le saunda holdings ltd.

利 信 達 集 團 有 限 公 司

annual report 2013

(Stock Code : 0738)

contents

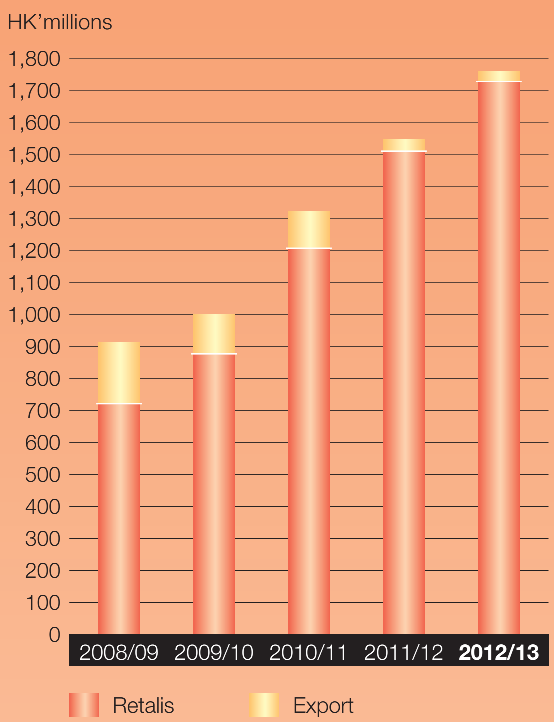
Note: All monetary values are expressed in Hong Kong Dollars unless stated otherwise.

FINANCIAL HIGHLIGHTS

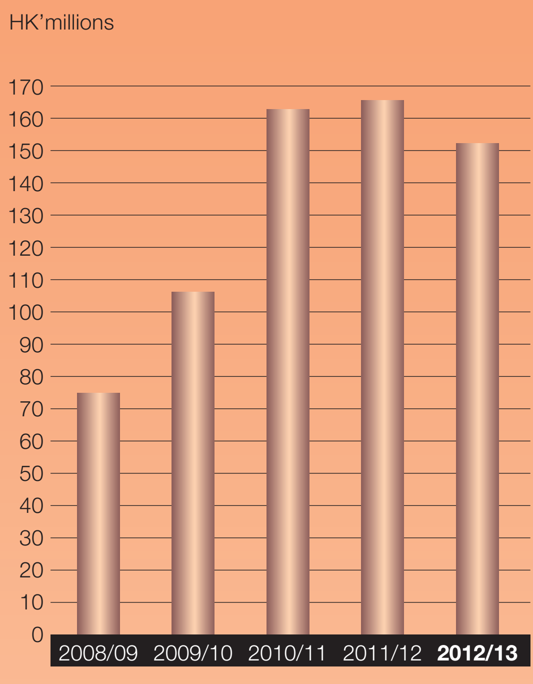
	Year ended 28 February 2013 HK$m	Year ended 29 February 2012 HK$m	Change
Profit and Loss Highlights			
Revenue	**1,762.4**	1,545.0	14.1%
Underlying Profit Attributable to Equity Holders	**152.8**	165.5	(7.7%)
Consolidated Profit Attributable to Equity Holders	**179.1**	194.2	(7.8%)
Basic Earnings per Share (HK Cents)	**28.02**	30.38	(7.8%)
Balance Sheet Highlights			
Total Equity	**1,302.0**	1,196.0	8.9%
Net Cash Balances	**435.7**	424.7	2.6%
Net Assets Value per Share (HK$)	**2.04**	1.87	8.9%
Net Cash per Share (HK$)	**0.68**	0.66	2.6%
Other Key Ratios			
Stock Turnover (Days)	**220**	210	
Quick Ratio (Times)	**2.3**	2.3	
Gearing Ratio (%)	**—**	—	

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

Revenue



Underlying profits — Attributable to Equity Holders



CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Lau Shun Wai *(Chief Executive Officer)*
Wong Sau Han
Chu Tsui Lan *(Chief Operating Officer)*
An You Ying

NON-EXECUTIVE DIRECTORS
James Ngai
(appointed as Chairman on 1 June 2012)
Lee Tze Bun, Marces
(retired from Chairman and re-designated as non-executive Director 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
James Ngai
(appointed on 21 January 2013)
Lee Tze Bun, Marces
(resigned on 21 January 2013)

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 (Hong Kong) Limited

AUDITOR
PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISERS
Wilkinson & Grist
6th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
17th Floor
1063 King's Road
Quarry Bay, Hong Kong

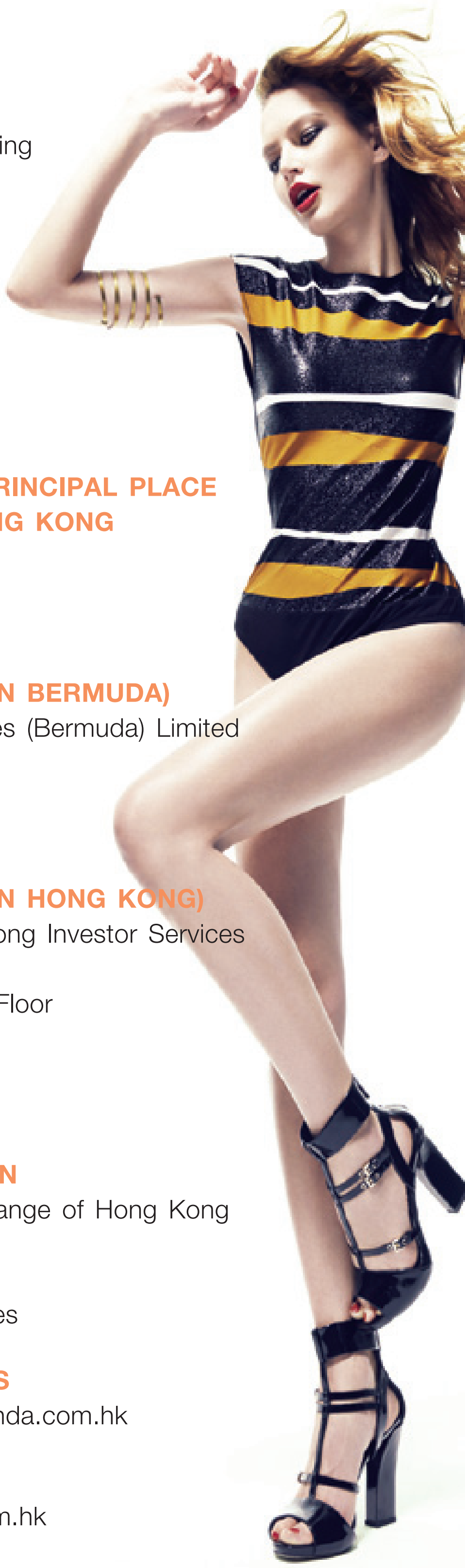
SHARE REGISTRAR (IN BERMUDA)
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

SHARE 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

2012/13 Interim Results Announcement	25 October 2012
Payments of 2012/13 Interim Dividend and Special Dividend	22 November 2012
2012/13 Annual Results Announcement	27 May 2013
Closure of Register of Members for Annual General Meeting (both days inclusive)	11–15 July 2013
Annual General Meeting	15 July 2013
Closure of Register of Members for Final Dividend (both days inclusive)	22–24 July 2013
Proposed Payment of 2012/13 Final Dividend	1 August 2013

SHAREHOLDER SERVICES

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

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

Holders of the Company's ordinary shares should notify the above 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
17th Floor
1063 King's Road
Quarry Bay, Hong Kong

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

KEY MILESTONES

JULY 2012

In July 2012, the Group was named to the list of "Asia's 200 Best Under A Billion" by Forbes, one of the world's most authoritative publications. Mr. James Ngai, Chairman of the Group, attended the Forbes award ceremony in Singapore on 29 November 2012.

NOVEMBER 2012

Mr. Louis Koo, the Group's new brand representative, together with supermodel Ms. Christine Kuo, present le saunda 2012 Fall/Winter Collection at fashion show held at The ONE in Tsim Sha Tsui, Hong Kong, on 17 November 2012.

G.E.M.（鄧紫棋）

DECEMBER 2012

"Minnie Collection by CNE" line, the first crossover product line between CNE and Disney, was launched on 12 December in Mainland China. G.E.M.（鄧紫棋）was appointed as brand representative of the CNE brand and the product lines under the Disney project.

DECEMBER 2012

The first Linea Rosa specialty store in Hong Kong marked its grand opening at Langham Place, Mongkok, on 8 December 2012.

MARCH 2013

Mr. Louis Koo （古天樂）, the Group's brand representative, together with supermodel Ms. Christine Kuo （苟芸慧）, again presented le saunda 2013 Spring/ Summer Collection at fashion show held at The Mix C Shopping Mall, Shenzhen, on 23 March 2013.

DECEMBER 2012

Le Saunda's frontline staff was honored with an award "2012 Service & Courtesy Award Top 10% Finalist Footwear Category – Junior Frontline Level" issued by the Hong Kong Retail Management Association. The management and staff presented the ceremony on 4 December 2012.

APRIL 2013

On 25 April 2013, the 2nd Linea Rosa specialty store marked its grand opening at Times Square, Hong Kong. Mr. Louis Koo （古天樂） and Ms. Christine Kuo （苟芸慧） were invited to perform ribbon cutting at the opening ceremony.

APRIL 2013

G.E.M. (鄧紫棋), as CNE brand representative, presented CNE 2013 Spring/Summer Collection at fashion show named “Minnie Tea Party by CNE” held at Mayflower Plaza, Guangzhou, the PRC. Mr. Kermid Rahman, the representative from Disney, together with the management of the Group, announced the collaboration between Disney and the CNE.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report on the results of Le Saunda Holdings Limited ("Le Saunda" or the "Company") and its subsidiaries (the "Group") for the financial year ended 28 February 2013 (the "year under review").

Last year was a difficult one for retailers. On the external front, the global economic recovery was hindered by the lingering impacts of the fiscal cliff in the United States and the debt crisis in Europe together with the tense geopolitical situation in East Asia. In respect of domestic demand, consumer confidence in China was negatively affected by the government's continual regulation and control over the real estate market. To cope with the unstable macro-economic environment, the Group adjusted its operating strategies in a timely manner during the year under review, resulting in a steady year-on-year growth in consolidated revenue of 14.1%. However, the constant rise in operating costs, the surge of tax expenses due to the expiry of tax holiday as well as the drop in revaluation gains on investment property as compared with last year led to a year-on-year decrease in the consolidated profit attributable to equity holders of the Company of 7.8%.

During the year under review, the Group reaffirmed its brand position through enhancing the core brand value as well as extending the scope and offerings of each of its brands. The high-end ladies' footwear brand, Linea Rosa, targeting chic and trendy consumers with avant-garde and trend-setting products, has experienced satisfactory development, and has 22 stores so far. For the le saunda MEN brand which was under our development spotlight, it has strengthened its product development and added more youth elements to its designs, as well as engaged Mr. Louis Koo Tin Lok, a well-known movie star in Asia, to endorse the brand. Such moves have won great recognition and generated positive market response for the brand.

Furthermore, the Group's effort in restructuring the CNE brand has achieved initial success. The Group has decisively shut down some underperforming CNE outlets in the first half of the financial year in order to well-prepare for the next round of growth. During the year under review, the Group was licensed by Disney, a world-renowned comprehensive home entertainment corporation, to design, manufacture and sell footwear and handbags featuring the iconic characters of Walt Disney. The new product line, "Minnie Collection by CNE", was launched and the products hit CNE outlets across mainland China in the fourth quarter of 2012. In addition, the Group engaged G.E.M. (Gloria Tang Tsz-Kei), the new pop star in Hong Kong, for endorsement of the CNE brand and its cooperation project with Disney with the aim of promoting the youthful, trendy and girlish market position of the CNE brand. Following a series of restructuring, the same store sales growth of the CNE brand in the second half of the financial year delivered notable improvement.

The Group believes that streamlining supply chains is the basis for and guarantee of future growth. During the year under review, the Group continued to consolidate the supply chains in its plants. The new ERP system was put into full operation at the Shunde production base, and has enhanced the real-time control over each production process and improved production efficiency. The reduced stock level of raw materials and shortened days of handling replenishment orders have reflected early success in supply chain consolidation. Coupled with other reforms, such initiatives will improve same-store efficiency, speed up product turnover and reduce the stock level, with which the management is confident of surmounting the coming challenges.

