda's front-line sales staff won the "2011 Service & Courtesy Award – Footwear Category", awarded by the Hong Kong Retail Management Association.

With the opening of the new le saunda store at Fengnan Shopping Mall, Tangshan in January 2012, the number of the Group's stores in Mainland China exceeded 900 for the first time.

JANUARY
2012

The "That's my way" fashion show was held at le saunda shop at New Town Plaza, Shatin, Hong Kong. Noted actor Mr. Francis Ng and artist Ms. Koni Lui present le saunda's Spring & Summer 2012 collection.

APRIL 2012

le saunda was presented "Manpower Developer" at the "ERB Manpower Developer Award Scheme" launched by the ERB to acknowledge le saunda's outstanding accomplishments in manpower training and development.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("the Board"), I am pleased to present the annual report of Le Saunda Holdings Limited ("Le Saunda" or "the Company") and its subsidiaries ("the Group") for the year ended 29 February 2012.

The 2011/12 financial year was full of challenges and opportunities for the Group. The slow global economic recovery, persistent European sovereign debt crisis and high inflation in China drove up labour and rental costs and added to the Group's operating costs and risks. However, with the continuing trend of urbanization in China and the support of policies aimed at expanding domestic demand, the Chinese economy continued to grow steadily. During the year under review, the Group overcame such challenges by implementing strategic operational measures in a timely manner, which led the Group to record consolidated revenue of HK$1.5 billion, a year-on-year increase of 17.1%. Consolidated profit attributable to equity holders of the Company rose to HK$194.2 million, a year-on-year increase of 15.3%. Besides the further expansion of our retail network in China, we also acted prudently in adopting optimization plans at the shop level to retire underperforming stores. As of the financial year end date, the Group had a network of 921 retail outlets in the PRC, Hong Kong and Macau, an increase of 155 outlets compared to the same period of last year.

Since the second half of last year, the growth of the Chinese retail market showed signs of slowing, which, coupled with the intense competition in the retail industry, indicated an adjustment period for the retail industry as a whole. In order to minimize the effects of obsolete inventory, the Group responded swiftly with measures such as brand promotion and sales incentive programs so as to enhance the efficiency of its sales channels, to improve the turnaround of its products and to clear off-season items, so as to lower the inventory level and increase cash flow. Going forward, we will remain alert to the complex and ever-changing market, and will make timely strategic adjustments as the market changes.

As the tastes of consumers in China evolve and as demand grows, we will continue to diversify our product portfolios of our core brands, Le Saunda and CnE, so as to encourage spending and to enrich the shopping experience for our customers. In April 2011, the Group held a major brand promotion event in Shanghai to showcase Le Saunda's ladies' and men's collections and promote the launch of its high-end "Linea Rosa" ladies' footwear brand. During the year under review, the Group opened Linea Rosa specialty stores in major cities. Meanwhile, men's footwear will also be a key sector of the Group's development in the next three years, with stores to be actively opened in prime locations. Notwithstanding the challenges brought by uncertainty in the macro-economy and the keen competition amongst industry players, we are confident that as the efficiency of our production bases in Shunde and Gaoming improves, aided by our cost control measures and the steady expansion of new stores, we will capture favourable opportunities brought about by industry consolidation so as to create greater value and better returns to our shareholders.

The year 2012 marks the 35th anniversary of the establishment of Le Saunda Group, as well as the 20th anniversary of our listing on the Hong Kong Stock Exchange. Through years of dedication and continuous effort, Le Saunda has earned recognition as a reputable and well-known major footwear manufacturer and retailer in Mainland China, Hong Kong and Macau. Since 2007, I have been actively involved in leading the operation of the Board, and have achieved considerable success for the Group. Looking forward, more innovative ideas and modernization will be crucial for the Group's future development. I strongly believe that the vision and experience of the Board and our management team will guide the Group to achieve sustainable development and to bring fruitful returns to our shareholders. After due consideration, I will retire as chairman of the Group with effect 1 June 2012, but will remain a non-executive Director of the Board.

I would like to take this opportunity to extend my heartfelt appreciation to the Group's management and employees for their commitment and hard work over the years, and send my best wishes for the success of the Group.

Lee Tze Bun, Marces
Chairman
Hong Kong, 28 May 2012

BUSINESS REVIEW

BUSINESS REVIEW

RETAIL OPERATIONS AND SALES NETWORK

Retail operations continued to be the Group's principal revenue contributor, accounting for 97.7% of consolidated revenue. During the year under review, retail markets in Hong Kong, Macau and China grew steadily. With the expansion of our retail network, the average number of the Group's outlets increased by approximately 27% over the corresponding period last year. Along with the overall same store sales growth of approximately 8%, the Group's total revenue in the retail segment rose to HK$1,508.9 million, 25.3% higher than the corresponding period last year.

Consolidated Revenue	Year ended 29 February 2012 *(HK$ million)*	% to Total	Year ended 28 February 2011 *(HK$ million)*	% to Total	Year-on-year Growth (%)
Retail Operations:					
Mainland China	**1,312.2**	**85.0**	1,046.2	79.3	25.4
Hong Kong and Macau	**196.7**	**12.7**	158.4	12.0	24.2
Retail Sub-total	**1,508.9**	**97.7**	1,204.6	91.3	25.3
Export	**36.1**	**2.3**	115.3	8.7	(68.7)
Group's Total Revenue	**1,545.0**	**100.0**	1,319.9	100.0	17.1

Since the second half of 2011, China's economic growth has showed a slowdown, weakening the retail market. Therefore, the Group adhered to a prudent operating strategy to expand its network nationwide. As at 29 February 2012, the Group operated 921 retail outlets in Hong Kong, Macau and Mainland China, representing an increase of 155 stores compared to February last year.

Number of Outlets by Region	As at 29 February 2012 Self-owned (changes over the last corresponding period)	Franchise (changes over the last corresponding period)	Total (changes over the last corresponding period)
Mainland China	**725 (+156)**	**177 (-5)**	**902 (+151)**
• Northern, Northern East & Northern West	151 (+45)	110 (-8)	261 (+37)
• Eastern	223 (+47)	8 (-4)	231 (+43)
• Central & Southern West	139 (+18)	45 (+10)	184 (+28)
• Southern	212 (+46)	14 (-3)	226 (+43)
Hong Kong and Macau	**19 (+4)**	**–**	**19 (+4)**
Total	**744 (+160)**	**177 (-5)**	**921 (+155)**

BUSINESS REVIEW

BUSINESS REVIEW
(CONTINUED)

RETAIL OPERATIONS AND SALES NETWORK (CONTINUED)

Mainland China

The Mainland China market is the major revenue driver for the Group. Despite the economic slowdown and rising labour costs, the Group benefited from the continuing expansion of its retail network and achieved impressive growth for its retail business in China during the year. Revenue from Mainland China went up by 25.4% to HK$1,312.2 million, accounting for 85.0% of the consolidated revenue of the Group. The average selling price was 6% higher than that of the corresponding period last year.

During the year under review, the Group continued to set up retail outlets and counters in first- and second-tier cities, including 9 "Linea Rosa" specialty stores and 17 new stand-alone counters for men's footwear. As at 29 February 2012, the Group had a nationwide network of 725 self-owned outlets and 177 franchised outlets.

Hong Kong and Macau

During the year under review, the retail business environment remained stable. Total revenue generated by our retail business in Hong Kong and Macau reached HK$196.7 million, a year-on-year increase of 24.2%, accounting for 12.7% of the Group's consolidated revenue. The average selling price dropped by approximately 1% over the corresponding period last year. During the year, the Group opened 4 new retail outlets at shopping hotspots with high levels of foot-traffic such as Tsim Sha Tsui and Mongkok. As at 29 February 2012, the total number of outlets in Hong Kong and Macau reached 19.

PRODUCT MIX & OFFERINGS

In terms of product mix, ladies' footwear remained the Group's major revenue contributor by product category, achieving year-on-year growth of 29.0% during the year under review and accounting for 78.4% of the Group's retail revenue. Men's footwear also grew by a remarkable 27.2% in terms of revenue, accounting for 13.1% of the Group's retail revenue and signifying considerable growth potential.

Product Category	Year-on-year Growth %	Sales Mix % 2011/12	Sales Mix % 2010/11	Changes in Sales Mix %
Ladies' Footwear	**29.0**	**78.4**	76.6	1.8
Men's Footwear	**27.2**	**13.1**	12.9	0.2
Ladies' Handbags and Accessories	**1.4**	**8.5**	10.5	(2.0)
Total		**100.0**	100.0	

BUSINESS REVIEW
(CONTINUED)

PRODUCT MIX & OFFERINGS (CONTINUED)

The Group has been targeting the mid-to-high-end segment of the footwear market. Leveraging the surge in spending power in the PRC market, the Group was committed to enriching its product mix during the year, offering quality products to a wide range of customers. On top of our existing mid-to-high-end "Le Saunda" brand that targets stylish executives and the mid-end "CnE" brand that targets young and trendy customers, the Group launched counters for its high-end "Linea Rosa" ladies' footwear brand, which offers quality products to our trendy clientele.

In view of the high levels of spending in the men's footwear market, the Group has launched the high-end line "Itauomo" of prestigious Italian men's footwear, selling at Le Saunda counters, in preparation for the Group's future expansion in the men's footwear business. By launching a wide range of products, the Group aspires to promote its brand image within the men's and ladies' footwear market and to enhance its presence in the high-end market.

BUSINESS REVIEW
(CONTINUED)

PRODUCT MIX & OFFERINGS (CONTINUED)

During the year under review, the Group continued to invest in marketing and advertising campaigns in Mainland China in a bid to enhance its brand recognition in the competitive nationwide market. In April 2011, the Group organised a major fashion show at the popular landmark "1933" in Shanghai to showcase Le Saunda's 2011 Spring/Summer ladies' and men's collections and to launch the high-end "Linea Rosa" brand, which targets young and fashionable consumers. During the year, the Group collaborated with Chinese fashion icon Han Huohuo, who personally designed footwear and accessories for Linea Rosa. Mr. Han also attended the opening ceremony and autograph signing event at our store at Wuhan International Plaza (武漢國際廣場) to promote the newly opened specialty store. The collaboration successfully highlighted the trendy and stylish character of our brand.

EXPORT BUSINESS

Demand for consumer goods was hit by the continuing impacts of the European sovereign debt crisis and overseas customers became relatively prudent in spending. As the export market remained sluggish during the year under review and uncertainties in the global economy cast shadows over the Group's export business, we treaded carefully in adjusting the pace of our overseas markets. The Group's overall export revenue dropped by 68.7% year-on-year. However, as our export business accounted for a declining proportion of the Group's consolidated revenue, such an impact on our overall future profitability is expected minimal.

On the other hand, because of the significant differences in business model between retail and export business, changes in the business mix have had a leveraged impact on some performance indicators. Normally, export sales have a lower gross profit margin and incur less selling expenses than the retail business, and its inventory turnover days are lower than that of retail business because export sales were made by order. As a result, given that the export business continues to contribute a smaller proportion of the total revenue, the overall gross profit margin of the group will edge higher, while selling expenses as a percentage of sales and inventory turnover days will be negatively impacted at the same time.

FINANCIAL REVIEW

OPERATING RESULTS

	2011/12			2010/11			Change		
HK$ Million	First Half	Second Half	Full Year	First Half	Second Half	Full Year	First Half	Second Half	Full Year
Revenue	**655.2**	**889.8**	**1,545.0**	533.7	786.2	1,319.9	22.8%	13.2%	17.1%
Cost of Sales	**(239.6)**	**(310.0)**	**(549.6)**	(214.6)	(275.5)	(490.1)	11.6%	12.5%	12.1%
Gross Profit	**415.6**	**579.8**	**995.4**	319.1	510.7	829.8	30.2%	13.5%	20.0%
Gross Profit Margin	**63.4%**	**65.2%**	**64.4%**	59.8%	65.0%	62.9%			

Revenue increased by 17.1% to HK$1,545.0 million (2010/11: HK$1,319.9 million). During the year, the overseas market remained weak and export sales decreased by 68.7% to HK$36.1 million compared to last year. Retail sales growth remained satisfactory, representing a year-on-year increase of 25.3% to HK$1,508.9 million. However, with the growth of the Chinese market has slowed since the fourth quarter of 2011, the Group's overall retail sales growth revenue has also apparently slowed in the second half of the financial year when compared to the first half of the year, thus affecting the overall revenue growth during the year.