Following the resignation of Mr. Lee Tze Bun, Marces as Group Chairman last June, I am honored to be appointed as Chairman, a challenging duty I proudly undertake. Amid uncertainties about the overall economic outlook, with the direction of "Embracing heritage and moving forward", members of the Board and I will work together to guide the Group towards a sustainable development, and bring fruitful returns to the shareholders.

James Ngai
Chairman

Hong Kong, 27 May 2013

FINANCIAL REVIEW

FINANCIAL REVIEW

OPERATING RESULTS

The Group, which has adopted a vertically-integrated business model, engages in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and fashion accessories in Hong Kong, Macau and Mainland China. The major self-owned brands of the Group, including le saunda, le saunda MEN, CNE and Linea Rosa, aims to appeal to a diversified target customer group with their distinct product lines.

In the 2012/13 fiscal year, the total revenue of the Group increased by 14.1% year-on-year to HK$1,762.4 million (2011/12: HK$1,545.0 million). With consolidated gross profit up 14.6% to HK$1,141.1 million, the Group recorded an overall gross profit margin of 64.7%, which was 0.3 percentage point higher compared to that of last year. Due to continuously increasing operating costs, operating profit dropped by 4.6% year-on-year to HK$233.8 million (2011/12: HK$245.0 million). With the expiry of the preferential tax incentive as well as the drop in revaluation gains on investment properties, consolidated profit attributable to equity holders of the Company decreased by 7.8% to HK$179.1 million (2011/12: HK$194.2 million) compared to that of last year. The underlying profit attributable to equity holders of the Company, representing the performance of the Group's core footwear business, also declined by 7.7% year-on-year to HK$152.8 million (2011/12: HK$165.5 million).

HK$ million	2012/13	2011/12	Change
Revenue	**1,762.4**	1,545.0	14.1%
Gross profit	**1,141.1**	995.5	14.6%
Gross profit margin	**64.7%**	64.4%	0.3 percentage point
Consolidated profit attributable to equity holders	**179.1**	194.2	(7.8%)
Underlying profit attributable to equity holders	**152.8**	165.5	(7.7%)
Final dividend (HK cents)	**8.7**	8.7	–
Annual dividend pay-out ratio	**50.7%**	45.1%	5.6 percentage points


CNC

FINANCIAL REVIEW
(CONTINUED)

GROSS PROFIT & PROFITABILITY

During the year under review, due to continued weak consumer confidence, retailers had offered more promotional activities to attract customers. Nevertheless, the Group recorded a gross profit of HK$1,141.1 million (2011/12: HK$995.5 million), an increase of 14.6% year-on-year, and a high overall gross profit margin of 64.7%, 0.3 percentage point higher than that of last year. This was attributable to the Group's constant focus on the mid-to-high-end market, which generally offers less discounts compared to the mid-to-low-end market, and the extension of a regular price period by an early roll-out of new collections during the year.

Selling and distribution expenses increased by 22.9% year-on-year to HK$748.9 million (2011/12: HK$609.2 million). Such increase outstripped the growth rate in revenue mainly due to two factors. Firstly, shop rents were the substantial-growing components in selling expenses. Most of the stores of the Group in Mainland China are located in department stores of which the concessionaire rate experiences an upward adjustment every year. Together with more promotion activities initiated by department stores compared with those of last year, approximately 2 percentage points increase in concessionaire rate was recorded during the year under review, and shop rental in Hong Kong also recorded a surge. Secondly, advertising and promotion expenses increased. In order to actively enhance its brand recognition and equity, the Group expanded its marketing efforts for its 35th anniversary by inviting Mr. Louis Koo Tin Lok, a well-known movie star in Asia, to endorse the le saunda brand, and G.E.M. (Gloria Tang Tze-Kei), the new pop star in Hong Kong, to endorse the CNE brand and the product lines under the Disney project, which resulted in a rise in the overall expenses during the year. The share of advertising and promotion expenses of revenue increased 0.6 percentage point to 2.9% compared to that of last year, but remained at a reasonable level. In terms of sales ratio, selling and distribution expenses accounted for 42.5% of total revenue (2011/12: 39.4%), representing an increase of 3.1 percentage points.

General and administrative expenses increased by 8.5% to HK$190.2 million (2011/12: HK$175.4 million) compared to last year. During the year under review, the Group strictly controlled its administrative expenses. General and administrative expenses to revenue dropped to 10.8% (2011/12: 11.4%), and therefore fell by 0.6 percentage point. Since the implementation of the minimum wage policy by the Chinese government, the Group has made several salary increments for staff to a competitive level in the past few years. During the year under review, the recruitment of experienced administrative and executive talents had caused a slight increase in the overall payroll expenses of the Group.

The revaluation gain on investment properties decreased by 36.9% to HK$16.2 million (2011/12: HK$25.6 million), resulting in "other gains, net" dropped to HK$23.8 million (2011/12: HK$31.5 million).

FINANCIAL REVIEW
(CONTINUED)

GROSS PROFIT & PROFITABILITY (CONTINUED)

Consolidated profit attributable to equity holders of the Company was HK$179.1 million (2011/12: HK$194.2 million), a decrease of 7.8% compared to that of last year. Basic earnings per share decreased by 7.8% year-on-year to HK28.02 cents (2011/12: HK30.38 cents). The Board recommended to declare a final dividend of HK8.7 cents per ordinary share (2011/12: HK8.7 cents). Together with the interim dividend of HK4.0 cents and the special dividend of HK1.5 cents, the total dividend for this fiscal year was HK14.2 cents per ordinary share, maintaining a high dividend payout ratio of 50.7% (2011/12: 45.1%).

IMPACTS OF CHANGE IN TAX RATE ON PROFIT

During the year under review, income tax expenses amounted to approximately HK$61.9 million (2011/12: HK$53.7 million), representing an increase of 15.1%, which had a significant impact on the profit after tax. The increase was mainly due to the expiry of the preferential tax incentive enjoyed by the Group's Shunde plant by the end of 2011. Effective from 2012, all business entities of the Group in Mainland China are subject to an income tax rate of 25%, while the profit tax rate for the Hong Kong business maintains at 16.5%. Pursuant to the Enterprise Income Tax Law of the People's Republic of China, a withholding income tax of 5-10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. The Group anticipates the applicable future overall tax rate will remain at a level slightly above 25%.

FINANCIAL REVIEW
(CONTINUED)

IMPACTS OF CHANGE IN TAX RATE ON PROFIT (CONTINUED)

However, attributable to the Group's contribution to local economic development and the creation of job opportunities, the Group was entitled to some supportive and preferential policies by the local governments in certain regions in which the Group operates. The Group expects to credit certain local governmental incentives under "Other Income" from this fiscal year, but will not lower tax rate in general. Taking the above local governmental incentives into account, the effective tax rate of the Group would be 24.0%.

INVENTORY & SUPPLY CHAIN MANAGEMENT

As at 28 February 2013, the Group's inventory balance was HK$469.5 million, up 8.4% from HK$433.2 million as at the end of last year. Inventory turnover days rose to 220 days (29 February 2012: 210 days). A breakdown of inventory balance is as follows:

HK$ (million)	As at 28 February 2013	As at 29 February 2012	Changes in value	Changes in %
Raw materials and work-in-progress	**74.9**	80.4	(5.5)	(6.8%)
Finished goods	**394.6**	352.8	41.8	11.8%
Total	**469.5**	433.2	36.3	8.4%



FINANCIAL REVIEW
(CONTINUED)

INVENTORY & SUPPLY CHAIN MANAGEMENT (CONTINUED)

During the year under review, the inventory of raw materials and work-in-progress decreased by 6.8% year-on-year, which was primarily due to the adoption of a new ERP system at the production base, realising a real-time control over the stock of raw materials. Inventory of finished goods rose by 11.8% year-on-year, lower than the overall sales growth rate. The Group achieved its stock clearance target for the second half of this year with the opening of 16 new factory outlets as well as the use of the e-commerce channel. In spite of the increase in year-on-year inventory turnover days, there was 21 days decrease compared to 241 days in the first half of this year. Despite the fact that inventory turnover days increased over the past two years, the Group maintains strict control over the age of its inventory. As at 28 February 2013, the Group's inventory of finished goods increased by HK$41.8 million, the majority of which were current season products. Based on the aging analysis, the inventory level of finished goods remained healthy.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained strong and healthy. As at 28 February 2013, the Group's cash and bank balance amounted to HK$435.7 million (29 February 2012: HK$424.7 million), an increase of 2.6% year-on-year. The quick ratio was 2.3 times (29 February 2012: 2.3 times). During the year, the Group had borrowed and repaid a short term bank loan of HK$30.0 million. As at the fiscal year-end date, the Group had no short-term bank loans (29 February 2012: HK$Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the year. In addition, working capital requirements for business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

During the year ended 28 February 2013, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity of less than one year.

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.

BUSINESS REVIEW

RETAIL BUSINESS AND NETWORK

During the year under review, retail business remained the Group's principal revenue contributor. Total revenue of the retail segment increased by 14.4% year-on-year to HK$1,726.0 million (2011/12: HK$1,508.9 million). Such growth in the Group's retail business in Mainland China was attributable to the continuous expansion of retail network and the improvement of store operation efficiency. The contribution of the retail business to the Group's total revenue was similar to last year at 97.9%.

Consolidated Revenue	Year ended 28 February 2013 *(HK$ million)*	% to Total	Year ended 29 February 2012 *(HK$ million)*	% to Total	Year-on-year Growth (%)
Retail business:					
Mainland China	**1,519.6**	**86.2%**	1,312.2	85.0%	15.8%
Hong Kong and Macau	**206.4**	**11.7%**	196.7	12.7%	4.9%
Retail Sub-total	**1,726.0**	**97.9%**	1,508.9	97.7%	14.4%
Export	**36.4**	**2.1%**	36.1	2.3%	0.8%
Group's Total Revenue	**1,762.4**	**100.0%**	1,545.0	100.0%	14.1%

The Mainland China market remained the focus of the Group's retail business. As at the year-end date, the Group had a retail network comprising 984 outlets in Mainland China, Hong Kong and Macau, the pace of store opening has not slowed down over the year. However, the net increase of outlets was only 63 since the Group closed down a number of underperforming outlets during the restructuring of the CNE brand. As at 28 February 2013, the geographical breakdown of the retail network was as follows:

Number of Outlets by Region	Self-owned (changes year-on-year)	Franchise (changes year-on-year)	Total (changes year-on-year)
Mainland China	795 (+70)	170 (-7)	965 (+63)
• Northern, Northern East & Northern West	189 (+38)	104 (–6)	293 (+32)
• Eastern	249 (+26)	2 (–6)	251 (+20)
• Central and Southwestern	138 (–1)	46 (+1)	184 (–)
• Southern	219 (+7)	18 (+4)	237 (+11)
Hong Kong and Macau	19 (–)	—	19 (–)
Total	814 (+70)	170 (–7)	984 (+63)

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS AND NETWORK (CONTINUED)

The Group maintained a steady growth of its retail network despite the unfavourable sentiment in the retail market. As at the end of February this year, the core brand le saunda had an addition of 109 outlets compared to that of last year, bringing the total number of outlets to 731. le saunda MEN added 26 new stand-alone counters year-on-year to a total number of 108. After more than a one-year development period, the number of stores of the high-end fashion brand Linea Rosa has reached 22. Meanwhile, Linea Rosa has entered the Hong Kong market during the year under review with new stores, all located in prime shopping malls. In respect of the middle-end brand CNE, the number of outlets decreased by 74 to 162 as at the year-end date through closure and expiry of lease contracts during its restructuring process. The Group will carefully select locations for CNE store opening according to its positioning in the near future, with its first priority being to improve single-store sales and profitability.

Mainland China

In 2012, total retail sales of consumer goods in Mainland China grew at a nominal rate of 14.3% year-on-year, representing a decrease of 2.8 percentage points, or an effective growth of 12.1% factoring out pricing changes. From January to February 2013, total retail sales of consumer goods grew at a nominal rate of 12.3% year-on-year, or an effective growth of 10.4% factoring out pricing changes. In 2012, the disposable income per capita of urban population in China achieved a growth of 12.6%. We believed that the enduring adversity of the retail industry was mainly due to poor consumer confidence, and there has no signs of recovery in retail market so far. Facing such a difficult business environment, the Group has decisively initiated a series of internal reforms in the first half of the year, focusing on the improvement of single-store sales and efficiency, instead of the blind pursuit of store expansion, resulting in 15.8% increase in retail sales in Mainland China. With regard to marketing and promotion, the Group has, on one hand, actively accommodated different kinds of promotion activities initiated by department stores throughout the year. On the other hand, it has enhanced the marketing campaigns by identifying celebrities to endorse different brands and organising fashion shows and roadshows to targeting customer groups. As a result, the same store sales growth of the Group restored to 9.0% for the second half of the year, which outpaced the low single digit growth for the first half of the year. By region, the overall retail revenue growth in Mainland China has remarkably outperformed that in Hong Kong and Macau during the year.

BUSINESS REVIEW
(CONTINUED)

RETAIL BUSINESS AND NETWORK (CONTINUED)

Hong Kong and Macau

In 2012, total retail sales in Hong Kong grew by 9.8%, significantly less than the growth of 24.9% last year. During the year under review, the Group's retail business in Hong Kong and Macau recorded a slowdown, the revenue up 4.9% year-on-year to HK$206.4 million. This was mainly due to the expiry of the lease of the outlet in The Venetian in Macau. This outlet has been moved to a street store at a prime location, which has increased our rental expenses, on the one hand, while on the other hand enhanced our exposure within the region. Last year, the Hong Kong retail industry was sluggish, and individual tourists from Mainland China became more cautious about their purchases of consumer products. During the year under review, the number of stores in Hong Kong and Macau remained at 19.

PRODUCT MIX

Ladies' footwear remained the Group's major revenue contributor by product category, achieving a year-on-year growth of 13.3% during the year under review and accounting for 77.4% of the Group's retail revenue, representing a slight decrease compared to that of the previous year. Key-developed brand le saunda MEN grew by 23.7% in terms of revenue, accounting for 14.0% of the Group's retail revenue, representing a 0.9 percentage point increase compared to that of last year. The increase was mainly due to the Group's increased effort in the development of men's footwear products so as to increase the supply of youthful, comfortable and casual shoes, effectively resulting in higher sales of men's footwear. Furthermore, sales of handbags and accessories recorded a substantial growth of 16.5% compared to that of last year (2011/12: 1.4%), owing to the improved design of handbags and increased product offering.

Product Category	Year-on-year Growth (%)	Sales Mix for the year ended 28 February 2013 (%)	Sales Mix for the year ended 29 February 2012 (%)	Changes (percentage point)
Ladies' Footwear	**13.3**	**77.4**	78.4	(1.0)
Men's Footwear	**23.7**	**14.0**	13.1	0.9
Handbags and Accessories	**16.5**	**8.6**	8.5	0.1
Total		**100**	100	

BUSINESS REVIEW
(CONTINUED)

E-COMMERCE

Online sales enjoy enormous success in Mainland China. During the year under review, the e-commerce division enhanced integration of four aspects: product, operation, marketing and maintenance, with an aim to improve efficiency. The initiatives were proven to be effective with a year-on-year revenue growth of over 110% and a remarkable growth in net profit margin. Benefiting from the successful business model of established online sales platforms, the e-commerce division continued to expand its own business by cooperating with more than 10 established platforms. As a new sales channel, e-commerce helps the Group to penetrate into the younger demographic. The Group is optimistic about the outlook of e-commerce, and will put more resources to develop this division in product development, logistics, customer service, inventory management, human resource, as well as platform cooperation. The Group believes that e-commerce will generate stable income for the Group in the future.

EXPORT BUSINESS

During the year under review, the Group's overall export revenue increased by 0.8% year-on-year to HK$36.4 million (2011/12: HK$36.1 million), accounting for 2.1% of the Group's total revenue (2011/12: 2.3%). The slight drop in proportion of export business was mainly due to the gloomy global economy and the flagging external demand, as well as the Group's focus on more retail business.

BRAND OUTLOOK

le saunda

As the core brand, le saunda is the key revenue source of the Group. With well-established history, le saunda enjoys high loyalty and recognition among customers. It will be more secure for the Group to further penetrate into second- and third- tier cities with this brand, supplemented with proper reference to local taste to its products and prices. On the other hand, le saunda MEN has been growing on the right track. Following the endorsement by the well-known movie star, market recognition of le saunda MEN has surged. The Group will enhance the single-store sales of new outlets, which would result in slightly slowing down in store opening in the near future. It will also concentrate on improving the comfortableness and quality of the products. The outlook of handbag sales is promising with a year-on-year growth rate of 16.5% and inventory turnover of 165 days. All these attributed to the enriched handbag designs with a wider range of colors. Looking forward, the Group will increase the initial stock for new season and improve the quality of handbags in the hope that the proportion of total revenue from handbags will surge to over 10%.

Adhering to the mission of delivering fine quality Italian shoes, le saunda is expected to achieve lower inventory level, better single-store sales and higher market recognition with its internal reforms and celebrity endorsement campaigns.

BUSINESS REVIEW (CONTINUED)

BRAND OUTLOOK (CONTINUED)

CNE

Though CNE, the girlish brand, has a group of loyal customers in the domestic market, it has not performed well and even recorded a loss in the last fiscal year. Affected by insufficient product supply and low brand recognition, the CNE shops had unsatisfactory sales performance. During the year under review, the Group made a decisive move to close 74 underperforming shops. The Group is optimistic about the same store sales growth of CNE for 2013/14 fiscal year, since the single-store sales of existing CNE stores has been improved, after several measures were taken, namely, increased supply of products, centralised management of resource and elimination of the negative impacts brought by underperforming stores. With celebrity endorsement and the leverage on their influence, CNE brand recognition and sales revenue has effectively enhanced. In the short run, CNE will concentrate on realising a reasonable profit by improving the performance and single-store sales of its existing stores, while new stores will be opened only if highly favourable terms will be offered.

Linea Rosa

With the fine design and quality that has been known to be on a par with European brands, Linea Rosa, the high-end brand of the Group, meets the growing demand in the first-tier cities, and gained higher market recognition since its launch in August 2011. Linea Rosa mainly engages in the provision of imported goods and international fashionable leather goods targeting high-end, young and affluent customers. The brand has a total of 22 stores in China, of which 2 were newly opened in Hong Kong and Macau. During the year under review, Linea Rosa enjoyed the highest gross profit margin among the brands. To consolidate its success, the Group carefully selects the finest premier shopping locations for store opening, with the top priority of maintaining brand equity and avoiding a huge accumulated inventory.

Cross-Brand Cooperation

The Group becomes the first ladies' footwear brand in China to cooperate with Disney. Under this cooperation, the Minnie Collection by CNE and the Disney Princess Collection by le saunda, which is still in the preliminary stage, were launched last December and this May, respectively. The Group believes that, leveraging on this cooperation, CNE and le saunda will be more appealing to the young demographic and will raise their prestige among this market segment. Expecting more prominent Disney effect after Shanghai Disneyland opens in 2015, the Group has full confidence in this cooperation.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES

In 2012, the growth of gross domestic product (GDP) of China was 7.8% and dropped further to 7.7% in the first quarter of 2013, hinting that the high-speed growth era of the retail industry has ended. Last year was a tough year for retailers as they were faced with high inventory and high operating costs. Nonetheless, the Group was able to maintain a steady growth.

GOAL FOR THE YEAR — ENHANCING SINGLE-STORE EFFICIENCY AND CONTROLLING INVENTORY

Department stores adjust their concessionaire rate every year, resulting in continuous increase in rental expenses, particularly in Hong Kong, bringing the operating profit margin under constant pressure. In the near future, the Group targets to manage and reduce operating costs, optimise business structure, and enhance operating efficiency. Details are as follows:

I. The Group will maintain strict control over its inventory in order to achieve a healthy inventory level within two years. Despite the inventory turnover days have a year-on-year increase, it in fact decreased by 21 days as compared to 241 days for the first half of the fiscal year, reflecting the success of the stock clearance efforts in the second half of the year.

II. Improve single-store efficiency of second-tier stores and build up flagship stores. Same store sales growth has decelerated due to the slow-down in China's macro-economic growth, while the breakeven time of new stores has therefore prolonged. Accordingly, the Group has adopted a strategy to drive sales by enhancing single-store efficiency instead of the blind pursuit of store expansion. The Group's target is to establish some flagship stores or concept stores in each sales region across Mainland China with the aim of boosting regional sales and promoting brand image.

III. Mitigate market uncertainties and shorten the replenishment order period. To test the market trend and capture the market opportunity accordingly, the Group has increased the number of orders and launched new collections earlier during the year under review. In the future, the Group will continue its reforms of the front-line operations and supply chain with the aim of shortening the replenishment order period.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES (CONTINUED)

MID-TO-LONG TERM GOALS & STRATEGIES — FIVE ENHANCEMENTS IN OPERATION

After a series of reform, the same store sales growth achieved in second half of the fiscal year was remarkably higher than that of first half of the fiscal year. In long run, to consolidate the results of reforms, the group will increase its competitiveness on five operational aspects in order to generate long term sustainable growth by its brands equity and efficient management. Details are as follows:

I. Brand promotion. In the future, the Group will continue to step up its marketing efforts and engage celebrities to endorse its brands, as well as enhance the brand's influence and customers' loyalty by organising activities such as fashion shows, roadshows and VIP parties.

II. Product development. Given the different development stages of first, second and third tier cities in China, geographically-affected consumption patterns are considerably different. Therefore, the Group will study the trend and needs of each regional market and offer localised and tailor-made products for the consumers in each region.

III. Quality advancement. The Group has high brand awareness amongst the customer for its constant pursuit of high product quality. With a full-range of shoe-making techniques and equipment from Italy at its production base, the Group aims to achieve a higher level of product quality to strengthen its brand equity and maintain its reputation among consumers. The Chinese market is maturing, and consumers are becoming increasingly concerned about quality. Retailers have been raising retail prices annually, the future price hikes will hardly be sustainable if product quality does not enhance at the same pace.

IV. Efficiency improvement. The Group will enhance its single-store sales, particularly for new stores, second- and third-tier stores, as well as shorten the breakeven time of new stores. In view of a general slowdown of the Chinese economic growth, accelerating the breakeven time of new stores becomes crucial since the same store sales growth of mature stores can no longer compensate the losses of new stores.

V. Professional management. The Group will provide more professional training to staff while the middle management team will be strengthened to enhance internal control and execution capability.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES (CONTINUED)

MID-TO-LONG TERM GOALS & STRATEGIES — FIVE ENHANCEMENTS IN OPERATION (CONTINUED)

The Group is entering into its second five-year plan in 2013. With the overarching direction of "Embracing heritage, achieving breakthrough and moving forward", the Group aims to advocate its excellent tradition and core brand equity, promote its collaborative and sincere corporate culture, and realise its core brand value centering on the delivery of quality, chic and trendy products.

PLEDGE OF ASSETS

As at 28 February 2013, bank deposits of HK$2.9 million (29 February 2012: HK$1.9 million) have been pledged as rental deposits for certain subsidiaries of the Group.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of HK$230.0 million (29 February 2012: HK$120.0 million), of which HK$9.4 million (29 February 2012: HK$9.8 million) was utilised as at 28 February 2013.

DIVIDEND

The Board has recommended to declare a final dividend of HK8.7 cents per ordinary share for the year ended 28 February 2013 (2012: HK8.7 cents) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Wednesday, 24 July 2013. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company and is expected to be paid on or around Thursday, 1 August 2013.

The Board declared the payment of an interim dividend of HK4.0 cents per ordinary share and a special dividend of HK1.5 cents per ordinary share for the six months ended 31 August 2012 (2011: HK5.0 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2013, the Group had a staff force of 5,453 people (29 February 2012: 5,529 people). Of this number, 180 were based in Hong Kong and Macau and 5,273 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate 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 twelve months ended 28 February 2013, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$378.0 million (2012: HK$346.7 million). The Group has all along organized structured and diversified training programmes for staff at different levels. Outside consultants will be invited to broaden the contents of the training programmes. (Note: The basis of determining the directors' emoluments are set out in the Corporate Governance Report on pages 33 and 34 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

Lau Shun Wai, aged 42, first joined the Group in 1992 and left the Group in August 2004. She re-joined the Group in February 2007. She is Executive Director and Chief Executive Officer of the Company and acts as a director of certain subsidiaries of the Company. Ms. Lau 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. Ms. Lau 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 has over 19 years of experience in retailing, product merchandising and marketing in both Hong Kong and Mainland China markets. Prior to re-joining the Group, she served as deputy director of the retail operations of a public listed fashion company in Hong Kong. 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.