During the year, cost of sales increased by 12.1% to HK$549.6 million (2010/11: HK$490.1 million). Footwear sold by the Group was primarily produced at our manufacturing base in Shunde. During the year, labour costs of our facilities on average increased by a double digit. By adjusting the selling price, the Group successfully transferred part of the costs of inflation to consumers. As the Group strived to clear its inventory in the second half of the year, retail gross margin dropped slightly during the year. As the retail-to-export-sales ratio increased (generally export sales has lower gross margin), the overall gross margin up by 1.5 percentage points from last year to 64.4%.

The revaluation of investment properties brought profit of HK$25.6 million (2010/11: HK$3.2 million), resulting in a 15-fold increase in other gain to HK$31.5 million.

FINANCIAL REVIEW
(CONTINUED)

OPERATING RESULTS (CONTINUED)

Selling and distribution expenses increased by 29.2% to HK$609.2 million (2010/11: HK$471.7 million). The increase in selling and distribution expenses outstripped revenue growth because (i) there was a change in the business mix as export sales, which generally incur lower selling and distribution expenses, accounted for 2.3% of total revenue (2010/11: 8.7%); and (ii) rents and wages were the two major components of selling costs. During the year, fixed rental expenses for our stores in Hong Kong increased by over 30%, and the average concession rate of our counters in the PRC faced upward pressure too. Inflation and keen competition in the retail market led to a rise in wages for sales personnel and it also takes time for new stores to achieve operational efficiency. As a result, the increase in the wage costs of our sales personnel outpaced the growth in revenue. In terms of sales ratio, selling and distribution expenses accounted for 39.4% of revenue (2010/11: 35.7%).

General and administrative expenses increased by 9.2% to HK$175.4 million (2010/11: HK$160.6 million). During the year, in terms of sales ratio, general and administrative expenses accounted for 11.4% of revenue (2010/11: 12.2%). Facing upward pressure brought by inflation environment in Mainland China, payroll for management and administrative staff grew during the year while other expenditures such as depreciation of equipment remained relatively stable.

During the year under review, the Group's share of loss of a jointly controlled entity amounted to HK$0.6 million (2010/11: profit of HK$8.6 million). This jointly controlled entity is principally engaged in property development in the PRC. The entity had completed its projects on hand last year and there are no plans to launch new projects.

Income tax expenses for the year under review was approximately HK$53.7 million (2010/11: HK$42.6 million), representing an effective tax rate of 21.6% (2010/11: 20.1%). All PRC tax benefits previously for which the Group qualified expired at the end of 2011. The effective tax rate is expected to gradually increase to nearly 25%. For our Hong Kong business, the effective tax rate is maintained at 16.5%.

Consolidated profit attributable to equity holders of the Company was HK$194.2 million, an increase of 15.3% over the corresponding period last year, while underlying profit, which reflects the profitability of the Group's footwear business, increased by 1.7% to HK$165.5 million. Basic earnings per share amounted to HK30.38 cents (2010/11: HK26.36 cents). The Board resolved to declare a final dividend of HK8.7 cents per ordinary share (2010/11: HK8.7 cents), together with an interim dividend of HK5.0 cents (2010/11: HK4.3 cents) making a total dividend of HK13.7 cents per ordinary share for the financial year (2010/11: HK13.0 cents), representing an increase of 5.4% over the corresponding period last year.

FINANCIAL REVIEW
(CONTINUED)

INVENTORY & SUPPLY CHAIN MANAGEMENT

As at 29 February 2012, the Group's inventory balance was HK$433.2 million, up 12.0% from HK$386.9 million as at the end of the last financial year. A breakdown of the increase in inventory balance is as follows:

HK$ (million)	As at 29 February 2012	As at 28 February 2011	Increase in Value	Increase %
Raw Materials and Work-in-progress	**80.4**	106.9	(26.5)	(24.8)
Finished Goods	**352.8**	280.0	72.8	26.0
Total	**433.2**	386.9	46.3	12.0

As inventory levels of raw materials and work-in-progress decrease, the growth of inventory balance of the Group is lower than the growth in sales. Expecting a more volatile external environment in the second half of the year, the Group has taken the initiative to clear its off-season stock since September 2011. Through various channels such as permanent and temporary factory outlets and incentives provided to the sales staff, the Group aimed to speed up the turnover and lower the level of off-season inventory. However, the early Lunar New Year in 2012 coupled with a late winter affected the selling days of our seasonal fall/winter collection, and brought finished goods as at 29 February 2012 up by HK$72.8 million, most of which was attributable to fall/winter products. Our initiative in bringing down the inventory level through clearance of off-season stock since September 2011 was also mostly offset. Moreover, the change in our business mix (export sales dropped significantly) negatively impacted our inventory turnover days. As a result, the Group's inventory turnover days increased to 210 days (28 February 2011: 170 days). As the Group handled off-season products in a timely manner, we maintained a healthy inventory level of finished goods in terms of aging analysis; as at the year-end date, approximately 90% of the inventory aged less than one year, 71% of which was aged less than 6 months (28 February 2011: 69%).

To enhance the supply-chain management at the factory level, the Group commenced the installation of a new ERP management system at our production bases during the year under review. The new system will be deployed this July, and is expected to facilitate tighter control over our inventory levels, shorten our production cycles and optimise our supply chains.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remains strong and healthy. As at 29 February 2012, the Group's cash and bank balance increased by 21.9% to HK$424.7 million (28 February 2011: HK$348.4 million) with a quick ratio of 2.3 times (28 February 2011: 2.1 times). As at the year-end date, the Group had no short-term bank loans (28 February 2011: HK$3.5 million). As at 28 February 2011, the Group's gearing ratio was 0.3% calculated on the basis of bank borrowings of HK$3.5 million over total equity of HK$1,054.2 million. 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.

During the year, net cash balance from operations increased by HK$39.2 million from HK$149.3 million of last year to HK$188.5 million. Net cash used in investment activities was HK$30.3 million (2010/11: HK$43.3 million). The decrease in cash used was mainly due to the capital reduction and refund of HK$15.1 million from the jointly controlled entity during the year. Net cash used in financing activities increased to HK$91.3 million (2010/11: HK$58.3 million), which was mainly attributable to repayment of the short-term bank loan of HK$3.5 million (2010/11: drawdown short-term bank loan of HK$3.5 million) and the payment of the final dividend of last year and the interim dividend of this year, which amounted to HK$87.6 million (2010/11: HK$72.2 million).

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

OUTLOOK

In order to be in line with the agenda set forth in the 12th Five-Year Plan, the Chinese government announced an adjustment to the GDP growth forecast to 7.5% for this year, representing a drop below 8% for the first time in the past eight years. The growth forecast adjustment reflects a shift in economic growth from driven by export and investment to domestic demand oriented. In order to stimulate spending and boost domestic demand, the Ministry of Commerce of the PRC launched the first consumption promotion month in late April in order to promote consumption sentiment nationwide. Driving by the rising incomes and rapid urbanization, we are cautiously optimistic about the retail market in Mainland China for the coming year.

OUTLOOK
(CONTINUED)

The export market remained sluggish and consumer sentiment was poor as a result of the European debt crisis and the slow recovery of the American economy, which hindered the development of the global retail market. The industry faces pressure from rising labour costs and persistently high rents, which drive up operating costs. In light of uncertainties and challenges in our business environment, the Group remains prudent and pragmatic in implementing our development strategies. Since last year, the Group has been taking different approaches to clear our stock, including permanent and temporary factory outlets and sales staff incentive. The Group will maintain a healthy level of inventory in the future and endeavor to shorten the inventory turnover period, and at the same time, adopt optimization plans at the shop level to retire underperforming stores to improve operating efficiency and further enhance profitability.

As the population of the middle- to high-income group in Mainland China grows, and as state policies encourage consumer spending, the purchasing power of Chinese consumers has been rising. To consolidate our core brand's market position, the Group will allocate more resources to brand promotion campaigns such as celebrity endorsements, large outdoor billboards, fashion shows and roadshows, thus enhancing our brand awareness within the region and adding value to our brands in the long run. In terms of our product portfolio, we will enrich our brand with more innovative elements in order to keep up with the latest trends. Men's footwear will continue to be a focus of our efforts in product development this year. The Group will allocate more resources to increasing product development in men's footwear and plans to open 30 to 40 counters to facilitate the expansion of this segment. Moreover, the Group has launched the new high-end ladies' footwear brand "Linea Rosa", which targets young and stylish customers, and will gradually set up new retail outlets across the nation so as to further enhance our presence in the mid-to-high end market in Mainland China.

In light of rising wages in China, the Group will continue to optimise its operations at the shop-level and will implement cost-control strategies, and will enhance the efficiency of its production base to boost its competitiveness. In addition, as online-shopping becomes increasingly popular, the Group has developed strategies to further its e-commerce operation. We believe that by using a third party online-shopping platform as our sales channel, we can reduce the risk of unexpected expenses brought by a self-developed online sales platform. To cope with rising operating costs, the Group will continue to broaden its customer base by identifying appropriate online-shopping platforms as potential business partners to expand its sales channels.

As we approach the 35th anniversary of the Group's establishment, the Group will move forward in a prudent manner and endeavor to establish its brands' in the mid-to-high end market in Hong Kong and Mainland China, bringing higher returns for our shareholders.

PLEDGE OF ASSETS

As at 29 February 2012, bank deposit of HK$1.9 million (28 February 2011: HK$2.2 million) had been pledged as rental deposits for certain subsidiaries of the Group.

DIVIDEND

The Directors declared an interim dividend of HK5.0 cents (2011: HK4.3 cents) per ordinary share for the year ended 29 February 2012.

The Directors recommended the payment of a final dividend of HK8.7 cents (2011: HK8.7 cents) per ordinary share for the year ended 29 February 2012.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of HK$120.0 million (2011: HK$120.0 million), of which HK$9.8 million (2011: HK$19.0 million) was utilised as at 29 February 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 29 February 2012, the Group had a staff force of 5,529 people (28 February 2011: 5,072 people). Of this number, 184 were based in Hong Kong and 5,345 in Mainland China. The remuneration of employees was in line with market trends and commensurable to the levels of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total staff costs for the year ended 29 February 2012, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$346.7 million (2011: HK$269.2 million). The Group has all along organised structured and diversified training programmes for staff at 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 36 and 37 and the particulars are set out in notes 9 and 10 to the Consolidated Financial Statements pursuant to Appendix 16 of the Listing Rules)

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Lee Tze Bun, Marces, aged 78, is executive Director, founder of the Group and Chairman of the Company. With more than 33 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 41, is executive Director and chief executive officer of the Group. She first joined the Group in 1992 and has over 18 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 a public listed fashion company. She re-joined the Group in February 2007. Ms. Lau won the China Top 100 Women Entrepreneurs Award 2009 and The 5th Capital Leaders of Excellence 2010 by South China Media and Capital Magazine in December 2009 and 2010 respectively. She is responsible for the Group's operations and development and implementing the Group's strategies, especially in monitoring the Group's product development, merchandising, marketing and shop and brand image.

Wong Sau Han, aged 52, 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 29 years of professional experience in human resources management for Hong Kong and Mainland China operations, of which the past 19 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 rejoined 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, and administration functions.

Chu Tsui Lan, aged 42, is executive Director and chief operating officer of the Group. She joined the Group in 1992. She has over 20 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. In addition, she is also responsible for the preparatory work required for establishment and operation of shops in Mainland China and warehouse and logistics functions of the Group.