Wong Sau Han, aged 53, first joined the Group in 1989 and was appointed as an Executive Director of the Company in March 1998 and left the Group in November 2001. She re-joined the Group in January 2008. She is Executive Director and Head of Human Resources and General Affairs of the Company and acts as a director of certain subsidiaries of the Company. Ms. Wong is responsible for the Group's human resources, training and development, and administration functions. Ms. Wong holds a Master's degree in Human Resources Management from Salford University in the United Kingdom. She has over 30 years of professional experience in human resources management for Hong Kong and Mainland China operations, of which the past 20 years were in the retail industry. Prior to re-joining the Group, Ms. Wong was the vice president of human resources of Sa Sa International Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Chu Tsui Lan, aged 43, joined the Group in 1992. She is Executive Director and Chief Operating Officer of the Company and acts as a director of certain subsidiaries of the Company. Ms. Chu is responsible for the Group's sales 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. Ms. Chu has over 21 years of retail experience in Hong Kong and Mainland China.

An You Ying, aged 43, joined the Group in 1997. She is Executive Director and General Manager (Eastern and Northern China) of the Company and acts as a director of a subsidiary of the Company. Ms. An is responsible for the Group's retail business operations in the Eastern and Northern regions of Mainland China. Ms. An holds a Master's degree in Business Administration from Dong Hua University in Shanghai, China. She has over 16 years of retail experience in Mainland China.

NON-EXECUTIVE DIRECTORS

James Ngai, aged 50, joined the Group in March 2011. He is Non-Executive Director of the Company and a member of the nomination committee (the "Nomination Committee") of the Board of the Company. He has been appointed as the Chairman of the Board and a member of the remuneration committee (the "Remuneration Committee") of the Board of the Company since 1 June 2012 and 21 January 2013 respectively. He is responsible for the Group's leadership and management of the Board and the Group's strategy. Mr. Ngai graduated from University of Toronto with a Bachelor's degree in Economics. He is a Certified Public Accountant (Practising) in Hong Kong and a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He is also a fellow member of The Taxation Institute of Hong Kong. He has over 20 years of experience in accounting, auditing and taxation matters. Mr. Ngai is a director of Stable Gain Holdings Limited ("Stable Gain") which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

Lee Tze Bun, Marces, aged 79, founder of the Group. He resigned as Executive Director of the Company and the Chairman of the Board and was re-designated as Non-Executive Director of the Company on 1 June 2012. He also resigned as a member of the Remuneration Committee on 21 January 2013. Mr. Lee acts as a director of certain subsidiaries of the Company. With more than 34 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 was the winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2009. He is a director of Stable Gain which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon, aged 64, joined the Group in January 2006. He is Independent Non-Executive Director of the Company, the chairman of audit committee (the "Audit Committee") of the Board of the Company and the Remuneration Committee and a member of the Nomination Committee. Mr. Lam graduated from The University of Hong Kong in 1973. After graduation, he worked at KPMG London and Hong Kong and obtained his qualification as a chartered accountant and certified public accountant from The Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants respectively. Mr. Lam has been a practising accountant for over 23 years and is the proprietor of Messrs. S. L. Lam & Company. He has served as a member of Insider Dealing Tribunal on a number of occasions. Mr. Lam is also an independent non-executive director of Lifestyle International Holdings Limited and Kiu Hung Energy Holdings Limited, the shares of both of which are listed on the Stock Exchange.

Leung Wai Ki, George, aged 55, joined the Group in September 2004. He is Independent Non-Executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Leung has over 25 years of experience in accounting, financial management, auditing and receivership. He is acting as director and financial controller of a real estate development company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Hui Chi Kwan, aged 64, joined the Group in November 2007. He is Independent Non-Executive Director of the Company, the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Hui graduated from The University of Hong Kong with a Bachelor's degree in Laws in 1980 and has been a solicitor practicing in Hong Kong since 1983. Before joining the Group, Mr. Hui was a partner of a law firm in Hong Kong. He retired from the partnership in 2007 and remained as a consultant of the said law firm.

SENIOR MANAGEMENT

Yuen Chee Wing, aged 47, joined the Group in August 2010. He is Chief Financial Officer and Company Secretary of the Company and is responsible for the Group's financial control and accounting, treasury, tax, legal and secretarial, investor relations as well as information technology functions. Mr. Yuen graduated from City University of Hong Kong with a Bachelor's degree in Business, The Chinese University of Hong Kong with a Master's degree in Business Administration, and Manchester Metropolitan University with a Bachelor's degree in Laws. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants. Mr. Yuen has over 18 years of experience in audit and accounting. Prior to joining the Group, he was the financial controller of a machinery manufacturer listed in Hong Kong.

Li Jing Bo, aged 43, first joined the Group in 1992 and left the Group in October 2001. He re-joined the Group in June 2008. He is the General Manager, China (Business Development and Franchise Business) of the Group and is responsible for the Group's business development and franchise business in Mainland China. Mr. Li graduated from Wuhan University and majored in public relations. He has over 21 years of experience in business development and retail management in Mainland China.

Lai Siu Ying, Sylvia, aged 44, joined the Group in 1998. She serves as deputy product director of the Group and is responsible for monitoring all shoes and handbag products of the Group. Ms. Lai holds a Bachelor's degree of Applied Arts in Fashion Merchandising Retail Management from Ryerson Polytechnic University in Canada.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Le Saunda Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is committed to achieving and maintaining the highest standard of corporate governance. The Board and its management understand that it is their responsibility to establish a good corporate management system and practice and strictly comply with the principles of independence, accountability, responsibility and impartiality so as to improve the operation transparency of the Company, protect the interests of shareholders (the "Shareholders") of the Company and create values for the Shareholders.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code and Corporate Governance Report (the "New CG Code") (effective from 1 April 2012) 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"), except for deviation from code provision A.6.7 of the New CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to another business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 16 July 2012.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

Board Composition

The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has established three Board committees, namely audit committee, remuneration committee and nomination committee, to oversee different areas of the Company's affairs. The composition of the Board and the Board committees are given below and their respective responsibilities and work performed during the year are discussed in this report.

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

As at 28 February 2013 and the date of this report, the Board comprises the following members:

Executive Directors:
Ms. Lau Shun Wai *(Chief Executive Officer)*
Ms. Wong Sau Han
Ms. Chu Tsui Lan *(Chief Operating Officer)*
Ms. An You Ying

Non-Executive Directors:
Mr. James Ngai ("Mr. Ngai") *(Chairman) (Note 1)*
Mr. Lee Tze Bun, Marces ("Mr. Lee") *(Note 2)*

Independent Non-Executive Directors:
Mr. Lam Siu Lun, Simon
Mr. Leung Wai Ki, George
Mr. Hui Chi Kwan

Notes:

1. Mr. Ngai was appointed as the Chairman of the Board on 1 June 2012.

2. Mr. Lee retired as the Chairman of the Board and re-designated as Non-Executive Director on 1 June 2012.

There is no relationship (including financial, business, family or other material relationship) among members of the Board, except that Mr. Ngai is the director of James Ngai & Partners CPA Limited, which provides advisory and audit services to private companies owned by Mr. Lee. In addition, Mr. Ngai is the director of Stable Gain Holdings Limited ("Stable Gain"), a substantial shareholder of the Company, with effect from 4 May 2012. The entire issued share capital of Stable Gain is registered in name of First Advisory Trust (BVI) Limited as trustee of The Lee Keung Family Trust, a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder.

The biographical details of each Director are set out in the section headed "Board of Directors and Senior Management" on pages 26 to 28 of this report.

Each Director possesses the necessary expertise and experience and provides checks and balances for safeguarding the interests of the Group and the Shareholders as a whole. During the year, the Independent Non-Executive Directors provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all Shareholders.

During the year, the Company has three Independent Non-Executive Directors representing not less than one-third of the Board. One of the Independent Non-Executive Directors, being Mr. Lam Siu Lun, Simon, has the appropriate professional qualifications, or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Company has received from each of the Independent Non-Executive Directors a written confirmation of his independence and has satisfied itself of such independence in accordance with the independent guidelines set out in Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS (CONTINUED)

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis of at least four times a year to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. The Board members are served with notices of at least 14 days and provided with all agendas and adequate information for their review at least 3 days before the meetings. After the meeting, draft minutes are circulated to all Directors for comments before confirmation and sign-off. Minutes of board meetings and meetings of board committees are kept by the company secretary of the Company (the "Company Secretary") and are available for inspection by any Director at any reasonable time on reasonable notice. Each Director is entitled to seek independent professional advice under appropriate circumstances at the expense of the Company. During the year, 6 physical Board meetings were held and 2 written resolutions for separate matters signed by all Directors were passed. The attendance records of each Director at the Board meetings are set out on page 35 of this report.

Responsibilities and Delegation

The Board is accountable to the Shareholders for the development of the Group with the goal of maximizing Shareholders' value in the long run. The Board also takes the responsibility for the overall strategies and policies of the Group, approves and monitors the strategic plans, investment and funding decisions, and reviews the Group's financial and operational performance and internal controls. The Group's day-to-day operations and administration are overseen by the Executive Directors and the management.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management of the Company. Some functions including the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial Shareholder or Director of the Company, the approval of interim and annual results, declaration of interim dividends and proposal of final dividends and other disclosures to the public or regulators are reserved by the Board for consideration and approval. Matters not specifically reserved to the Board and necessary for the daily management and operation of the Company are delegated to the Executive Directors and the management of the Company.

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for Independent Non-Executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizing seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities.

During the year, there was one in-house seminar conducted covering the disclosure of inside information under the Securities and Future Ordinance. All Directors attended the seminar.

BOARD OF DIRECTORS (CONTINUED)

Directors' and Officers' Liability Insurance

The Company has arranged appropriate directors' and officers' liability insurance coverage for indemnifying the Directors and officers of the Company against costs, charges, losses, expenses and liabilities incurred arising out of the corporate activities.

Appointment and Re-election of Directors

The Board is responsible for selecting and appointing individuals with integrity, experience and caliber to act as Directors. The Board reviews the profiles of the candidates and seeks recommendations from the Nomination Committee of the Board on the appointment and re-election of the Directors.

According to the bye-laws of the Company (the "Bye-Laws"), each Director so appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting (the "AGM") of the Company in case of an addition to the Board and shall then be eligible for re-election at such meeting. Moreover, one-third of the Directors for the time being, (or, if their number is not a multiple of three, then the number nearest to but not less than one-third), shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall retire from office by rotation no later than the third AGM after he was last elected or re-elected. The rotating Directors who are subject to retirement and re-election at the forthcoming AGM are set out on page 41 of this report.

All Non-Executive Directors (including the Independent Non-Executive Directors) of the Company were appointed for a specific term of 2 years but subject to the relevant provisions of the Bye-Laws or any other applicable laws whereby the Directors shall vacate or retire from their office but eligible for re-election.

CHAIRMAN AND CHIEF EXECUTIVE

In order to maintain a balance of power and authority, the roles of the Chairman and the Chief Executive Officer of the Company are segregated and assumed by separate individuals who have no relationship with each other. During the year, Mr. Lee resigned as the Chairman of the Board and Mr. Ngai was appointed as the Chairman of the Board on 1 June 2012. Mr. Ngai is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company and ensuring that all Directors are properly briefed on issues arising at the Board meetings and receive adequate information, which must be complete and reliable, in a timely manner. Ms. Lau Shun Wai, being the Chief Executive Officer, is responsible for the implementation of the Company's overall strategies and coordination of overall business operation. The day-to-day operations and administration of the Group is delegated to the Executive Directors and the management responsible for different aspects of the business.

BOARD COMMITTEES

The Company has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All board committees have clear and specific written terms of reference, report their work to the Board after each meeting and are provided with sufficient resources to discharge their respective duties. Copies of minutes of all meetings and resolutions passed at the board committees are kept by the Company Secretary.

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Audit Committee was established with written terms of reference (as amended) since 1999. As at 28 February 2013 and the date of this report, the Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditor, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, internal control and risk management systems of the Group, and review the accounting principles and practices adopted by the Group. The full terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

During the year, the Audit Committee held 6 physical meetings together with the Chairman of the Board, the Executive Directors, Chief Financial Officer and the external auditors and/or internal auditors. The attendance records of each member are set out on page 35 of this report. A summary of work performed by the Audit Committee during the year was as follows:

(i) review of the audit plan, terms of engagement, independence, qualification and of the external auditor and the remuneration paid to the external auditor;

(ii) review of the financial information of the Group including the annual and interim financial statements and related documents before submission to the Board for approval;

(iii) review of the management letters and reports issued by the external auditor;

(iv) review of accounting principles and practices adopted by the Group and the potential impacts of the change in accounting standards to the Group's financial statements; and

(v) review of the internal audit reports prepared by the internal auditor in respect of the effectiveness of the internal control and risk management systems and procedures of the Group.