An You Ying, aged 42, is executive Director and general manager (Eastern and Northern China) of the Group. She joined the Group in 1997. She holds a master degree in business administration from Dong Hua University in Shanghai, China. Ms. An has over 15 years of retail experience in Mainland China and is responsible for the Group's retail business operations in the Eastern and Northern regions of Mainland China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon, aged 62, 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 22 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 53, joined the Group in September 2004. Mr. Leung has over 24 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 63, joined the Group in November 2007. Mr. Hui has been a solicitor practicing in Hong Kong since 1983. He graduated from the University of Hong Kong with a Bachelor degree in laws in 1980. Before joining the Group, Mr. Hui was a partner of a law firm in Hong Kong. He retired from the partnership in 2007 and remained as a consultant of the said law firm.

NON-EXECUTIVE DIRECTOR

James Ngai, aged 49, joined the Group in March 2011. He is a Certified Public Accountant (Practising) in Hong Kong and a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. He is also a fellow member of the Taxation Institute of Hong Kong. Mr. Ngai graduated from the University of Toronto with a Bachelor Degree in Economics. He has over 20 years of experience in accounting, auditing and taxation matters. Mr. Ngai is the director of James Ngai & Partners CPA Limited, which provides advisory and audit services to private companies owned by Mr. Lee Tze Bun, Marces, Chairman of the Board.

SENIOR MANAGEMENT

Yuen Chee Wing, aged 46, joined the Group in August 2010 as Group Finance Director of the Group and acts as Company Secretary with effect from September 2010. Mr. Yuen graduated from the City University of Hong Kong with a bachelor degree in Business, Chinese University of Hong Kong with a master degree in Business Administration, and Manchester Metropolitan University with a bachelor degree in Laws. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. He has over 17 years of experience in audit and accounting. Prior to joining the Group, Mr. Yuen was the Financial Controller of a machinery manufacturer listed in Hong Kong. He is responsible for the Group's financial control and accounting, treasury, tax, legal and secretarial, investor relations as well as information technology functions.

Li Jing Bo, aged 42, graduated from Wuhan University and majored in public relations. Mr. Li is the general manager, China (business development and franchise business) 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 20 years of experience in business development and retail management in Mainland China. He is responsible for the Group's business development and franchise business in Mainland China.

Lai Siu Ying, Sylvia, aged 43, 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 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 former "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange which was in effect before 1 April 2012.

The Board is pleased to present the following key corporate governance principles and practices under the Code as implemented by the Group for the year ended 29 February 2012:

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	√	Six 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)*	5	N/A	0
Ms. LAU Shun Wai *(Chief Executive Officer)*	6	3 *(Note 1)*	N/A
Ms. WONG Sau Han	6	N/A	1 *(Note 2)*
Ms. CHU Tsui Lan *(Chief Operating Officer)*	6	N/A	N/A
Ms. An You Ying *(appointed on 10 October 2011)*	1	N/A	N/A
Non-executive Directors			
Mr. James Ngai *(appointed on 25 March 2011)*	4	N/A	N/A
Independent non-executive Directors			
Mr. LAM Siu Lun , Simon	4	3	3
Mr. LEUNG Wai Ki, George	4	3	3
Mr. HUI Chi Kwan	4	3	3
Total meetings held during the year under review	6	3	3

Notes:

1. Ms. LAU Shun Wai attended the audit committee meetings as an invitee.

2. Ms. WONG Sau Han attended the remuneration committee meeting as an invitee.

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.

<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>A2.1</td><td>Roles of chairman and chief executive officer ("CEO") should be separate, clearly established and set out in writing.</td><td>√</td><td>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 three to four other 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 and one non-executive Director on the Board offering independent and/or different perspectives. The Board is therefore of the view that there are adequate balance-of-power and safeguards in place at the Board level.</td></tr>
<tr><td>A2.2</td><td>The chairman should ensure that all directors are properly briefed on issues arising at board meetings.</td><td>√</td><td rowspan="2">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.</td></tr>
<tr><td>A2.3</td><td>The chairman should ensure that directors receive adequate, complete and reliable information in a timely manner.</td><td>√</td></tr>
</table>

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 is consisted of a total of nine Directors during the year under review, including five executive Directors, namely Mr. LEE Tze Bun, Marces, Ms. LAU Shun Wai, Ms. WONG Sau Han, Ms. CHU Tsui Lan and Ms. AN You Ying (appointed on 10 October 2011), one non-executive Director, namely Mr. James NGAI (appointed on 25 March 2011) 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, except that Mr. James Ngai is the director of James Ngai & Partners CPA Limited, which provides advisory and audit services to private companies owned by Mr. Lee Tze Bun, Marces. In addition, Mr. James Ngai is the director of Stable Gain Holdings Limited ("Stable Gain"), substantial shareholder of the Company, with effect from 4 May 2012. The entire issued share capital of Stable Gain is registered in the name of First Advisory Trustees Ltd. as trustee of The Lee Keung Family Trust, a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder.

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. Currently, the terms of appointment of Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George, Mr. Hui Chi Kwan and Mr. James Ngai, 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.

A. DIRECTORS (CONTINUED)

A4 Appointment, Re-election and Removal (continued)

Code Principle (continued)

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.

In order to meet the needs of the Company and to enhance the competency of the Board, the Chairman of the Board recommended to the Board the appointment of Mr. James Ngai as a non-executive Director and Ms. An You Ying as an executive Director during the year under review. In considering the recommendation, the Chairman and the Board had regard to the following factors:

— the background, experience, professional skills and personal qualities required to perform successfully in the position;

— the extent to which Mr. Ngai and Ms. An were likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors;

— the skills and experience that Mr. Ngai and Ms. An would bring to the role and how they would enhance the skill sets and experience of the Board as a whole; and

— the time commitment required from Directors to actively discharge their duties to the Company.

Two Board meetings were held in relation to the appointment of Directors during the year under review. The Board reviewed and considered at the relevant Board meetings the appointment of Mr. Ngai as non-executive Director and Ms. An as executive Director with effect from 25 March 2011 and 10 October 2011 respectively, whose appointment were subsequently approved by the Board.

A. DIRECTORS (CONTINUED)

A4 Appointment, Re-election and Removal (continued)

Code Principle (continued)

The Directors' attendance at the said meetings are set out in the following table:

Name of Directors	Attendance
Executive Directors	
Mr. LEE Tze Bun, Marces	2
Ms. LAU Shun Wai	2
Ms. WONG Sau Han	2
Ms. CHU Tsui Lan	2
Ms. AN You Ying (appointed on 10 October 2011)	N/A
Non-executive Director	
Mr. James NGAI (appointed on 25 March 2011)	1
Independent non-executive Directors	
Mr. LAM Siu Lun , Simon	0
Mr. LEUNG Wai Ki, George	0
Mr. HUI Chi Kwan	0
Total meetings held	2

The Board established the Nomination Committee on 19 March 2012. There are four members currently, namely Mr. Hui Chi Kwan, Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. James Ngai, the majority of which are independent non-executive Directors. The role and authorities of the committee are clearly set out in its terms of reference which are available at the Company's website. Mr. Hui Chi Kwan is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

A. DIRECTORS (CONTINUED)

A5 Responsibilities of Directors

Code Principle

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

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A5.1	Every newly appointed director should receive a comprehensive, formal and tailored induction, as well as subsequent briefing and professional development as is necessary.	√	A tailored induction would be provided to familiarize the newly appointed Director with the Company's business operations and financial positions, his/her responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements.
A5.2	Functions of non-executive directors should include those as set out in Code provision A5.2 of the Code.	√	The non-executive Directors would seek guidance and direction from the Chairman, the CEO and executive Directors on the future business direction and strategic plans in order to gain a comprehensive understanding of the business of the Company to facilitate their exercise of independent judgment. The non-executive Directors also reviewed the financial information and operational performance of the Group on a regular basis. The non-executive Directors also served on governance committees if invited during the year.
A5.3	Directors should give sufficient time and attention to company's affairs.	√	Directors accept their responsibilities to give appropriate and sufficient time and attention to the Company's affairs.

A. DIRECTORS (CONTINUED)

A5 Responsibilities of Directors (continued)

Code Principle (continued)

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A5.4	Every director must comply with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules.	√	The Company has adopted the Model Code as its own code for Directors' dealings in securities of the Company. Employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code. Having made specific enquiries of all Directors, the Company confirmed that each of the Directors has complied with the required standards during the year under review.

A. DIRECTORS (CONTINUED)

A6 Supply of and Access to Information

Code Principle

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

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
A6.1	Agenda and accompanying board papers should be sent to directors at least 3 days before the intended date of a board meeting or committee meeting.	√	Board papers are circulated not less than 3 days before Board meetings or Board committee meetings.
A6.2	Management should supply the Board and its committees with adequate information in timely manner. Each director should have separate and independent access to the company's senior management.	√	The Secretary and Group Finance Director 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.	√	Please refer to the section on page 37.
B1.2	Remuneration committee should consult the chairman and/or CEO about their proposal to the remuneration of other executive directors and have access to professional advice if considered necessary.	√	
B1.3	The terms of reference of the remuneration committee should include the duties as specified in the Code provision B.1.3 of the Code.	√	
B1.4	Remuneration committee should make available its terms of reference explaining its role and the authority delegated to it by the Board.	√	
B1.5	The remuneration committee should be provided with sufficient resources to discharge its duties.	√	

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

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 Remuneration Committee is authorised by the Board to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. No Director or senior management or any of his associate will be involved in deciding his own remuneration.

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

C. ACCOUNTABILITY AND AUDIT

C1 Financial Reporting

Code Principle

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

<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>C1.1</td><td>Management should provide information to the Board to enable the Board to make an informed assessment of financial situation.</td><td>√</td><td>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.</td></tr>
<tr><td>C1.2</td><td>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.</td><td>√</td><td rowspan="2">Please refer to the section on page 39.</td></tr>
<tr><td>C1.3</td><td>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.</td><td>√</td></tr>
</table>

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C1 Financial Reporting (continued)

Code Principle (continued)

The Directors acknowledge their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs, the results and cash flow for the year.

With the assistance of the finance department which is under the supervision of the Group Finance Director 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 Auditors' Report on pages 64 to 65 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;

(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;

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C2 Internal Controls (continued)

Code Principle (continued)

(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.

The internal audit department of the Group is responsible for carrying out systematic and periodic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. The department reports directly to the Chief Executive Officer and the Audit Committee and is independent of the Group's daily operations. 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.

During the year under review, the internal audit department reviewed the effectiveness of the Company's system of internal control of selected key business processes in various locations. The review covered the financial, operational and compliance controls and risk management of such business processes. 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 Board is generally satisfied as to the effectiveness of the system of internal controls of the Company and its subsidiaries during the year under review.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C3 Audit Committee

Code Principle

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

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

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C3 Audit Committee (continued)

Code Principle (continued)

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

The Board 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 29 February 2012, the remuneration charged by the Group's principal auditor, PricewaterhouseCoopers, for the provision of audit services and non-audit services amounted to approximately HK$1,620,000 and HK$27,000 respectively. The non-audit services mainly related 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.

C. ACCOUNTABILITY AND AUDIT (CONTINUED)

C3 Audit Committee (continued)

Code Principle (continued)

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.

Three Audit Committee meetings were held during the year under review and the Group Finance Director, 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 internal audit annual plan by the internal audit department;

(vi) review the internal audit reports and updates by the internal audit department 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.

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

E. COMMUNICATION WITH SHAREHOLDERS

E1 Effective Communication

Code Principle

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

Summary of Code provisions		Compliance	Corporate Governance Practices adopted by the Group
E1.1	A separate resolution at a general meeting on each substantially separate issue should be proposed by the chairman of that meeting.	√	Separate resolutions are proposed at the general meeting on each substantially separate issue, 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 2011 ("AGM 2011").
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 2011.

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)

Code Principle (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 2011. 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 29 February 2012.

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 29 February 2012 are set out in the consolidated income statements on page 66.

The Directors declared an interim dividend of HK5.0 cents (2011: HK4.3 cents) per ordinary share in respect of the year ended 29 February 2012, totaling approximately HK$31,966,000, which was paid on 23 November 2011.

The Directors recommend the payment of a final dividend of HK8.7 cents (2011: HK8.7 cents) per ordinary share, totaling approximately HK$55,620,000 in respect of the year ended 29 February 2012 (2011: HK$55,620,000).