Remuneration Committee

The Remuneration Committee was established with written terms of reference (as amended) since 2005. As at 28 February 2013 and the date of this report, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Remuneration Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one Non-Executive Director, namely Mr. Ngai. Mr. Lee resigned to be a member of the Remuneration Committee and Mr. Ngai was appointed as a member of the Remuneration Committee on 21 January 2013.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

The primary functions and duties of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, determine the terms of specific remuneration package of the Executive Directors and senior management, and review and approve the performance-based remuneration proposals with reference to the corporate goals and objective resolved by the Board from time to time. The full terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

During the year, the Remuneration Committee held 2 physical meetings. The attendance records of each member are set out on page 35 of this report. The Remuneration Committee reviewed the remuneration of the Executive Directors and senior management of the Company, approved performance-based remuneration with reference to the corporate goals and objective resolved by the Board and/or the management from time to time and ensured that no Director or senior management or any of his/her associates was involved in deciding his/her own remuneration. Detail of the emoluments for Directors, chief executive and five highest paid individuals, and senior management remuneration by band during the year are set out in note 10 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established with written terms of reference on 19 March 2012. As at 28 February 2013 and the date of this report, the Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Hui Chi Kwan (chairman of the Nomination Committee), Mr. Lam Siu Lun, Simon and Mr. Leung Wai Ki, George, and one Non-Executive Director, namely Mr. Ngai.

The primary functions and duties of the Nomination Committee are 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 strategies, and identify individuals suitable qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The full terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company.

During the year, the Nomination Committee held 1 physical meeting. The attendance records of each member are set out on page 35 of this report. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of the Independent Non-Executive Directors.

BOARD COMMITTEES (CONTINUED)

Attendance Records

The individual attendance records of each Director at the physical meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and annual general meeting during the year ended 28 February 2013 are set out below:

		Number of physical meetings attended/held during his/her tenure				
	Notes	Board	Audit Committee	Remuneration Committee	Nomination Committee	2012 AGM
Executive Directors:						
Ms. Lau Shun Wai	1	6/6	6/6	N/A	N/A	1/1
Ms. Wong Sau Han	2	4/6	N/A	2/2	N/A	0/1
Ms. Chu Tsui Lan	3	6/6	1/6	N/A	N/A	1/1
Ms. An You Ying		4/6	N/A	N/A	N/A	1/1
Non-Executive Directors:						
Mr. James Ngai	4, 5	6/6	5/6	1/2	1/1	1/1
Mr. Lee Tze Bun, Marces	5	4/6	N/A	0/2	N/A	0/1
Independent Non-Executive Directors:						
Mr. Lam Siu Lun, Simon		5/6	6/6	2/2	1/1	1/1
Mr. Leung Wai Ki, George		5/6	6/6	2/2	1/1	1/1
Mr. Hui Chi Kwan		5/6	6/6	2/2	1/1	1/1

Notes:

1. Ms. Lau Shun Wai attended the Audit Committee meetings as an invitee.

2. Ms. Wong Sau Han attended the Remuneration Committee meetings as an invitee.

3. Ms. Chu Tsui Lan attended the Audit Committee meeting as an invitee.

4. Mr. Ngai attended the Audit Committee meetings and the Remuneration Committee meeting as an invitee.

5. Mr. Lee resigned as a member of the Remuneration Committee and Mr. Ngai was appointed as a member of the Remuneration Committee on 21 January 2013.

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is primary responsible for performing the following corporate governance functions adopted with written terms of reference on 19 March 2012:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of the Directors and senior management of the Group;

CORPORATE GOVERNANCE FUNCTIONS (CONTINUED)

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and

(v) to review the Company's compliance with the New CG Code and disclosure in the corporate governance report.

The details of the corporate governance functions reviewed and performed by the Board during the year are disclosed and explained in this Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements of the Group for the year ended 28 February 2013, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the applicable disclosure requirements of the Listing Rules. In preparing the financial statements, the Directors have adopted HKFRSs and suitable accounting policies and applied them consistency, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Board is not aware of any material uncertainties relating to any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern during the course of preparing and reviewing the financial statements for the year under review.

The reporting responsibilities of the external auditors of the Company, Messrs. PricewaterhouseCoopers, on the consolidated financial statement of the Group are set out in the section headed "Independent Auditor's Report" on pages 56 to 57 of this report.

There was no disagreement between the Board and the Audit Committee on the re-appointment of the external auditors of the Company.

Auditor's Remuneration

For the year ended 28 February 2013, the fees in respect of audit and non-audit services (the non-audit services being comprised of tax advisory services only) provided to the Group by the external auditors of the Company, Messrs. PricewaterhouseCoopers, amounted to approximately HK$1,700,000 (2012: HK$1,620,000) and HK$30,000 (2012: HK$27,000) respectively. The Audit Committee was of the view that the non-audit services provided by the external auditor of the Company did not impair its independence and objectivity.

COMPANY SECRETARY

Mr. Yuen Chee Wing joined the Group since August 2010 and was appointed as the Company Secretary on 17 September 2010. In his capacity acting as the Company Secretary, Mr. Yuen reports to the Board and is responsible for advising the Board on corporate governance matters. In compliance with Rule 3.29 of the Listing Rules, Mr. Yuen took not less than 15 hours of relevant professional training during the year. Mr. Yuen's biographical detail is set out in the section headed "Board of Directors and Senior Management" on page 28 of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors since 4 October 2005. The terms of the Code of Conduct are no less exacting than the required standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company, who, by reason of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Code of Conduct and the required standard set out in the Model Code during the year ended 28 February 2013 and up to the date of this report.

INTERNAL CONTROLS

The Group is committed to set up and maintain a good system of internal control which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group's operational systems. The Board is responsible 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 and safeguard the Shareholders' investment and the Company's assets.

During the period from April to July 2012, the internal audit department of the Group was responsible for carrying out systematic and periodic independent reviews of all business units and subsidiaries in the Group on an ongoing basis. In consideration of cost effectiveness, the Group's internal audit function is outsourced to a professional internal audit service provider since August 2012 and this ensures that the outsourced internal auditor is independent and has no involvement in the operations of the Group. The outsourced internal auditor, responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, will provide reports to the Audit Committee with highlighting observations and recommendations to improve the internal control system. The Audit Committee has reviewed the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

During the year, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system, including the financial, operational, compliance and risk management. The Board is of the view that the existing system of internal control is effective and adequate to the Group.

SHAREHOLDERS' RIGHTS

The Company treats all Shareholders equally and ensures that the Shareholders' rights are protected and every convenience is provided to exercise their rights in many ways that they should receive.

SHAREHOLDERS' RIGHTS (CONTINUED)

1. Procedures for convening a special general meeting (the "SGM")

Pursuant to Bye-Law 58 of the Bye-Laws, the Shareholders (the "Requisitionists") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company and carrying the right of voting at general meetings of the Company may request the Company to convene a SGM by a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the Requisitionists and deposited at the Company Secretary at the Company's head office and principal place of business in Hong Kong at 17th Floor, 1063 King's Road, Quarry Bay, Hong Kong. Before convening the SGM of the Company, the requisition will be verified with the Company's Share Registrars in Bermuda or Hong Kong with their confirmation that the request is proper and in order. The SGM shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the Requisitionists themselves may do so in the same manner in accordance with Section 74 of the Bermuda Companies Act 1981 (as amended).

2. Procedures for putting forward proposals at Shareholders' meetings

Pursuant to Sections 79 and 80 of the Bermuda Companies Act 1981 (as amended), (i) the shareholders holding not less than one-twentieth of the total voting rights; or (ii) not less than 100 shareholders, are entitled to request the Company to give shareholders notice of a resolution which is intended to be moved at the next AGM or SGM. A written notice to that effect signed by the Requisitionist(s) with contact information must be deposited at the Company's head office and principal place of business in Hong Kong at 17th Floor, 1063 King's Road, Quarry Bay, Hong Kong (addressed to the Company Secretary). The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing shareholder in such a proposal. The request will be verified with the Company's Share Registrars in Bermuda or Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

If a Shareholder wishes to propose a person other a retiring Director for election as a Director at a general meeting, the Shareholder should follow the "Procedures for shareholders to propose a person for election as a Director", which is posted on the website of the Company.

3. Procedures for raising enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Address: 17th Floor, 1063 King's Road, Quarry Bay, Hong Kong
Fax: 2554 9304

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

Communication with the Shareholders and Investors

The Board recognizes that effective communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors and enhancing their understanding of the Group's performance, strategies and future direction. To foster effective communication with the Shareholders and potential investors of the Company, the Company endeavors to provide accurate, clear, comprehensive and timely information of the Group through the publication of the interim and annual reports, announcements, circulars, press interviews and press releases on the website of the Company.

The AGM provides a useful platform for the Shareholders to exchange views with the Board. The Chairman of the Board and the Chairman of each Board Committees are available at the AGM to answer questions from the Shareholders in respect of the matters that they are responsible and accountable for. The external auditor of the Company is also available at the AGM to assist the directors in addressing any relevant queries by the Shareholders. To ensure the Board is maintaining an on-going dialogue with the Shareholder, the Shareholders are encouraged to attend the AGM or other general meetings of the Company. The notice of AGM is sent to the Shareholders at least 20 clear business days before the AGM and posted on the websites of the Stock Exchange and the Company.

In addition to the AGM, the Board designates specialized personnel to maintain close communication with research analysts, fund managers, Shareholders and medias via regular one-on-one meetings, luncheons, factory visits, press conferences and road shows to keep them informed of the Group's business performance and developments.

Constitutional Documents

There was no change in the memorandum of association of the Company and the Bye-Laws during the year ended 28 February 2013.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of Le Saunda Holdings Limited (the "Company") has pleasure in presenting to the shareholders of the Company (the "Shareholders") their report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 28 February 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 18 to the consolidated financial statements. The Group principally engaged in manufacturing and sales of shoes.

Details of the analysis of the Group's performance for the year ended 28 February 2013 by business and geographical segments are set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2013 are set out in the consolidated income statements on page 58 of this report.

The Board declared an interim dividend of HK4.0 cents (2012: HK5.0 cents) and a special dividend of HK1.5 cents per ordinary share for the year ended 28 February 2013, totaling approximately HK$35,162,000, which was paid on 22 November 2012.

The Board recommends the payment of a final dividend of HK8.7 cents (2012: HK8.7 cents) per ordinary share, totaling approximately HK$55,620,000 in respect of the year ended 28 February 2013 (2012: HK$55,620,000).

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on pages 122 to 123 of this report. The summary does not form part of the audited financial statements.

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year 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 124 of this report.

DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this report were:

Executive Directors

Lau Shun Wai *(Chief Executive Officer)*
Wong Sau Han
Chu Tsui Lan *(Chief Operating Officer)*
An You Ying

Non-Executive Directors

James Ngai *(appointed as Chairman on 1 June 2012)*
Lee Tze Bun, Marces
(retired from Chairman and re-designated as non-executive Director on 1 June 2012)

Independent Non-Executive Directors

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 26 to 28 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-law 87 of the Bye-laws, Ms. Wong Sau Han, Mr. James Ngai and Mr. Leung Wai Ki, George will retire from office by rotation at the forthcoming annual general meeting (the "AGM") of the Company and, being eligible, will offer themselves for re-election at the forthcoming AGM.

In accordance with Bye-laws 86 of the Bye-laws, Mr. Lee Tze Bun, Marces, who has been re-designated as non-executive Director, shall hold office until the forthcoming AGM and, being eligible, will offer himself for re-election at the forthcoming AGM.

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of their respective independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers that all of them are independent.

DIRECTORS' SERVICE CONTRACTS

Other than statutory compensation, none of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation. During the year, Mr. Lee Tze Bun, Marces entered into a service contract with the Company for 2 years' fixed term upon his re-designated as a non-executive Director on 1 June 2012; and the service contract of Mr. James Ngai as a non-executive Director was renewed for 2 years' fixed term with effect from 25 March 2013. None of the service contracts between the Company and the executive Directors proposed for re-election has a fixed term.