SHARE CAPITAL

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

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on pages 134 and 135 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 29 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high standard of corporate governance and has complied throughout the year under review with the code provisions of the former 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") which was in effect before 1 April 2012.

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 136.

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)*
Wong Sau Han
Chu Tsui Lan *(Chief Operating Officer)*
An You Ying *(appointed on 10 October 2011)*

Independent Non-Executive Directors

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

Non-Executive Director

James Ngai *(appointed on 25 March 2011)*

RE-ELECTION OF DIRECTORS

Ms. An You Ying was appointed as executive Director with effect from 10 October 2011. According to Bye-law 86(2) of the Company, she will hold office only until the next following annual general meeting of the Company and will then be eligible for re-election at that meeting. Accordingly, at the forthcoming annual general meeting, Ms. An You Ying will retire and, being eligible, offer herself for re-election.

Also, in accordance with Bye-law 87 of the Company, at the forthcoming annual general meeting, Ms. Lau Shun Wai, 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 consider 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. The service contracts of Mr. Hui Chi Kwan and Mr. Lam Siu Lun, Simon as an independent non-executive Director, were renewed for 2 years' fixed term as from 26 November 2011 and 16 January 2012 respectively. None of the service contracts between the Company and the executive Directors proposed for re-election has a fixed term.

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 29 February 2012, 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")	37,850,000	–	30,684,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	273,534,000	42.79%
Ms. Lau Shun Wai ("Ms. Lau")	1,400,000	–	–	–	1,400,000	0.22% *(Note 4)*
Ms. Wong Sau Han ("Ms. Wong")	964,000	350,000	–	–	1,314,000	0.21% *(Note 5)*
Ms. Chu Tsui Lan ("Ms. Chu")	2,100,000	–	–	–	2,100,000	0.33% *(Note 6)*
Ms. An You Ying ("Ms. An")	300,000	–	–	–	300,000	0.05% *(Note 7)*
Mr. Leung Wai Ki, George ("Mr. Leung")	–	–	–	1,384,000 *(Note 8)*	1,384,000	0.22%

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 9)*	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. 684,000 Shares are held by Qing Yun Middle School Education Development Limited ("Qing Yun"), of which Mr. Lee is a founder and 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 First Advisory Trustees Ltd. ("First Advisory") 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, First Advisory and Mr. Lee are deemed to be interested in those Shares.

4. Ms. Lau personally holds 1,400,000 Shares and she is entitled to 5,000,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Lau's interests in the Company will be increased from the existing 0.22% to 0.99% of the issued share capital of the Company including number of shares in relation to such exercise.

5. Ms. Wong personally holds 964,000 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 1,314,000 Shares, representing approximately 0.21% of the issued share capital of the Company. Ms. Wong is also entitled to 3,000,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Wong's interests in the Company will be increased from the existing 0.21% to 0.67% of the issued share capital of the Company including number of shares in relation to such exercise.

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)

Notes: (continued)

6. Ms. Chu personally holds 2,100,000 Shares and she is entitled to 3,000,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Chu's interests in the Company will be increased from the existing 0.33% to 0.79% of the issued share capital of the Company including number of shares in relation to such exercise.

7. Ms. An personally holds 300,000 Shares and she is entitled to 1,500,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. An's interests in the Company will be increased from the existing 0.05% to 0.28% of the issued share capital of the Company including number of shares in relation to such exercise.

8. 1,384,000 Shares are held by Xin Chuan Middle School Foundation Limited ("Xin Chuan"), of which Mr. Leung is a governor. Therefore, Mr. Leung is deemed to be interested in those Shares.

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

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 17,441,960 shares, which represents 2.73% of the issued share capital of the Company, are available for issue under the Scheme.

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 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.

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

The Scheme will remain in force until 21 July 2012.

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)

Pursuant to the Scheme, on 27 June 2011, the Company granted 14,100,000 share options to certain Directors and employees of the Company to subscribe for up to a total of 14,100,000 ordinary shares of HK$0.10 each in the capital of the Company. Particulars of such share options and their movement during the year ended 29 February 2012 are as follows:

			Number of Shares					
Name or Category of Participant	Date of share options granted	Balance as at 1 March 2011	Granted during the year	Exercised during the year	Cancelled during the year	Outstanding as at 29 February 2012	Exercise price per Share	Exercise period
	(Notes 1 & 2)							
Directors								
Ms. Lau	27 June 2011	N/A	1,666,000	–	–	1,666,000	HK$4.73	27 June 2014– 26 June 2021
	27 June 2011	N/A	1,666,000	–	–	1,666,000	HK$4.73	27 June 2015– 26 June 2021
	27 June 2011	N/A	1,668,000	–	–	1,668,000	HK$4.73	27 June 2016– 26 June 2021
Ms. Wong	27 June 2011	N/A	1,000,000	–	–	1,000,000	HK$4.73	27 June 2014– 26 June 2021
	27 June 2011	N/A	1,000,000	–	–	1,000,000	HK$4.73	27 June 2015– 26 June 2021
	27 June 2011	N/A	1,000,000	–	–	1,000,000	HK$4.73	27 June 2016– 26 June 2021
Ms. Chu	27 June 2011	N/A	1,000,000	–	–	1,000,000	HK$4.73	27 June 2014– 26 June 2021
	27 June 2011	N/A	1,000,000	–	–	1,000,000	HK$4.73	27 June 2015– 26 June 2021
	27 June 2011	N/A	1,000,000	–	–	1,000,000	HK$4.73	27 June 2016– 26 June 2021
Ms. An	27 June 2011	N/A	500,000	–	–	500,000	HK$4.73	27 June 2014– 26 June 2021
	27 June 2011	N/A	500,000	–	–	500,000	HK$4.73	27 June 2015– 26 June 2021
	27 June 2011	N/A	500,000	–	–	500,000	HK$4.73	27 June 2016– 26 June 2021
Sub-total			12,500,000	–	–	12,500,000		

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)

Name or Category of Participant	Date of share options granted	Balance as at 1 March 2011	Number of Shares Granted during the year	Exercised during the year	Cancelled during the year	Outstanding as at 29 February 2012	Exercise price per Share	Exercise period
	(Notes 1 & 2)							
Employees								
Other employees in aggregate	27 June 2011	N/A	533,000	–	–	533,000	HK$4.73	27 June 2014– 26 June 2021
	27 June 2011	N/A	533,000	–	–	533,000	HK$4.73	27 June 2015– 26 June 2021
	27 June 2011	N/A	534,000	–	–	534,000	HK$4.73	27 June 2016– 26 June 2021
Sub-total			1,600,000	–	–	1,600,000		
Total			14,100,000	–	–	14,100,000		

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.

2. The closing price of the Shares of the Company immediately before 27 June 2011 on which the share options were granted was HK$4.65 per Share.

Save as disclosed above, as at 29 February 2012, 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 29 February 2012, 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	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the issued share capital of the Company
First Advisory	1	–	–	205,000,000	–	205,000,000	32.07%
Stable Gain	1	205,000,000	–	–	–	205,000,000	32.07%
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	2	6,350,000	–	–	50,000,000	56,350,000	8.81%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	3	3,946,000	–	–	50,000,000	53,946,000	8.44%
Ms. Tsui Oi Kuen ("Ms. Tsui")	4	1,140,000	–	–	50,000,000	51,140,000	8.00%
Ms. Lee, Ms. Chui and Ms. Tsui as trustees of The Lee Keung Charitable Foundation ("the Charitable Foundation")	5	–	–	–	50,000,000	50,000,000	7.82%
Value Partners Limited ("VPL")	6	–	–	–	42,574,000	42,574,000	6.66%
Value Partners Hong Kong Limited ("VPHK")	7	–	–	42,574,000	–	42,574,000	6.66%

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long positions in Shares (continued)

		Number of Shares					
Name	Note	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the issued share capital of the Company
Value Partners Group Limited ("VPGL")	8	–	–	42,574,000	–	42,574,000	6.66%
Cheah Capital Management Limited ("CCML")	9	–	–	42,574,000	–	42,574,000	6.66%
Cheah Company Limited ("CCL")	10	–	–	42,574,000	–	42,574,000	6.66%
Hang Seng Bank Trustee International Limited ("HSBT")	11	–	–	–	42,574,000	42,574,000	6.66%
Mr. Cheah Cheng Hye ("Mr. Cheah")	12	–	–	–	42,574,000	42,574,000	6.66%
Ms. To Hau Yin ("Ms. To")	13	–	42,574,000	–	–	42,574,000	6.66%

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 First Advisory as trustee of the Lee Family Trust. Therefore, First Advisory is deemed to be interested in those Shares.

2. Ms. Lee is interested in an aggregate of 56,350,000 Shares (comprising 6,350,000 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 8.81% of the issued share capital of the Company.

3. Ms. Chui is interested in an aggregate of 53,946,000 Shares (comprising 3,946,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Lee and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.44% of the issued share capital of the Company.

4. Ms. Tsui is interested in an aggregate of 51,140,000 Shares (comprising 1,140,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 8.00% of the issued share capital of the Company.

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

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Long positions in Shares (continued)

Notes: (continued)

6. 42,574,000 Shares representing 6.66% of the issued share capital of the Company are held by various funds under the management of VPL, being the fund manager. Therefore, VPL is deemed to be interested in these Shares.

7. VPHK wholly owns VPL. Therefore, VPHK is deemed to be interested in 42,574,000 Shares.

8. VPGL wholly owns VPHK. Therefore, VPGL is deemed to be interested in 42,574,000 Shares.

9. CCML holds 28.47% interest in VPGL. Therefore, CCML is deemed to be interested in 42,574,000 Shares.

10. CCL wholly owns CCML. Therefore, CCL is deemed to be interested in 42,574,000 Shares.

11. HSBT is the trustee of a discretionary trust of CCL. Therefore, HSBT is deemed to be interested in 42,574,000 Shares.

12. By virtue of being the founder of the discretionary trust of CCL, Mr. Cheah is deemed to be interested in 42,574,000 Shares.

13. Ms. To, the spouse of Mr. Cheah, is deemed to be interested in 42,574,000 Shares.

Save as disclosed above, as at 29 February 2012, 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 31 January 2011 ("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 2011 and ending on 28 February 2013. The amount payable by Le Saunda Calcado is the aggregate of (i) the rental of HK$2,160,000 per annum, payable in advance on a monthly basis in cash, and (ii) the annual property tax of HK$216,000 based on the annual rent and the current property tax rate of 10%, payable to the Government of Macau, an independent third party. The Macau Premises is 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 29 February 2012 was HK$2,160,000.

(2) Pursuant to a tenancy agreement dated 31 January 2011 ("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") entered into between Genda Investment Limited ("Genda Investment"), which is indirectly wholly and beneficially owned by Mr. Lee and his associates, and Le Saunda Business (China) Limited (利信達商業(中國)有限公司) ("Le Saunda Business"), an indirect wholly-owned subsidiary of the Company, Genda Investment leased the Guangzhou Premises 3504 to Le Saunda Business for a term of two years commencing on 1 March 2011 and ending on 28 February 2013. The amount payable by Le Saunda Business was the aggregate of (i) the rent of RMB111,324 (equivalent to approximately HK$131,307) per annum, payable in advance on a monthly basis in cash and (ii) the management fee of RMB24,201 (equivalent to approximately HK$28,545) 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 3504 Lease for the year ended 29 February 2012 was RMB111,324 (approximately HK$134,742).

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(3) Pursuant to a tenancy agreement dated 31 January 2011 ("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"), which is 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 2011 and ending on 28 February 2013. The amount payable by Le Saunda Business is the aggregate of (i) the rental of RMB629,543 (equivalent to approximately HK$742,546) per annum, payable in advance on a monthly basis in cash; and (ii) the management fee of RMB136,857 (equivalent to approximately HK$161,423) 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 29 February 2012 was RMB629,543 (approximately HK$761,971).

(4) Pursuant to a tenancy agreement dated 31 January 2011 ("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"), which is 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 2011 and ending on 28 February 2013. 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 29 February 2012 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 3504 Lease, Guangzhou 30/F Lease and Car Park Lease was HK$3,095,113 for the year ended 29 February 2012.

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 2011") constituted continuing connected transactions of the Company. Based on the maximum aggregate annual rental payable under the Lease Agreements 2011 of approximately HK$3,072,253 for each of the financial years of the Company ending 29 February 2012 and 28 February 2013, the Lease Agreements 2011 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.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group from pages 60 to 62 of the Annual Report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Certain connected transactions which are significant are also disclosed as related party transactions (see note 33 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 29 February 2012, the five largest customers of the Group together accounted for approximately 2.0% of the Group's total turnover, with the largest customer accounted for approximately 0.7% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was approximately 23.2% of the total purchase of the Group for the year ended 29 February 2012, with the largest supplier accounted for approximately 6.6% 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.

CONNECTED TRANSACTION IN RELATION TO ASSET SWAP

On 15 August 2011, Parklink Investment, an indirect wholly-owned subsidiary of the Company, entered into an asset swap agreement with Super Billion, which is indirectly wholly and beneficially owned by Mr. Lee, whereby Parklink Investment and Super Billion will swap with each other certain assets respectively held by them in the PRC.

Upon completion of the asset swap agreement, Super Billion will pay Parklink Investment a consideration of RMB70,000, being the difference in values of the assets to be swapped. It is estimated that the Group will record a disposal gain of approximately HK$2,100,000. The actual disposal gain will be subject to the actual values of the assets to be swapped as at completion.

The financial effects of the above transaction have not been reflected in the account as at 29 February 2012. The transaction had been approved by the Board on 15 August 2011 and is pending approval and tax assessment by the relevant PRC authority.

Details of the above transaction were disclosed in the Company's Announcement dated 15 August 2011.

AUDITORS

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

By Order of the Board
Lee Tze Bun, Marces
Chairman

Hong Kong, 28 May 2012

羅兵咸永道

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 66 to 133, which comprise the consolidated and company balance sheets as at 29 February 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

AUDITOR'S RESPONSIBILITY(CONTINUED)

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 29 February 2012, 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, 28 May 2012

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 29 February 2012 HK$'000	28 February 2011 HK$'000
Revenue	5	**1,545,042**	1,319,927
Cost of sales	7	**(549,587)**	(490,122)
Gross profit		**995,455**	829,805
Other income	6	**2,605**	1,807
Other gains, net	6	**31,506**	2,033
Selling and distribution expenses	7	**(609,230)**	(471,709)
General and administrative expenses	7	**(175,368)**	(160,586)
Operating profit		**244,968**	201,350
Finance income	8	**4,119**	1,894
Share of (loss)/profit of a jointly controlled entity	19	**(580)**	8,628
Profit before income tax		**248,507**	211,872
Income tax expense	11	**(53,735)**	(42,557)
Profit for the year		**194,772**	169,315
Profit attributable to:			
— equity holders of the Company		**194,202**	168,500
— non-controlling interest		**570**	815
	12	**194,772**	169,315
Earnings per share attributable to the equity holders of the Company (express in HK cents)			
— Basic	13	**30.38**	26.36
— Diluted	13	**30.38**	26.36
Dividends	14	**87,586**	83,108

The notes on pages 73 to 133 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 29 February 2012 HK$'000	28 February 2011 HK$'000
Profit for the year	**194,772**	169,315
Other comprehensive income for the year, net of tax		
Currency translation differences	**28,799**	35,803
Total comprehensive income for the year	**223,571**	205,118
Total comprehensive income for the year, attributable to:		
— equity holders of the Company	**222,550**	203,980
— non-controlling interest	**1,021**	1,138
	223,571	205,118

The notes on pages 73 to 133 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Note	**As at 29 February 2012 HK$'000**	As at 28 February 2011 HK$'000
ASSETS			
Non-current assets			
Investment properties	15	**72,795**	47,188
Property, plant and equipment	16	**240,836**	232,127
Land use rights	17	**33,394**	33,834
Long-term deposits and prepayments		**16,745**	10,388
Interest in a jointly controlled entity	19	**34,135**	48,592
Interest in and amount due from an available-for-sale financial asset	20	**—**	—
Deferred tax assets	21	**43,573**	37,861
		441,478	409,990
Current assets			
Inventories	22	**433,245**	386,888
Trade and other receivables	23	**134,507**	134,694
Deposits and prepayments		**37,033**	23,311
Cash and bank balances	24	**424,695**	348,365
		1,029,480	893,258
Total assets		**1,470,958**	1,303,248

	Note	As at 29 February 2012 HK$'000	As at 28 February 2011 HK$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	**63,931**	63,931
Reserves			
Proposed final dividend	29	**55,620**	55,620
Others	29	**1,064,133**	923,164
		1,183,684	1,042,715
Non-controlling interest		**12,299**	11,508
Total equity		**1,195,983**	1,054,223
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	**26,714**	14,201
Current liabilities			
Trade payables and accruals	25	**200,777**	169,436
Amount due to a jointly controlled entity	19	**30,805**	47,456
Current income tax liabilities		**16,679**	14,422
Bank loans	26	**—**	3,510
		248,261	234,824
Total liabilities		**274,975**	249,025
Total equity and liabilities		**1,470,958**	1,303,248
Net current assets		**781,219**	658,434
Total assets less current liabilities		**1,222,697**	1,068,424

Lee Tze Bun, Marces
Director

Lau Shun Wai
Director

The notes on pages 73 to 133 are an integral part of these financial statements.

BALANCE SHEET

	Note	As at 29 February 2012 HK$'000	As at 28 February 2011 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	653,268	607,605
Current assets			
Other receivables	23	217	221
Cash and bank balances	24	2,408	1,580
		2,625	1,801
Total assets		655,893	609,406
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	63,931	63,931
Reserves			
Proposed final dividend	29	55,620	55,620
Others	29	535,973	489,382
Total equity		655,524	608,933
LIABILITIES			
Current liabilities			
Accruals	25	369	473
Total liabilities		369	473
Total equity and liabilities		655,893	609,406
Net current assets		2,256	1,328
Total assets less current liabilities		655,524	608,933

Lee Tze Bun, Marces
Director

Lau Shun Wai
Director

The notes on pages 73 to 133 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				
	Share capital HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 March 2010	63,926	847,006	910,932	—	910,932
Comprehensive income					
Profit for the year	—	168,500	168,500	815	169,315
Other comprehensive income					
Currency translation differences	—	35,480	35,480	323	35,803
Total comprehensive income for the year	—	203,980	203,980	1,138	205,118
Transactions with owners					
Share option scheme:					
— exercise of share options	5	37	42	—	42
Dividends	—	(72,239)	(72,239)	—	(72,239)
Total transactions with owners for the year	5	(72,202)	(72,197)	—	(72,197)
Capital contribution from non-controlling interest	—	—	—	10,370	10,370
Balance at 28 February 2011	63,931	978,784	1,042,715	11,508	1,054,223
Balance at 1 March 2011	63,931	978,784	1,042,715	11,508	1,054,223
Comprehensive income					
Profit for the year	—	194,202	194,202	570	194,772
Other comprehensive income					
Currency translation differences	—	28,348	28,348	451	28,799
Total comprehensive income for the year	—	222,550	222,550	1,021	223,571
Transactions with owners					
Share option scheme:					
— value of service provided	—	6,005	6,005	—	6,005
Dividends	—	(87,586)	(87,586)	(230)	(87,816)
Total transactions with owners for the year	—	(81,581)	(81,581)	(230)	(81,811)
Balance at 29 February 2012	63,931	1,119,753	1,183,684	12,299	1,195,983

The notes on pages 73 to 133 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 29 February 2012 HK$'000	Year ended 28 February 2011 HK$'000
Operating activities			
Net cash generated from continuing operations	32(a)	**232,914**	191,589
Hong Kong profits tax paid		**—**	(884)
Overseas taxation paid		**(44,397)**	(41,419)
Net cash generated from operating activities		**188,517**	149,286
Investing activities			
Interest received		**4,119**	1,894
Purchase of property, plant and equipment		**(49,461)**	(48,778)
Net cash flow arising from disposal of a subsidiary	32(b)	**—**	(18)
Proceeds from capital reduction in jointly controlled entity		**15,572**	—
(Increase)/decrease in term deposits (over 3 months)		**(304)**	4,062
Decrease/(increase) in pledged deposits		**265**	(494)
Net cash used in investing activities		**(29,809)**	(43,334)
Financing activities			
New short-term bank loans		**—**	3,510
Repayment of short-term bank loans		**(3,510)**	—
Capital contribution from non-controlling interest		**—**	10,370
Issue of shares		**—**	42
Dividends paid		**(87,550)**	(72,209)
Dividends paid to non-controlling interest		**(230)**	—
Net cash used in financing activities		**(91,290)**	(58,287)
Net increase in cash and cash equivalents		**67,418**	47,665
Effect of foreign exchange rate changes, net		**8,873**	18,960
Cash and cash equivalents at beginning of year		**344,620**	277,995
Cash and cash equivalents at end of year	24	**420,911**	344,620

The notes on pages 73 to 133 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.

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 28 May 2012.

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.

(i) New and amended standards adopted by the Group:

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 March 2011 but do not have a material impact on the Group:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	Third annual improvements projects (2010) published in May 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) The following new and amended standards have been issued but are not effective for the financial year beginning 1 March 2011 and have not been early adopted.

HKAS 1 (Amendment)	Presentation of Financial Statements[3]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (Amendment)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Changes effective for annual periods beginning on or after 1 July 2011
2 Changes effective for annual periods beginning on or after 1 January 2012
3 Changes effective for annual periods beginning on or after 1 July 2012
4 Changes effective for annual periods beginning on or after 1 January 2013
5 Changes effective for annual periods beginning on or after 1 January 2014
6 Changes effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of 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 2011 and 29 February 2012.

(i) Subsidiaries

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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(ii) Transactions with non-controlling interest

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(ii) Transactions with non-controlling interest (Continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) 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 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 was a finance lease.

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

After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date 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

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs over their estimated useful lives, at the following annual rates:

Leasehold land classified as finance lease	over the lease period
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 the end of each reporting period. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Land use rights

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 land use rights is calculated on a straight-line basis over the period of the leases.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

(h) Impairment of investments in subsidiaries and jointly controlled entity

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.

(i) 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 the amounts that are settled or expected to be settled more than than 12 months after the end of the reporting period. These are classified as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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 the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

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)

(j) Impairment of financial assets

(i) 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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:

  (a) adverse changes in the payment status of borrowers in the portfolio;

  (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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 carrying amount of asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment 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.

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.

(ii) 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 debt securities, the Group uses the criteria referred to in (a) above. In the case of 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 profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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 (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(m) Cash and cash equivalents

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

(n) 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.

(o) Trade payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(p) 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 and jointly controlled entity 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current and deferred income tax (Continued)

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 for deferred income tax liability 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 tax 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.

(q) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings

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

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services 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; when 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (Continued)

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

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

(vi) Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit or payment card. Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

(t) 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 governments undertake 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(iii) Share-based compensation

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

The Group recognises the fair value of the employee services received in exchange for the share options granted as an expense in the 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 is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. 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.

(u) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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" or "HK$"), which is the Group's presentation currency.

(ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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:

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

(b) 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

(c) all resulting exchange differences are recognised in other comprehensive income.

On consolidated, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. 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.

(w) 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.

(x) Dividend distribution

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

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 29 February 2012 and 28 February 2011, the Group had certain deposits in banks, trade receivables and trade payables denominated in foreign currencies, mainly HK dollars 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 29 February 2012 and 28 February 2011, 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$1,525,000 (2011: HK$857,000) 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 29 February 2012 and 28 February 2011, 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$416,000 (2011: HK$957,000) 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 and certain bank loans. The interest rate risk is considered to be insignificant.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of the trade and other receivables (Note 23) 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 adequate provision for uncollectible receivables has been made.

As at 29 February 2012 and 28 February 2011, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Less than 1 year		
Trade payables and accruals	**200,777**	169,436
Amount due to a jointly controlled entity	**30,805**	47,456
Bank loans	**–**	3,510
	231,582	220,402

	Company	
	2012	2011
	HK$'000	HK$'000
Less than 1 year		
Accruals	**369**	473
Corporate guarantee	**9,761**	18,995
	10,130	19,468

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair values estimation

Financial instruments that are measured in the balance sheet at fair value require 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.