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 or any of its subsidiaries 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Except for the continuing connected transactions as detailed below, none of the Company or any of its subsidiaries has entered into any contract of significance or contract of significance for provision of services with the Company's controlling shareholders or its subsidiaries during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in or were interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

The changes in directorship and other changes in the information of the Directors of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the year ended 29 February 2012 are set out below:

Name of Directors	Details of change
Mr. Lee Tze Bun, Marces	• Retired as Chairman and re-designated from executive Director to non-executive Director of the Company on 1 June 2012 • Entered into a service agreement with the Company with effect from 1 June 2012 for a fixed term of 2 years which may be terminated by either party by giving 3-months' notice • Resigned as a member of the Remuneration Committee on 21 January 2013
Mr. James Ngai	• Appointed as Chairman of the Company on 1 June 2012 • Appointed as a member of the Remuneration Committee on 21 January 2013 • Renewed service contract with 2-years' fixed term commencing on 25 March 2013 and ending on 24 March 2015

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 28 February 2013, the interests and short positions of the Directors and chief executives of the Company in the ordinary 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 (Chapter 571 of the Laws of Hong Kong, the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which 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 Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows :

(I) Long positions in Shares

(a) The Company

	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")	41,850,000	—	30,684,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	277,534,000	43.41%
Ms. Lau Shun Wai ("Ms. Lau")	1,800,000	—	—	—	1,800,000	0.28% *(Note 4)*
Ms. Wong Sau Han ("Ms. Wong")	964,000	350,000	—	—	1,314,000	0.20% *(Note 5)*
Ms. Chu Tsui Lan ("Ms. Chu")	2,100,000	—	—	—	2,100,000	0.32% *(Note 6)*
Ms. An You Ying ("Ms. An")	600,000	—	—	—	600,000	0.09% *(Note 7)*
Mr. Leung Wai Ki, George ("Mr. Leung")	—	—	—	1,384,000 *(Note 8)*	1,384,000	0.21%

Notes:

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

2. Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited ("Qing Yun"), which held 684,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.

3. Stable Gain Holdings Limited ("Stable Gain") held 205,000,000 Shares, representing approximately 32.06% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of First Advisory Trust (BVI) Limited ("First Advisory") as trustee of The Lee Keung Family Trust (the "Lee Family Trust"), a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder. Therefore, First Advisory and Mr. Lee were deemed to be interested in these Shares.

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

(I) Long positions in Shares (Continued)

(a) The Company (Continued)

Notes: (Continued)

4. Ms. Lau personally held 1,800,000 Shares and was entitled to 8,500,000 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 approximately from the existing 0.28% to 1.58% of the issued share capital of the Company including number of Shares in relation to such exercise.

5. Ms. Wong personally held 964,000 Shares. Together with 350,000 Shares owned by her husband in which Ms. Wong was deemed to be interested, Ms. Wong was interested in an aggregate of 1,314,000 Shares, representing approximately 0.20% of the issued share capital of the Company. Ms. Wong was also entitled to 4,400,000 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 approximately from the existing 0.20% to 0.88% of the issued share capital of the Company including number of Shares in relation to such exercise.

6. Ms. Chu personally held 2,100,000 Shares and was entitled to 5,400,000 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 approximately from the existing 0.32% to 1.16% of the issued share capital of the Company including number of Shares in relation to such exercise.

7. Ms. An personally held 600,000 Shares and was entitled to 2,500,000 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 approximately from the existing 0.09% to 0.48% of the issued share capital of the Company including number of Shares in relation to such exercise.

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

(b) 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 1)*	100% (in respect of non-voting deferred shares)

Note:

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

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

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

Interests in share options

		Number of Shares							
Name of Directors	Date of share options granted (Notes 1 & 2)	Balance as at 1 March 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 28 February 2013	Exercise price per Share HK$	Exercise period
Ms. Lau	27 June 2011	1,666,000	–	–	–	–	1,666,000	4.730	27 June 2014–26 June 2021
	27 June 2011	1,666,000	–	–	–	–	1,666,000	4.730	27 June 2015–26 June 2021
	27 June 2011	1,668,000	–	–	–	–	1,668,000	4.730	27 June 2016–26 June 2021
	10 July 2012	N/A	1,166,000	–	–	–	1,166,000	2.404	10 July 2014–9 July 2022
	10 July 2012	N/A	1,166,000	–	–	–	1,166,000	2.404	10 July 2015–9 July 2022
	10 July 2012	N/A	1,168,000	–	–	–	1,168,000	2.404	10 July 2016–9 July 2022
Ms. Wong	27 June 2011	1,000,000	–	–	–	–	1,000,000	4.730	27 June 2014–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	1,000,000	4.730	27 June 2015–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	1,000,000	4.730	27 June 2016–26 June 2021
	10 July 2012	N/A	466,000	–	–	–	466,000	2.404	10 July 2014–9 July 2022
	10 July 2012	N/A	466,000	–	–	–	466,000	2.404	10 July 2015–9 July 2022
	10 July 2012	N/A	468,000	–	–	–	468,000	2.404	10 July 2016–9 July 2022
Ms. Chu	27 June 2011	1,000,000	–	–	–	–	1,000,000	4.730	27 June 2014–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	1,000,000	4.730	27 June 2015–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	1,000,000	4.730	27 June 2016–26 June 2021
	10 July 2012	N/A	800,000	–	–	–	800,000	2.404	10 July 2014–9 July 2022
	10 July 2012	N/A	800,000	–	–	–	800,000	2.404	10 July 2015–9 July 2022
	10 July 2012	N/A	800,000	–	–	–	800,000	2.404	10 July 2016–9 July 2022
Ms. An	27 June 2011	500,000	–	–	–	–	500,000	4.730	27 June 2014–26 June 2021
	27 June 2011	500,000	–	–	–	–	500,000	4.730	27 June 2015–26 June 2021
	27 June 2011	500,000	–	–	–	–	500,000	4.730	27 June 2016–26 June 2021
	10 July 2012	N/A	333,000	–	–	–	333,000	2.404	10 July 2014–9 July 2022
	10 July 2012	N/A	333,000	–	–	–	333,000	2.404	10 July 2015–9 July 2022
	10 July 2012	N/A	334,000	–	–	–	334,000	2.404	10 July 2016–9 July 2022
TOTAL		12,500,000	8,300,000	–	–	–	20,800,000		

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

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

Interests in share options (Continued)

Notes:

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

2. The closing prices of the Shares of the Company immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK$4.65 and HK$2.41 per Share respectively.

Save as disclosed above, as at 28 February 2013, none of the Directors or chief executives (including their spouse and children under 18 years of age) of the Company had any interests and/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) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, during the year ended 28 February 2013, (a) none of the Directors nor the chief executives of the Company had been granted any right 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, their respective spouses nor their respective children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2013, 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 executives of the Company) had interests or short positions in the Shares and 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 of Shareholders	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	32.06%
Stable Gain	1	205,000,000	—	—	—	205,000,000	32.06%
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	8.43%
Ms. Tsui Oi Kuen ("Ms. Tsui")	4	1,140,000	—	—	50,000,000	51,140,000	7.99%
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%

Notes:

1. Stable Gain held 205,000,000 Shares, representing approximately 32.06% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of First Advisory as trustee of the Lee Family Trust. Therefore, First Advisory was deemed to be interested in these Shares.

2. Ms. Lee was interested in an aggregate of 56,350,000 Shares (comprising 6,350,000 Shares personal interests and 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 was interested in an aggregate of 53,946,000 Shares (comprising 3,946,000 Shares personal interests and 50,000,000 Shares jointly held with Ms. Lee and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.43% of the issued share capital of the Company.

4. Ms. Tsui was interested in an aggregate of 51,140,000 Shares (comprising 1,140,000 Shares personal interests and 50,000,000 Shares jointly held with Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 7.99% of the issued share capital of the Company.

5. Ms. Lee, Ms. Chui and Ms. Tsui jointly held 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.82% of the issued share capital of the Company. Therefore, all of them were deemed to be interested in these Shares.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long positions in Shares (Continued)

Save as disclosed above, as at 28 February 2013, the Company had not been notified of any other persons (other than the Directors or chief executives of the Company) or corporation who had interests directly or indirectly and/or short positions in the Shares and underlying Shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

At the special general meeting of the Company held on 22 July 2002, the Shareholders 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 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 total number of the Shares available for issue upon exercise of all options granted under the Scheme must not exceed 31,440,000 Shares, representing approximately 4.92% of the total number of issued Shares of the Company as at the date of this report. The aggregate number of the 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.

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

SHARE OPTION SCHEME (CONTINUED)

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of : (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on 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; (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; and (iii) the nominal value of a Share.

The Scheme expired on 21 July 2012.

Pursuant to the Scheme, the Company granted 14,100,000 and 17,440,000 share options to certain Directors and employees of the Company to subscribe for up to a total of 31,540,000 ordinary shares of HK$0.10 each in the capital of the Company on 27 June 2011 and 10 July 2012 respectively. Particulars of such share options and their movement during the year ended 28 February 2013 were as follows:

		Number of Share Options							
Name or Category of Participant	Date of share options granted (Notes 1 & 2)	Balance as at 1 March 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 28 February 2013	Exercise price per Share HK$	Exercise Period
Directors	27 June 2011	4,166,000	–	–	–	–	4,166,000	4.730	27 June 2014–26 June 2021
	27 June 2011	4,166,000	–	–	–	–	4,166,000	4.730	27 June 2015–26 June 2021
	27 June 2011	4,168,000	–	–	–	–	4,168,000	4.730	27 June 2016–26 June 2021
	10 July 2012	N/A	2,765,000	–	–	–	2,765,000	2.404	10 July 2014–9 July 2022
	10 July 2012	N/A	2,765,000	–	–	–	2,765,000	2.404	10 July 2015–9 July 2022
	10 July 2012	N/A	2,770,000	–	–	–	2,770,000	2.404	10 July 2016–9 July 2022
Directors Sub-total		12,500,000	8,300,000	–	–	–	20,800,000		
Employees	27 June 2011	533,000	–	–	–	–	533,000	4.730	27 June 2014–26 June 2021
	27 June 2011	533,000	–	–	–	–	533,000	4.730	27 June 2015–26 June 2021
	27 June 2011	534,000	–	–	–	–	534,000	4.730	27 June 2016–26 June 2021
	10 July 2012	N/A	3,038,000	–	–	33,000	3,005,000	2.404	10 July 2014–9 July 2022
	10 July 2012	N/A	3,038,000	–	–	33,000	3,005,000	2.404	10 July 2015–9 July 2022
	10 July 2012	N/A	3,064,000	–	–	34,000	3,030,000	2.404	10 July 2016–9 July 2022
Employees Sub-total		1,600,000	9,140,000	–	–	100,000	10,640,000		
Total		14,100,000	17,440,000	–	–	100,000	31,440,000		

SHARE OPTION SCHEME (CONTINUED)

Notes:

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

2. The closing prices of the Shares of the Company immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK$4.65 and HK$2.41 per Share respectively.

3. Upon grant of 17,440,000 share options to eligible persons by the Company on 10 July 2012, there were 1,960 shares options available for grant under the Scheme. The Scheme expired on 21 July 2012.

CONTINUING CONNECTED TRANSACTIONS

During the year, 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 (the "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 non-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 under the Macau Lease was the aggregate of (i) the rent of HK$2,160,000 per annum, payable in advance on a monthly basis in cash to Mr. Lee; 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 28 February 2013 was HK$2,160,000.

    On 21 January 2013, Mr. Lee as a landlord and Le Saunda Calcado as a tenant entered into a renewal lease agreement (the "Macau Renewal Lease") in respect of the Macau Premises for a further two-years' term commencing on 1 March 2013 and ending on 28 February 2015. The amount payable by Le Saunda Calcado under the Macau Renewal Lease is the aggregate of (i) the rent of HK$288,000 per month or HK$3,456,000 per annum, payable on or before the 5th business day of each month in cash to Mr. Lee; and (ii) the annual property tax of HK$345,600 based on the annual rent and the current property tax rate of 10%, payable to the Government of Macau, an independent third party.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(2) Pursuant to a tenancy agreement dated 31 January 2011 (the "Guangzhou 3504 Lease") in respect of Unit 3504, 35th Floor, Metro Plaza, 183-187 Tian He North Road, Guangzhou, PRC (the "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 利信達商業(中國)有限公司 (Le Saunda Business (China) Limited*) ("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 under the Guangzhou 3504 Lease was the aggregate of (i) the rent of RMB111,324 (equivalent to approximately HK$137,259) per annum, payable in advance on a monthly basis in cash to Genda Investment; and (ii) the management fee of approximately RMB24,201 (equivalent to approximately HK$29,839) per annum, payable in cash on a monthly basis to Guangzhou Metro Plaza Management Company Limited ("Metro Plaza Management"), 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 28 February 2013 was RMB111,324 (equivalent to approximately HK$137,259).