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.

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 within the next financial year 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 written-off or written-down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss for property, plant and equipment is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(g). The recoverable 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Net realisable value of inventories

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

(d) 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, net, finance income, share of loss/profit of a jointly controlled entity and unallocated expenses.

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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Executive Directors for the reportable segments for the year ended 29 February 2012 is as follows:

	Retail		Export	Total
	HK & Macau HK$'000	Mainland China HK$'000	(Note (a)) HK$'000	HK$'000
Revenue from external customers	196,677	1,312,199	36,166	1,545,042
Reportable segment profit	24,316	181,319	6,042	211,677
Other income				2,605
Other gains, net				31,506
Finance income				4,119
Share of loss of a jointly controlled entity				(580)
Unallocated expenses				(820)
Profit before income tax				248,507
Income tax expense				(53,735)
Profit for the year				194,772
Depreciation and amortisation	5,522	41,640	1,037	48,199
Additions to non-current assets (Other than deferred tax assets)	6,338	42,926	197	49,461

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The segment information provided for the year ended 28 February 2011 is as follows:

	Retail		Export	Total
	HK & Macau HK$'000	Mainland China HK$'000	(Note (a)) HK$'000	HK$'000
Revenue from external customers	158,377	1,046,238	115,312	1,319,927
Reportable segment profit	27,857	160,213	15,573	203,643
Other income				1,807
Other gains, net				2,033
Finance income				1,894
Share of profit of a jointly controlled entity				8,628
Unallocated expenses				(6,133)
Profit before income tax				211,872
Income tax expense				(42,557)
Profit for the year				169,315
Depreciation and amortisation	4,305	36,092	2,834	43,231
Additions to non-current assets (Other than deferred tax assets)	2,752	44,554	1,472	48,778

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's assets as at 29 February 2012 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau HK$'000	Mainland China HK$'000	HK$'000	HK$'000
Segment assets	186,658	1,176,660	29,803	1,393,121
Interest in a jointly controlled entity				34,135
Interest in and amount due from an available-for-sale financial asset				–
Deferred tax assets				43,573
Unallocated assets				129
Total assets per consolidated balance sheet				1,470,958
Segment liabilities	17,779	178,091	4,885	200,755
Amount due to a jointly controlled entity				30,805
Current income tax liabilities				16,679
Deferred tax liabilities				26,714
Unallocated liabilities				22
Total liabilities per consolidated balance sheet				274,975

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

An analysis of the Group's assets as at 28 February 2011 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau HK$'000	Mainland China HK$'000	HK$'000	HK$'000
Segment assets	127,681	981,467	107,419	1,216,567
Interest in a jointly controlled entity				48,592
Interest in and amount due from an available-for-sale financial asset				—
Deferred tax assets				37,861
Unallocated assets				228
Total assets per consolidated balance sheet				1,303,248
Segment liabilities	12,472	147,244	13,210	172,926
Amount due to a jointly controlled entity				47,456
Current income tax liabilities				14,422
Deferred tax liabilities				14,201
Unallocated liabilities				20
Total liabilities per consolidated balance sheet				249,025

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

REVENUE

	2012 HK$'000	2011 HK$'000
Hong Kong	**167,768**	137,853
Mainland China	**1,312,199**	1,046,238
Macau	**28,909**	20,524
Russia	**22,667**	66,260
Liechtenstein	**—**	28,636
Italy	**27**	2,102
Other countries (Note (a))	**13,472**	18,314
Total	**1,545,042**	1,319,927

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

For the year ended 29 February 2012, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2011: 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

	2012 HK$'000	2011 HK$'000
Hong Kong	**32,348**	25,863
Mainland China	**295,469**	302,862
Macau	**70,088**	43,404
Total	**397,905**	372,129

6 OTHER INCOME AND OTHER GAINS, NET

	2012 HK$'000	2011 HK$'000
Other income		
Gross rental income from investment properties	**2,605**	1,807
Other gains, net		
Loss on disposal of a subsidiary	**—**	(18)
Fair value gains on investment properties (Note 15)	**25,607**	3,224
Net exchange gain/(loss) (Note (a))	**5,899**	(1,173)
	31,506	2,033
	34,111	3,840

(a) Net exchange gain/(loss) 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 expenses, and general and administrative expenses are analysed as follows:

	2012 HK$'000	2011 HK$'000
Auditors' remuneration	**1,992**	1,870
Amortisation of land use rights (Note 17)	**908**	894
Depreciation of property, plant and equipment (Note 16)	**47,291**	42,337
Loss on disposal of property, plant and equipment	**1,039**	1,006
Costs of inventories sold included in cost of sales	**436,793**	382,108
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**82,744**	63,406
— contingent rents	**2,908**	2,534
Freight charges	**13,062**	12,608
Advertising and promotional expenses	**36,238**	30,660
Concessionaire fees	**270,981**	209,004
Direct operating expenses arising from investment properties that generated rental income	**236**	159
Employee benefit expenses (including directors' emoluments) (Note 9)	**346,671**	269,183
(Write back of impairment)/impairment losses on inventories	**(1,661)**	5,591
(Write back of impairment)/Impairment losses on trade receivables	**(1,555)**	1,482

8 FINANCE INCOME

	2012 HK$'000	2011 HK$'000
Interest income on bank deposits	**4,119**	1,894

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Wages and salaries	**290,606**	230,598
Staff welfare and other benefits	**15,567**	13,650
Pension costs — defined contribution plans (Note (a))	**34,493**	24,935
Employee share option benefits	**6,005**	—
	346,671	269,183

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

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

Retirement benefit scheme costs amounting to HK$34,493,000 (2011: HK$24,935,000) were paid by the Group during the year. Forfeited contributions totalling HK$522,000 (2011: HK$Nil) were refunded and credited in the employee benefit expenses 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 29 February 2012 is set out below:

Name of Director	Fees HK$'000	Salary, bonus, other allowances and benefits in kind HK$'000	Employer's contribution to retirement scheme HK$'000	Share option benefits* HK$'000	Total HK$'000
Executive Directors					
Mr. Lee Tze Bun, Marces	–	–	–	–	–
Ms. Lau Shun Wai	–	2,945	12	2,129	5,086
Ms. Wong Sau Han	–	2,094	12	1,278	3,384
Ms. Chu Tsui Lan	–	2,354	12	1,278	3,644
Ms. An You Ying (appointed on 10 October 2011)	–	633	16	639	1,288
Non-executive Directors					
Mr. James, Ngai (appointed on 25 March 2011)	168	–	–	–	168
Independent non-executive Directors					
Mr. Lam Siu Lun, Simon	180	–	–	–	180
Mr. Leung Wai Ki, George	180	–	–	–	180
Mr. Hui Chi Kwan	180	–	–	–	180
	708	8,026	52	5,324	14,110

* Share option benefits are non-cash compensation which were determined based on the fair value of share options granted to the relevant Directors at the date of grant and recognised over the vesting period (Note 28).

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 2011 is set out below:

Name of Director	Fees HK$'000	Salary, bonus, other allowances and benefits in kind HK$'000	Employer's contribution to retirement scheme HK$'000	Total HK$'000
Executive Directors				
Mr. Lee Tze Bun, Marces	—	—	—	—
Ms. Lau Shun Wai	—	2,259	12	2,271
Ms. Wong Sau Han	—	1,643	12	1,655
Ms. Chu Tsui Lan	—	1,712	12	1,724
Ms. Chui Kwan Ho, Jacky (resigned on 1 September 2010)	—	1,141	6	1,147
Mr. Wong Tai Chung, Kenneth (resigned on 22 June 2010)	—	636	4	640
Ms. Tsui Oi Kuen (resigned on 1 March 2010)	—	—	—	—
Independent non-executive Directors				
Mr. Lam Siu Lun, Simon	180	—	—	180
Mr. Leung Wai Ki, George	180	—	—	180
Mr. Hui Chi Kwan	180	—	—	180
	540	7,391	46	7,977

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 (2011: 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 four (2011: four) highest paid individuals in the Group. The emoluments of the remaining one (2011: one) highest paid individual during the year ended 29 February 2012 was:

	2012 HK$'000	2011 HK$'000
Salaries, bonus, other allowances and benefits in kind	1,121	871
Employer's contributions to retirement scheme	12	12
	1,133	883

Emolument bands	Number of individuals	
	2012	2011
HK$500,001 – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	1	—

11 INCOME TAX EXPENSE

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

	2012 HK$'000	2011 HK$'000
Current income tax		
— Hong Kong profits tax	–	36
— People's Republic of China ("PRC") corporate income tax	46,296	46,276
Deferred taxation (Note 21)	7,439	(3,755)
	53,735	42,557

No provision for Hong Kong profits tax has been made as there were available tax losses brought forward from prior years to offset the assessable profits generated during the year. In prior year, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at a range from 24% to 25% (2011: range from 22% 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, 2010 and 2011.

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:

	2012 HK$'000	2011 HK$'000
Profit before income tax and before share of loss/profit of a jointly controlled entity	**249,087**	203,244
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	**58,278**	48,793
Income not subject to taxation	**(3,827)**	(1,902)
Expenses not deductible for taxation purposes	**4,414**	8,878
Profit of subsidiary under tax holiday	**(19,260)**	(16,954)
Tax losses for which no deferred tax asset was recognised	**–**	263
Utilisation of previously unrecognised tax losses	**(1,247)**	(3,998)
Recognition of previously unrecognised tax losses	**–**	(1,290)
Withholding tax	**15,377**	8,767
Income tax expense	**53,735**	42,557

There was no tax charge relating to components of other comprehensive income for the year ended 29 February 2012 (2011: HK$Nil).

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$104,274,000 (2011: profit of HK$66,149,000).

13 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.

	2012 **HK$'000**	2011 HK$'000
Profit attributable to equity holders of the Company	**194,202**	168,500
Weighted average number of ordinary shares in issue ('000)	**639,314**	639,289
Basic earnings per share (HK cents)	**30.38**	26.36

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 29 February 2012, the diluted earnings per share was the same as the basic earnings per share as the Company's share options outstanding during the year was anti-dilutive potential ordinary shares.

For the year ended 28 February 2011, 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.

	2012 **HK$'000**	2011 HK$'000
Profit attributable to equity holders of the Company	**194,202**	168,500
Weighted average number of ordinary shares in issue ('000)	**639,314**	639,289
Adjustments for share options ('000)	**—**	16
Weighted average number of ordinary shares for diluted earnings per share ('000)	**639,314**	639,305
Diluted earnings per share (HK cents)	**30.38**	26.36

14 DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim, paid, of HK5.0 cents (2011: HK4.3 cents) per ordinary share	**31,966**	27,488
Final, proposed, of HK8.7 cents (2011: HK8.7 cents) per ordinary share	**55,620**	55,620
	87,586	83,108

At a meeting held on 28 May 2012, the Directors proposed a final dividend of HK8.7 cents per ordinary share totalling approximately HK$55,620,000. 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 2013.

15 INVESTMENT PROPERTIES

	Group	
	2012 HK$'000	2011 HK$'000
At beginning of year	**47,188**	43,964
Fair value gains recognised in the consolidated income statement (Note 6)	**25,607**	3,224
At end of year	**72,795**	47,188

Investment properties are stated at the professional valuation made on an open market value basis at 29 February 2012 by an independent professional valuer, Jones Lang LaSalle Sallmanns Limited.

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

	Group	
	2012 HK$'000	2011 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**2,700**	2,620
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**70,095**	44,568
	72,795	47,188

16 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 March 2010							
Cost	111,625	89,437	107,095	25,018	4,133	51,104	388,412
Accumulated depreciation	(37,659)	(61,874)	(50,147)	(16,773)	(2,969)	–	(169,422)
Net book amount	73,966	27,563	56,948	8,245	1,164	51,104	218,990
Year ended 28 February 2011							
Opening net book amount	73,966	27,563	56,948	8,245	1,164	51,104	218,990
Exchange differences	3,649	406	1,889	351	63	1,344	7,702
Additions	3,235	26,486	7,108	5,690	1,614	4,645	48,778
Transfers	33,715	–	–	–	–	(33,715)	–
Disposals	–	(554)	(110)	(232)	(110)	–	(1,006)
Depreciation	(4,695)	(25,099)	(8,940)	(3,053)	(550)	–	(42,337)
Closing net book amount	109,870	28,802	56,895	11,001	2,181	23,378	232,127
At 28 February 2011							
Cost	153,207	111,035	117,044	28,693	5,255	23,378	438,612
Accumulated depreciation	(43,337)	(82,233)	(60,149)	(17,692)	(3,074)	–	(206,485)
Net book amount	109,870	28,802	56,895	11,001	2,181	23,378	232,127
Year ended 29 February 2012							
Opening net book amount	109,870	28,802	56,895	11,001	2,181	23,378	232,127
Exchange differences	3,374	588	2,314	350	65	887	7,578
Additions	58	29,886	12,958	3,076	824	2,659	49,461
Transfers	22,429	–	3,544	–	–	(25,973)	–
Disposals	–	(951)	–	(29)	(59)	–	(1,039)
Depreciation	(5,391)	(27,594)	(9,691)	(3,935)	(680)	–	(47,291)
Closing net book amount	130,340	30,731	66,020	10,463	2,331	951	240,836
At 29 February 2012							
Cost	180,022	136,196	134,098	31,998	5,319	951	488,584
Accumulated depreciation	(49,682)	(105,465)	(68,078)	(21,535)	(2,988)	–	(247,748)
Net book amount	130,340	30,731	66,020	10,463	2,331	951	240,836

The net book value of the Group's interests in leasehold land classified as finance lease are analysed as follows:

	Group	
	2012 HK$'000	2011 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**7,382**	7,591

17 LAND USE RIGHTS

	Group	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**33,834**	34,226
Amortisation	**(908)**	(894)
Exchange differences	**468**	502
At end of year	**33,394**	33,834

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

	Group	
	2012	2011
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**28,413**	28,758
Leases of over 50 years	**4,981**	5,076
	33,394	33,834

18 INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**130,844**	113,141
Capital in nature contribution (Note (a))	**345,440**	—
Amounts due from subsidiaries (Note (b))	**176,984**	494,464
	653,268	607,605

(a) As at 1 March 2011, the amounts due from subsidiaries of HK$345,440,000 was treated as capital in nature contribution to the subsidiaries.

(b) The amounts due from subsidiaries are unsecured, interest free, not repayable within twelve months and are denominated in HK dollar.

The balances are not in default or impaired as at 29 February 2012 and 28 February 2011.

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries of the Group at 29 February 2012 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/place of operation	Group's equity interest
Blooming On Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding/ PRC	100%
Brightly Investment Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding/ PRC	100%
Grandmark Holdings Limited	Hong Kong, limited liability company	1 Ordinary share of 1 HK dollar each	Trading of shoes/ Hong Kong	100%
Great Sino Enterprises Limited	Hong Kong, limited liability company	10,000 Ordinary shares of 1 HK dollar each	Investment holding/ Hong Kong	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/ Hong Kong	100%
Le Saunda Calcado, Limitada	Macau, limited liability company	MOP200,000	Retailing of shoes/ Macau	100%
Le Saunda (China) Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Investment holding/ Hong Kong	100%
Le Saunda China Investment Limited	Hong Kong, limited liability company	100 Ordinary shares of 1 HK dollar each	Investment Holding/ Hong Kong	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/ Hong Kong	100%
Le Saunda Management Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Provision of management services/Hong Kong	100%
Le Saunda Real Estate Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Investment holding/ Hong Kong	100%
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/ Hong Kong	100%

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Issued and paid up capital/ registered capital	Principal activities/place of operation	Group's equity interest
Maior Limited	Hong Kong, limited liability company	1,000 Ordinary shares of 2,000 HK dollar each	Trading of shoes and investment holding/ Hong Kong	100%
Master Benefit Limited	Hong Kong, limited liability company	3,000,000 Ordinary shares of 1 HK dollar each	Investment holding/ Hong Kong	100%
Parklink Investment Development Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding/ PRC	100%
Trend Door Company Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Investment holding/ Hong Kong	100%
Trend Light Trading Company Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK dollar each	Property holding/ PRC	100%
廣州利信達有限公司	PRC, limited liability company	RMB7,000,000	Retailing of shoes/ PRC	100%
廣州市韋柏貿易有限公司	PRC, limited liability company	RMB3,500,000	Retailing of shoes/ PRC	100%
利信達商業(中國)有限公司	PRC, limited liability company	HK$53,000,000	Retailing of shoes/ PRC	100%
利信達貿易(深圳)有限公司	PRC, limited liability company	HK$10,000,000	Retailing of shoes/ PRC	100%
億才商業(上海)有限公司	PRC, limited liability company	US$6,500,000	Retailing of shoes/ PRC	100%
灝信達商業(北京)有限公司	PRC, limited liability company	US$2,200,000	Retailing of shoes/ PRC	100%
昶盈貿易(天津)有限公司	PRC, limited liability company	US$800,000	Retailing of shoes/ PRC	100%
信蝶商業(杭州)有限公司	PRC, limited liability company	RMB27,000,000	Retailing of shoes/ PRC	66.67%
佛山市順德區藝恒信制鞋廠有限公司	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes/ PRC	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/ PRC	100%

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Issued and paid up capital/ registered capital	Principal activities/place of operation	Group's equity interest
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/ PRC	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/ PRC	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/ PRC	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.

19 INVESTMENT IN AND AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

(a) Share of net assets

	Group	
	2012	2011
	HK$'000	HK$'000
Registered capital at cost, unlisted	**779**	16,351
Share of undistributed post-acquisition reserves	**33,356**	32,241
Share of net assets	**34,135**	48,592
At beginning of the year	**48,592**	38,109
Capital reduction	**(15,572)**	—
Share of (loss)/profit of a jointly controlled entity	**(580)**	8,628
Exchange differences	**1,695**	1,855
At end of year	**34,135**	48,592

19 INVESTMENT IN AND AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY (CONTINUED)

(a) Share of net assets (Continued)

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). The application of capital reduction was approved on 3 March 2008.

Under the revised joint venture agreement on 1 December 2010, the total registered share capital of SSQ was reduced to US$200,000 (approximately HK$1,558,000). The application of capital reduction was approved on 15 March 2011.

19 INVESTMENT IN AND AMOUNT DUE TO 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:

	2012 **HK$'000**	2011 HK$'000
Operating results		
Revenue	**–**	50,119
(Loss)/profit for the year	**(1,160)**	17,256
Group's share of (loss)/profit for the year	**(580)**	8,628
Financial position		
Non-current assets	**14**	19
Current assets	**87,171**	115,695
Current liabilities	**(18,915)**	(18,530)
Net assets	**68,270**	97,184
Group's share of net assets	**34,135**	48,592

(b) Amount due to a jointly controlled entity

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	**3,081**	2,966
— Provision for impairment	**(3,081)**	(2,966)
	—	—
Amount due from an available-for-sale financial asset (Note (b))	**9,242**	8,898
Less: Provision for impairment	**(9,242)**	(8,898)
	—	—
	—	—

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

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

The Group's Directors do not regard 陳村鎮碧桂園 as an associate of the Group on the grounds that the 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.

(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	
	2012	2011
	HK$'000	HK$'000
Deferred tax assets	**43,573**	37,861
Deferred tax liabilities	**(26,714)**	(14,201)
	16,859	23,660

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	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**23,660**	19,710
(Charged)/credited to consolidated income statement (Note 11)	**(7,439)**	3,755
Exchange realignment	**638**	195
At end of year	**16,859**	23,660

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

	Unrealised profits on inventories		Tax losses		Revaluation of investment properties		Withholding tax on dividend for undistributed profits (Note a)		Other provision		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**20,064**	9,836	**14,943**	13,647	**(5,188)**	(4,697)	**(9,013)**	–	**2,854**	924	**23,660**	19,710
(Charged)/credited to consolidated income statement	**9,023**	9,793	**(1,579)**	1,290	**(4,053)**	(491)	**(7,976)**	(8,767)	**(2,854)**	1,930	**(7,439)**	3,755
Exchange realignment	**1,115**	435	**7**	6	**–**	–	**(484)**	(246)	**–**	–	**638**	195
At end of year	**30,202**	20,064	**13,371**	14,943	**(9,241)**	(5,188)	**(17,473)**	(9,013)	**–**	2,854	**16,859**	23,660

21 DEFERRED TAXATION (CONTINUED)

(a) Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. All dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax. As at 29 February 2012, the Group did not accrue withholding income tax for a portion of the earnings of HK$7,158,000 (2011: HK$7,158,000) of its PRC subsidiaries because the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at 29 February 2012, the Group had unrecognised tax losses of approximately HK$51,589,000 (2011: HK$58,017,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Tax losses without expiry date	**51,325**	56,998
Tax losses expiring in 5 years	**264**	1,019
	51,589	58,017

22 INVENTORIES

	Group	
	2012	2011
	HK$'000	HK$'000
Raw materials	**55,769**	77,079
Work in progress	**30,784**	36,815
Finished goods	**355,520**	283,468
	442,073	397,362
Less: Provision for impairment of inventories	**(8,828)**	(10,474)
	433,245	386,888

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$436,793,000 (2011: HK$382,108,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note (a))	**128,287**	132,420	**–**	–
Provision for impairment	**–**	(1,523)	**–**	–
	128,287	130,897	**–**	–
Other receivables	**6,220**	3,797	**217**	221
	134,507	134,694	**217**	221

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

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

At 29 February 2012, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current to 30 days	**116,598**	115,312
31 to 60 days	**8,285**	11,644
61 to 90 days	**1,426**	2,605
Over 90 days	**1,978**	1,336
	128,287	130,897

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are denominated in the following currencies:

	Group 2012 HK$'000	Group 2011 HK$'000
HK$	**646**	456
US$	**994**	2,143
RMB	**126,567**	128,131
EUR	**—**	92
Other currencies	**80**	75
	128,287	130,897

Movement of provision for impairment of trade receivables is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
At beginning of year	**1,523**	—
(Write back of impairment)/impairment losses	**(1,555)**	1,482
Exchange realignment	**32**	41
At end of year	**—**	1,523

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 29 February 2012, trade receivables of HK$646,000 (2011: HK$392,000) 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 2012 HK$'000	Group 2011 HK$'000
61 to 90 days	**340**	280
Over 90 days	**306**	112
	646	392

24 CASH AND BANK BALANCES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**228,797**	210,412	**2,408**	1,580
Short-term bank deposits (Note (a))	**192,114**	134,208	**—**	—
Cash and cash equivalents	**420,911**	344,620	**2,408**	1,580
Term deposits with initial term over three months (Note (a))	**1,897**	1,593	**—**	—
Pledged bank deposits (Note (b))	**1,887**	2,152	**—**	—
	424,695	348,365	**2,408**	1,580

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**49,453**	27,389	**2,403**	1,580
RMB	**358,106**	294,253	**5**	—
US$	**11,852**	23,128	**—**	—
EUR	**17**	167	**—**	—
Other currencies	**5,267**	3,428	**—**	—
	424,695	348,365	**2,408**	1,580

Notes:

(a) The effective interest rate on short-term bank deposits and term deposits was 2.77% (2011: 2.33%) per annum; these deposits have a maturity ranging from 7 to 365 days.

(b) Bank deposits of HK$1,887,000 (2011: HK$2,152,000) have been pledged as rental deposits for subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 1.59% per annum (2011: 0.58% 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**65,174**	49,289	**—**	—
Accruals	**135,603**	120,147	**369**	473
	200,777	169,436	**369**	473

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 29 February 2012, the ageing analysis of the trade creditors is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Current to 30 days	**29,218**	18,331
31 to 60 days	**21,934**	17,494
61 to 90 days	**5,379**	6,301
91 to 120 days	**2,531**	2,777
Over 120 days	**6,112**	4,386
	65,174	49,289

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

	Group	
	2012	2011
	HK$'000	HK$'000
HK$	**748**	733
RMB	**61,278**	43,047
US$	**1,033**	3,341
EUR	**2,115**	2,168
	65,174	49,289

26 BANK LOANS

	Group	
	2012	2011
	HK$'000	HK$'000
Trust receipts bank loans	**–**	3,510

Trust receipt bank loans were denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
USD	**–**	3,297
EUR	**–**	213
	–	3,510

The trust receipt bank loans were repayable within twelve months, and carried at floating rates. At 28 February 2011, the weighted average interest rate was 1.79%.