On 21 January 2013, Genda Investment as a landlord and Le Saunda Business as a tenant entered into a renewal lease agreement (the "Guangzhou 3504 Renewal Lease") in respect of the Guangzhou Premises 3504 for a further two-years' term commencing on 1 March 2013 and ending on 28 February 2015. The amount payable by Le Saunda Business under the Guangzhou 3504 Renewal Lease is the aggregate of (i) the rent of approximately RMB11,133 (equivalent to approximately HK$13,727) per month or approximately RMB133,596 (equivalent to approximately HK$164,720 per annum, payable before the 10th day of each month in cash to Genda Investment; and (ii) the management fee of approximately RMB26,137 (equivalent to approximately HK$32,226) per annum, payable in cash on a monthly basis to Metro Plaza Management.

(3) Pursuant to a tenancy agreement dated 31 January 2011 (the "Guangzhou 3005-3009 Lease") in respect of Units 3005–3009, 30th Floor, Metro Plaza, 183–187 Tian He North Road, Guangzhou, PRC (the "Guangzhou Premises 3005–3009") 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 3005-3009 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 under the Guangzhou 3005-3009 Lease was the aggregate of (i) the rent of approximately RMB629,543 (equivalent to approximately HK$776,208) per annum, payable in advance on a monthly basis in cash to Super Billion; and (ii) the management fee of approximately RMB136,857 (equivalent to approximately HK$168,741) per annum, payable in cash on a monthly basis to Metro Plaza Management. The Guangzhou Premises 3005–3009 is used as office premises for the Group's operation in PRC.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(3) (Continued)

The total amount of rent paid by the Group to Super Billion under the Guangzhou 3005–3009 Lease for the year ended 28 February 2013 was approximately RMB629,543 (equivalent to approximately HK$776,208).

On 21 January 2013, Super Billion as a landlord and Le Saunda Business as a tenant entered into a renewal lease agreement (the “Guangzhou 3005-3009 Renewal Lease”) in respect of the Guangzhou Premises 3005–3009 for a further two-years’ term commencing on 1 March 2013 and ending on 28 February 2015. The amount payable by Le Saunda Business under the Guangzhou 3005-3009 Renewal Lease is the aggregate of (i) the rent of approximately RMB62,954 (equivalent to approximately HK$77,620) per month or approximately RMB755,448 (equivalent to approximately HK$931,445 per annum, payable before the 10th day of each month in cash to Super Billion; and (ii) the management fee of approximately RMB147,806 (equivalent to approximately HK$182,240) per annum, payable in cash on a monthly basis to Metro Plaza Management.

(4) Pursuant to a tenancy agreement dated 31 January 2011 (the “Car Park V06 Lease”) in respect of the car park no.V06 on the ground floor of Hing Wai Centre, No. 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 V06 Lease was HK$38,400 per annum (inclusive of management fee, government rent and rates), payable in advance on a monthly basis in cash to Prosper Hon. The Car Park V06 was used for parking a lorry of the Group.

The Car Park V06 Lease expired on 28 February 2013. The total amount of rent paid by the Group to Prosper Hon under the Car Park V06 Lease for the year ended 28 February 2013 was HK$38,400.

Pursuant to a tenancy agreement dated 21 January 2013 (the “Car Park V09 Lease”) in respect of the car park No.V09 on the ground floor of Hing Wai Centre, No. 7 Tin Wan Praya Road, Aberdeen, Hong Kong (the “Car Park V09”) entered into between Dragon Venture Enterprises Limited (“Dragon Venture”), which is indirectly wholly and beneficially owned by Mr. Lee and his associates and of which Mr. Lee and Mr. James Ngai (“Mr. Ngai”) are the directors, and L. S. Retailing, Dragon Venture leased the Car Park V09 to L. S. Retailing for a term of two years commencing on 1 March 2013 and ending on 28 February 2015. The amount payable by L. S. Retailing under the Car Park V09 Lease is HK$3,200 per month or HK$38,400 per annum (inclusive of management fee, government rent and rates), payable in advance on the first day of each month in cash to Dragon Venture. The Car Park V09 is used for parking a lorry of the Group.

(the Macau Renewal Lease, the Guangzhou 3504 Renewal Lease, the Guangzhou 3005–3009 Renewal Lease and the Car Park V09 Lease are collectively known as “2013 Lease Agreements”)

Note: RMB is converted to HK$ at a rate of RMB1 = HK$1.23297.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The aggregate rent paid by the Group to Mr. Lee, Genda Investment, Super Billion and Prosper Hon under the Macau Lease, the Guangzhou 3504 Lease, the Guangzhou 3005–3009 Lease and the Car Park V06 Lease (collectively known as the "2011 Lease Agreements") was approximately HK$3,111,867 for the year ended 28 February 2013.

Mr. Lee, being the non-executive Director and the controlling Shareholder, is a connected person to the Company (as defined under the Listing Rules). Therefore, the transactions contemplated under the 2013 Lease Agreements constitute continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules. Based on the maximum aggregate annual rental payable under the 2013 Lease Agreements of approximately HK$4,590,565 for each of the financial years of the Company ending 28 February 2014 and 28 February 2015 and the relevant percentage ratios, on an aggregate basis, exceed 0.1% but are less than 5%, the 2013 Lease Agreements constitute continuing connected transactions of the Company that are exempt from independent Shareholders' approval requirements but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Details of the above continuing connected transactions of the 2011 Lease Agreements and the 2013 Lease Agreements were disclosed in the Company's announcements dated 31 January 2011 and 21 January 2013 respectively. 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.

All 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 2013 Lease Agreements entered into on terms which are fair and reasonable, and in the interests of the Shareholders 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 50 to 53 of this report in accordance with Rule 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 32 to the consolidated financial statements).

TERMINATION OF ASSET SWAP AGREEMENT

On 15 August 2011, Parklink Investment Development Limited ("Parklink Investment"), an indirect wholly-owned subsidiary of the Company, entered into an asset swap agreement (the "Asset Swap Agreement") with Super Billion whereby Parklink Investment and Super Billion will swap with each other certain assets respectively held by them in the PRC (the "Asset Swap") subject to tax assessment by the relevant PRC authority.

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 transaction had been approved by the Board on 15 August 2011.

After consultation with the relevant PRC authority on the tax arising from the Asset Swap, Parklink Investment and Super Billion mutually agreed to terminate the Asset Swap Agreement. In accordance with the terms of the Asset Swap Agreement, Super Billion and Parklink Investment terminated the Asset Swap Agreement in writing on 21 January 2013. The application for withdrawal of the Asset Swap with relevant government bodies was submitted on 30 January 2013 and completed on 16 February 2013 upon receipt of the relevant property certificates.

Details of the above transaction were disclosed in the Company's announcements dated 15 August 2011 and 21 January 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 28 February 2013.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 2.0% of the total sales for the year and sales to the largest customer included therein amounted to 0.8%. Purchases from the Group's five largest suppliers accounted for approximately 22.8% of the total purchases for the year and purchases from the largest supplier amounted to 6.2%.

None of the Directors or any of their respective associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

CORPORATE GOVERNANCE PRACTICE

A corporate governance report is set out on pages 29 to 39 of this report.

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 sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The consolidated financial statements for the year ended 28 February 2013 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 AGM.

By Order of the Board
James Ngai
Chairman

Hong Kong, 27 May 2013

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LE SAUNDA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Le Saunda Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 121, which comprise the consolidated and company balance sheets as at 28 February 2013, 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 judgment, 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.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2013, 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, 27 May 2013

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 28 February 2013 HK$'000	29 February 2012 HK$'000
Revenue	5	**1,762,406**	1,545,042
Cost of sales	7	**(621,289)**	(549,587)
Gross profit		**1,141,117**	995,455
Other income	6	**8,065**	2,605
Other gains, net	6	**23,769**	31,506
Selling and distribution expenses	7	**(748,926)**	(609,230)
General and administrative expenses	7	**(190,205)**	(175,368)
Operating profit		**233,820**	244,968
Net finance income	8	**6,247**	4,119
Share of profit/(loss) of a jointly controlled entity	19	**551**	(580)
Profit before income tax		**240,618**	248,507
Income tax expense	11	**(61,863)**	(53,735)
Profit for the year		**178,755**	194,772
Profit attributable to:			
— equity holders of the Company		**179,134**	194,202
— non-controlling interest		**(379)**	570
	12	**178,755**	194,772
Earnings per share attributable to the equity holders of the Company (express in HK cents)			
— Basic	13	**28.02**	30.38
— Diluted	13	**28.01**	30.38
Dividends	14	**90,782**	87,586

The notes on pages 65 to 121 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 28 February 2013 HK$'000	29 February 2012 HK$'000
Profit for the year	**178,755**	194,772
Other comprehensive income for the year, net of tax		
Currency translation differences	**5,335**	28,799
Revaluation gain on investment properties	**94**	—
Total comprehensive income for the year	**184,184**	223,571
Total comprehensive income for the year, attributable to:		
— equity holders of the Company	**184,420**	222,550
— non-controlling interest	**(236)**	1,021
	184,184	223,571

The notes on pages 65 to 121 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2013 HK$'000	As at 29 February 2012 HK$'000
ASSETS			
Non-current assets			
Investment properties	15	**89,563**	72,795
Property, plant and equipment	16	**237,589**	240,836
Land use rights	17	**32,629**	33,394
Long-term deposits and prepayments		**18,137**	16,745
Interest in a jointly controlled entity	19	**35,112**	34,135
Interest in and amount due from an available-for-sale financial asset	20	**—**	—
Deferred tax assets	21	**51,807**	43,573
		464,837	441,478
Current assets			
Inventories	22	**469,492**	433,245
Trade and other receivables	23	**198,837**	134,507
Deposits and prepayments		**41,618**	37,033
Cash and bank balances	24	**435,661**	424,695
		1,145,608	1,029,480
Total assets		**1,610,445**	1,470,958
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	26	**63,931**	63,931
Reserves			
Proposed final dividend	28	**55,620**	55,620
Others	28	**1,170,643**	1,064,133
		1,290,194	1,183,684
Non-controlling interest		**11,838**	12,299
Total equity		**1,302,032**	1,195,983

	Note	As at 28 February 2013 HK$'000	As at 29 February 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	31,743	26,714
Current liabilities			
Trade payables and accruals	25	217,773	200,777
Amount due to a jointly controlled entity	19	37,419	30,805
Current income tax liabilities		21,478	16,679
		276,670	248,261
Total liabilities		308,413	274,975
Total equity and liabilities		1,610,445	1,470,958
Net current assets		868,938	781,219
Total assets less current liabilities		1,333,775	1,222,697

James Ngai
Chairman

Lau Shun Wai
Director

The notes on pages 65 to 121 are an integral part of these financial statements.