27 SHARE CAPITAL

	2012		2011	
	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	**639,313,600**	**63,931**	639,265,600	63,926
Exercise of share options (Note 28)	**–**	**–**	48,000	5
At end of year	**639,313,600**	**63,931**	639,313,600	63,931

28 SHARE OPTIONS

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

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

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

	2012		2011	
	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	48
Granted	**4.73**	**14,100**	—	—
Exercised	**—**	**—**	0.87	(48)
At end of year	**4.73**	**14,100**	—	—

The Group has no legal or constructive obligation to repurchase or settle the options in cash. For the year ended 29 February 2012, 14,100,000 share options were granted at an average exercise price at HK$4.73 each. For the year ended 28 February 2011, 48,000 shares were issued at an average exercise price at HK$0.87 each and the related weighted average share price at the time of exercise was HK$3.53 per share.

28 SHARE OPTIONS (CONTINUED)

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

Expiry date at	Exercise price per share (HK$)	Number of share options as at 29 February 2012 (thousands)	28 February 2011 (thousands)
26 June 2021 (Note)	4.73	**14,100**	—

Note: Become exercisable from a range of dates between 27 June 2014 and 27 June 2016 and expiring on the 10th anniversary from date of grants.

Options are conditional on the employee completing three to five years' service (the vesting period).

On 27 June 2011, the Group granted 14,100,000 share options to certain eligible persons at exercise price of HK$4.73 per share. In this connection, the total fair value of options HK$34,117,000 will be expensed in profit and loss over the vesting period. For the year ended 29 February 2012, a total share option expense of HK$6,005,000 was recognised and included in employee benefit expenses.

The weighted average fair value of each options is HK$2.42 which was determined using the Binomial Option Pricing Model ("BOPM") performed by an independent valuer, CB Richard Ellis Limited. Significant inputs into the model were as follows:

	Batch 1	Batch 2	Batch 3
Stock Price	HK$4.73	HK$4.73	HK$4.73
Exercise Price	HK$4.73	HK$4.73	HK$4.73
Risk Free Rate	2.1450%	2.1450%	2.1450%
Risk Free Rate (Continuous)	2.1223%	2.1223%	2.1223%
First Exercise Date	27-Jun-2014	27-Jun-2015	27-Jun-2016
Expire Date	26-Jun-2021	26-Jun-2021	26-Jun-2021
Expected Volatility	54.4810%	54.4810%	54.4810%
Expected Dividend	2.4400%	2.4400%	2.4400%

The expected volatility was determined by using the historical volatility of the Company's share price over the past 8 years.

29 RESERVES

Group

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves HK$'000 (Note (a))	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2011	416,695	73,234	32,298	452,296	4,261	–	978,784
Comprehensive income							
Profit for the year	–	–	–	194,202	–	–	194,202
Other comprehensive income							
Currency translation differences	–	28,348	–	–	–	–	28,348
Transactions with owners							
Share option scheme							
– value of service provided	–	–	–	–	–	6,005	6,005
Transfer	–	–	7,333	(7,333)	–	–	–
Dividends	–	–	–	(87,586)	–	–	(87,586)
At 29 February 2012	416,695	101,582	39,631	551,579	4,261	6,005	1,119,753
Representing:							
2012 proposed final dividend							55,620
Others							1,064,133
							1,119,753

29 RESERVES (CONTINUED)

Group (Continued)

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves HK$'000 (Note (a))	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2010	416,522	37,754	23,311	365,022	4,261	136	847,006
Comprehensive income							
Profit for the year	–	–	–	168,500	–	–	168,500
Other comprehensive income							
Currency translation differences	–	35,480	–	–	–	–	35,480
Transactions with owners							
Share option scheme							
– exercise of share options	173	–	–	–	–	(136)	37
Transfer	–	–	8,987	(8,987)	–	–	–
Dividends	–	–	–	(72,239)	–	–	(72,239)
At 28 February 2011	416,695	73,234	32,298	452,296	4,261	–	978,784
Representing:							
2011 proposed final dividend							55,620
Others							923,164
							978,784

29 RESERVES (CONTINUED)

Company

	Share premium HK$'000	Exchange translation reserve HK$'000	Contributed surplus HK$'000 (Note (b))	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2011	416,695	29,660	30,164	68,483	–	545,002
Comprehensive income						
Profit for the year	–	–	–	104,274	–	104,274
Other comprehensive income						
Currency translation differences	–	23,898	–	–	–	23,898
Transactions with owners						
Share option scheme						
– value of service provided	–	–	–	–	6,005	6,005
Dividends	–	–	–	(87,586)	–	(87,586)
At 29 February 2012	416,695	53,558	30,164	85,171	6,005	591,593
Representing:						
2012 proposed final dividend						55,620
Others						535,973
						591,593

	Share premium HK$'000	Exchange translation reserve HK$'000	Contributed surplus HK$'000 (Note (b))	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2010	416,522	4,865	30,164	74,573	136	526,260
Comprehensive income						
Profit for the year	–	–	–	66,149	–	66,149
Other comprehensive income						
Currency translation differences	–	24,795	–	–	–	24,795
Transactions with owners						
Share option scheme						
– exercise of share options	173	–	–	–	(136)	37
Dividends	–	–	–	(72,239)	–	(72,239)
At 28 February 2011	416,695	29,660	30,164	68,483	–	545,002
Representing:						
2011 proposed final dividend						55,620
Others						489,382
						545,002

29 RESERVES (CONTINUED)

Notes:

(a) 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.

(b) 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.

(c) Under the Companies Act 1981 of Bermuda (as amended), 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:

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

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

Distributable reserves of the Company at 29 February 2012 amounted to HK$115,335,000 (2011: HK$98,647,000).

30 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$120,000,000 (2011: HK$120,000,000) of which HK$9,761,000 (2011: HK$18,995,000) was utilised as at 29 February 2012.

31 COMMITMENTS

(a) Capital commitments

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	**752**	3,425
— unpaid capital contribution to a subsidiary	**6,204**	—

At 29 February 2012, the Company had no capital commitment (2011: HK$Nil).

31 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

(i) At 29 February 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**81,958**	55,276
Later than one year and not later than five years	**66,861**	52,142
	148,819	107,418

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 29 February 2012, the Company had no future aggregate minimum lease payments under non-cancellable operating leases (2011: HK$Nil).

(ii) At 29 February 2012, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**2,510**	2,537
Later than one year and not later than five years	**103**	2,454
	2,613	4,991

At 29 February 2012, the Company had no future aggregate minimum rental receivable under non-cancellable operating leases (2011: HK$Nil).

32 CONSOLIDATED CASH FLOW STATEMENT

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

	2012 HK$'000	2011 HK$'000
Profit before income tax	**248,507**	211,872
Share of loss/(profit) of a jointly controlled entity	**580**	(8,628)
Fair value gains on investment properties	**(25,607)**	(3,224)
Depreciation of property, plant and equipment	**47,291**	42,337
Loss on disposal of property, plant and equipment	**1,039**	1,006
Loss on disposal of a subsidiary (Note (b))	**–**	18
Amortisation of leasehold land and land use rights	**908**	894
Impairment provision of the amount due from available-for-sale financial asset	**–**	4,616
(Write back of impairment)/impairment losses on inventories	**(1,661)**	5,591
(Write back of impairment)/impairment losses on trade receivables	**(1,555)**	1,482
Interest income	**(4,119)**	(1,894)
Share option benefits	**6,005**	–
Operating profit before working capital changes	**271,388**	254,070
Increase in inventories	**(34,208)**	(140,196)
Decrease in trade and other receivables	**3,879**	8,378
Increase in deposits and prepayments	**(20,078)**	(4,685)
(Decrease)/increase in amount due to a jointly controlled entity	**(16,651)**	47,456
Increase in trade payables and accruals	**28,584**	26,566
Net cash generated from operations	**232,914**	191,589

(b) Disposal of a subsidiary

On 31 December 2010, pursuant to a Shareholding transfer agreement entered into between the Group and 陳本雄, a third party, the Group approved the disposal of its entire equity interest in a subsidiary, 佛山市順德區信美達物業管理有限公司 (「信美達」), which was engaged in the property management business. The loss on disposal of subsidiary amounted to HK$18,000. The transaction was completed on 31 December 2010.

32 CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of a subsidiary (Continued)

The details of the disposal of a subsidiary related to 信美達 were as follows:

	HK$'000
Net assets disposed of:	
Trade and other receivables, deposits and prepayments	2
Cash and bank balances	18
Trade payables and accruals	(55)
Exchange translation reserve	53
	18
Loss on disposal	18
Cash consideration received	—

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

	HK$'000
Cash consideration received	—
Cash and bank balances disposed of	(18)
Net outflow of cash and cash equivalents	(18)

33 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 29 February 2012, Stable Gain Holdings Limited held 32.07% equity interest in the Company as the single largest shareholder.

(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	
	2012	2011
	HK$'000	HK$'000
Rental expenses charged by:		
— a related party (Note (i))	**2,160**	1,560
— related companies (Note (ii))	**897**	781

33 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

(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.

(c) Year-end balances with related party

	Group	
	2012	2011
	HK$'000	HK$'000
Amount due to a jointly controlled entity (Note 19(b))	**30,805**	47,456

(d) Key management compensation

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**8,439**	7,391
Employer's contributions to retirement scheme	**73**	46
Share option benefits	**5,324**	—
	13,836	7,437

FIVE-YEAR FINANCIAL SUMMARY

RESULTS OF THE GROUP

	2012		2011		2010		2009		2008	
	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	**1,545,042**	**–**	1,319,927	–	1,000,018	–	910,018	–	781,993	14,184
Operating profit/(loss)	**244,968**	**–**	201,350	–	150,808	–	77,511	–	83,621	(21,535)
Finance income, net	**4,119**	**–**	1,894	–	975	–	4,171	–	5,024	94
Share of (loss)/profit of a jointly controlled entity	**(580)**	**–**	8,628	–	386	–	534	–	14,509	–
Profit/(loss) before income tax	**248,507**	**–**	211,872	–	152,169	–	82,216	–	103,154	(21,441)
Income tax expense	**(53,735)**	**–**	(42,557)	–	(29,167)	–	(10,146)	–	(7,092)	–
Gain on disposal of a subsidiary	**–**	**–**	–	–	–	–	–	–	–	3,455
Profit/(loss) for the years	**194,772**	**–**	169,315	–	123,002	–	72,070	–	96,062	(17,986)
Profit/(loss) attributable to:										
– equity holders of the Company	**194,202**	**–**	168,500	–	123,002	–	72,070	–	96,062	(17,986)
– non-controlling interest	**570**	**–**	815	–	–	–	–	–	–	–
	194,772	**–**	169,315	–	123,002	–	72,070	–	96,062	(17,986)

ASSETS AND LIABILITIES OF THE GROUP

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Investment properties, property, plant and equipment and land use rights	**347,025**	313,149	297,180	339,625	224,046
Interest in a jointly controlled entity	**34,135**	48,592	38,109	37,441	56,251
Long-term deposits and prepayments	**16,745**	10,388	9,621	6,534	12,657
Interest in and amount due from an available-for-sale financial asset	**—**	—	4,553	22,381	24,255
Deferred tax assets	**43,573**	37,861	24,407	32,286	38,680
Net current assets	**781,219**	658,434	541,759	400,955	436,081
	1,222,697	1,068,424	915,629	839,222	791,970
Total equity	**1,195,983**	1,054,223	910,932	832,746	786,804
Deferred tax liabilities	**26,714**	14,201	4,697	6,476	5,166
	1,222,697	1,068,424	915,629	839,222	791,970

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