BALANCE SHEET

	Note	As at 28 February 2013 HK$'000	As at 29 February 2012 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	653,033	653,268
Current assets			
Other receivables	23	217	217
Cash and bank balances	24	2,183	2,408
		2,400	2,625
Total assets		655,433	655,893
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	26	63,931	63,931
Reserves			
Proposed final dividend	28	55,620	55,620
Others	28	535,361	535,973
Total equity		654,912	655,524
LIABILITIES			
Current liabilities			
Accruals	25	521	369
Total liabilities		521	369
Total equity and liabilities		655,433	655,893
Net current assets		1,879	2,256
Total assets less current liabilities		654,912	655,524

James Ngai
Chairman

Lau Shun Wai
Director

The notes on pages 65 to 121 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 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
Balance at 1 March 2012	63,931	1,119,753	1,183,684	12,299	1,195,983
Comprehensive income					
Profit for the year	—	179,134	179,134	(379)	178,755
Other comprehensive income					
Currency translation differences	—	5,192	5,192	143	5,335
Revaluation on investment property transferred from land and buildings	—	94	94	—	94
Total comprehensive income for the year	—	184,420	184,420	(236)	184,184
Transactions with owners					
Share option scheme:					
— value of service provided	—	12,872	12,872	—	12,872
Dividends	—	(90,782)	(90,782)	(225)	(91,007)
Total transactions with owners for the year	—	(77,910)	(77,910)	(225)	(78,135)
Balance at 28 February 2013	63,931	1,226,263	1,290,194	11,838	1,302,032

The notes on pages 65 to 121 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 28 February 2013 HK$'000	29 February 2012 HK$'000
Operating activities			
Net cash generated from operations	31	**210,850**	232,914
Overseas taxation paid		**(61,428)**	(44,397)
Net cash generated from operating activities		**149,422**	188,517
Investing activities			
Net interest received		**6,247**	4,119
Purchase of property, plant and equipment		**(48,869)**	(49,461)
Proceeds from capital reduction in jointly controlled entity		**–**	15,572
Increase in term deposits (over 3 months)		**(4,340)**	(304)
(Increase)/decrease in pledged deposits		**(986)**	265
Net cash used in investing activities		**(47,948)**	(29,809)
Financing activities			
New short-term bank loans		**30,000**	–
Repayment of short-term bank loans		**(30,000)**	(3,510)
Dividends paid		**(90,746)**	(87,550)
Dividends paid to non-controlling interest		**(225)**	(230)
Net cash used in financing activities		**(90,971)**	(91,290)
Net increase in cash and cash equivalents		**10,503**	67,418
Effect of foreign exchange rate changes, net		**(4,863)**	8,873
Cash and cash equivalents at beginning of year		**420,911**	344,620
Cash and cash equivalents at end of year	24	**426,551**	420,911

The notes on pages 65 to 121 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27 May 2013.

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) The following amended standards are mandatory for the first time for the financial year beginning 1 January 2012 but either have no significant impact to the Group's results and financial position or are not currently relevant to the Group:

- HKAS 12 (Amendment) Deferred Tax: Recovery of Underlying Assets
- HKFRS 1 (Amendment) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- HKFRS 7 (Amendment) Disclosures — Transfers of Financial Assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) The following new, revised or amended standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2012 and have not been early adopted:

• HKAS 1 (Amendment)	Presentation of Financial Statements[1]
• HKAS 19 (2011)	Employee Benefits[2]
• HKAS 27 (2011)	Separate Financial Statements[2]
• HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
• HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[3]
• HKFRS 1 (Amendment)	Government Loans[2]
• HKFRS 7 (Amendment)	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
• HKFRS 9	Financial Instruments[4]
• HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures[4]
• HKFRS 10	Consolidated Financial Statements[2]
• HKFRS 11	Joint Arrangements[2]
• HKFRS 12	Disclosures of Interests in Other Entities[2]
• HKFRS 13	Fair Value Measurement[2]
• HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transitional Guidance[2]
• HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment Entities[3]
• HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
• Annual Improvements Project	Improvements to HKFRSs 2011[2]

1 Changes effective for annual periods beginning on or after 1 July 2012

2 Changes effective for annual periods beginning on or after 1 January 2013

3 Changes effective for annual periods beginning on or after 1 January 2014

4 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 29 February 2012 and 28 February 2013.

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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 loss, 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

The Group first assesses whether objective evidence of impairment exists.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(iii) Share-based compensation (Continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currency translation (Continued)

(ii) Transactions and balances

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(y) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in HK dollars and RMB. The Group is exposed to foreign exchange risk arising mainly from the exposure of HK dollars against RMB. In addition, as at 28 February 2013 and 29 February 2012, 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 28 February 2013 and 29 February 2012, 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$744,000 (2012: HK$1,525,000) 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 28 February 2013 and 29 February 2012, 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$31,000 (2012: HK$416,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of USD denominated deposits in banks, trade receivables and trade payables.

(ii) Interest rate risk

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

(b) Credit risk

The carrying amounts of the trade and other receivables (Note 23) 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.

At 28 February 2013 and 29 February 2012, 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	
	2013	2012
	HK$'000	HK$'000
Less than 1 year		
Trade payables and accruals	**217,773**	200,777
Amount due to a jointly controlled entity	**37,419**	30,805
	255,192	231,582

	Company	
	2013	2012
	HK$'000	HK$'000
Less than 1 year		
Accruals	**521**	369
Corporate guarantee	**9,415**	9,761
	9,936	10,130

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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair values estimation (Continued)

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

(c) Net realisable value of inventories

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) 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.

(e) Government incentives

The Group is entitled to government incentives regarding the supportive preferential policy from the local government in certain PRC regions that the Group operates its businesses. Some of these government incentives recognised in the consolidated income statement are determined and estimated by the management based on the local tax refund ratio as confirmed with the respective finance bureau.

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 rental income, other gains, net, net finance income, share of profit/loss 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)

(i) The segment information provided to the Executive Directors for the reportable segments for the year ended 28 February 2013 is as follows:

	Retail		Export	Total
	HK & Macau	Mainland China	(Note (a))	
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	206,396	1,519,641	36,369	1,762,406
Reportable segment profit	15,341	181,979	10,470	207,790
Rental income				2,635
Other gains, net				23,769
Net finance income				6,247
Share of profit of a jointly controlled entity				551
Unallocated expenses				(374)
Profit before income tax				240,618
Income tax expense				(61,863)
Profit for the year				178,755
Depreciation and amortisation	6,576	44,968	427	51,971
Additions to non-current assets (Other than deferred tax assets)	2,969	45,591	309	48,869

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) The segment information provided for the year ended 29 February 2012 is as follows:

	Retail		Export	Total
	HK & Macau	Mainland China	(Note (a))	
	HK$'000	HK$'000	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
Rental income				2,605
Other gains, net				31,506
Net 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

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, le saunda MEN, 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 revenues from external customers of export are mainly derived from Europe and other parts of the world, including Russia, Italy, the Middle East, Japan, Australia and New Zealand.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) An analysis of the Group's assets as at 28 February 2013 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	183,187	1,304,870	35,225	1,523,282
Interest in a jointly controlled entity				35,112
Interest in and amount due from an available-for-sale financial asset				—
Deferred tax assets				51,807
Unallocated assets				244
Total assets per consolidated balance sheet				1,610,445
Segment liabilities	22,067	189,350	6,332	217,749
Amount due to a jointly controlled entity				37,419
Current income tax liabilities				21,478
Deferred tax liabilities				31,743
Unallocated liabilities				24
Total liabilities per consolidated balance sheet				308,413

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	HK$'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

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

Revenue

	2013 HK$'000	2012 HK$'000
Hong Kong	**175,125**	167,768
Mainland China	**1,519,641**	1,312,199
Macau	**31,271**	28,909
Russia	**24,537**	22,667
Italy	**—**	27
Other countries (Note (a))	**11,832**	13,472
Total	**1,762,406**	1,545,042

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) Revenue (Continued)

(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 28 February 2013, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2012: 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

	2013 HK$'000	2012 HK$'000
Hong Kong	**31,252**	32,348
Mainland China	**293,003**	295,469
Macau	**88,775**	70,088
Total	**413,030**	397,905

6 OTHER INCOME AND OTHER GAINS, NET

	2013 HK$'000	2012 HK$'000
Other income		
Gross rental income from investment properties	**2,635**	2,605
Government incentives	**5,430**	—
	8,065	2,605
Other gains, net		
Fair value gains on investment properties	**16,168**	25,607
Net exchange gain (Note (a))	**7,601**	5,899
	23,769	31,506
	31,834	34,111

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

7 EXPENSES BY NATURE

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

	2013 HK$'000	2012 HK$'000
Auditors' remuneration	1,954	1,992
Amortisation of land use rights (Note 17)	913	908
Depreciation of property, plant and equipment (Note 16)	51,058	47,291
Loss on disposal of property, plant and equipment	2,841	1,039
Costs of inventories sold included in cost of sales	503,221	436,793
Operating lease rentals in respect of land and buildings		
— minimum lease payments	100,392	82,744
— contingent rents	3,939	2,908
Freight charges	13,935	13,062
Advertising and promotional expenses	51,066	36,238
Concessionaire fees	331,253	270,981
Direct operating expenses arising from investment properties that generated rental income	245	236
Employee benefit expenses (including directors' emoluments) (Note 9)	378,012	346,671
Impairment losses/(write back of impairment) on inventories	348	(1,661)
Write back of impairment on trade receivables	—	(1,555)

8 NET FINANCE INCOME

	2013 HK$'000	2012 HK$'000
Interest income on bank deposits	6,348	4,119
Interest expense on short-term bank loan	(101)	—
	6,247	4,119

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK$'000	2012 HK$'000
Wages and salaries	**309,505**	290,606
Staff welfare and other benefits	**16,917**	15,567
Pension costs — defined contribution plans (Note (a))	**38,718**	34,493
Employee share option benefits	**12,872**	6,005
	378,012	346,671

(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$38,718,000 (2012: HK$34,493,000) were paid by the Group during the year. Forfeited contributions totalling HK$40,000 (2012: HK$522,000) were refunded and credited in the employee benefit expenses during the year.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

The remuneration of each of the Directors and chief executive of the Company for the year ended 28 February 2013 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					
Ms. Lau Shun Wai**	–	2,346	14	3,968	6,328
Ms. Wong Sau Han	–	1,694	14	2,221	3,929
Ms. Chu Tsui Lan	–	2,068	14	2,450	4,532
Ms. An You Ying	–	1,003	42	1,179	2,224
Non-executive Directors					
Mr. James, Ngai	180	–	–	–	180
Mr. Lee Tze Bun, Marces	–	–	–	–	–
Independent non-executive Directors					
Mr. Lam Siu Lun, Simon	180	–	–	–	180
Mr. Leung Wai Ki, George	180	–	–	–	180
Mr. Hui Chi Kwan	180	–	–	–	180
	720	7,111	84	9,818	17,733

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

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of each of the Directors and chief executive 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 27).

** Ms Lau Shun Wai is also the chief executive of the Group.

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 (2012: 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 (2012: four) highest paid individuals in the Group. The emoluments of the remaining one (2012: one) highest paid individual during the year ended 28 February 2013 was:

	2013 HK$'000	2012 HK$'000
Salaries, bonus, other allowances and benefits in kind	**596**	1,121
Employer's contributions to retirement scheme	**32**	12
Share option benefits	**792**	—
	1,420	1,133

Emolument bands	**Number of individuals**	
	2013	2012
HK$1,000,001 – HK$1,500,000	**1**	1

(c) Senior management's emoluments by band

The senior management's emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
	2013	2012
HK$500,001 – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**2**	2

11 INCOME TAX EXPENSE

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

	2013 HK$'000	2012 HK$'000
Current income tax		
— Hong Kong profits tax	**–**	—
— People's Republic of China ("PRC") corporate income tax	**64,848**	46,296
Deferred taxation (Note 21)	**(2,985)**	7,439
	61,863	53,735

No provision for Hong Kong profits tax has been made for the year ended 28 February 2013 (2012: HK$Nil) as there were available tax losses brought forward from prior years to offset the assessable profits generated during the year.

11 INCOME TAX EXPENSE (CONTINUED)

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2012: range from 24% to 25%). 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 PRC financial year 2007 and 2008, and subjected to a reduced tax rate of 12.5% in PRC financial year 2009, 2010 and 2011.

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:

	2013 HK$'000	2012 HK$'000
Profit before income tax and before share of profit of a jointly controlled entity	240,067	249,087
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	48,949	58,278
Income not subject to taxation	(5,468)	(3,827)
Expenses not deductible for taxation purposes	2,986	4,414
Profit of subsidiary under tax holiday	—	(19,260)
Tax losses for which no deferred tax asset was recognised	6,704	—
Utilisation of previously unrecognised tax losses	(1,048)	(1,247)
Withholding tax	9,740	15,377
Income tax expense	61,863	53,735

There was no tax charge relating to components of other comprehensive income for the year ended 28 February 2013 (2012: 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$69,363,000 (2012: profit of HK$104,274,000).

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.

	2013 **HK$'000**	2012 HK$'000
Profit attributable to equity holders of the Company	**179,134**	194,202
Weighted average number of ordinary shares in issue ('000)	**639,314**	639,314
Basic earnings per share (HK cents)	**28.02**	30.38

Diluted

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

For the year ended 28 February 2013, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

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.

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.

	2013 **HK$'000**	2012 HK$'000
Profit attributable to equity holders of the Company	**179,134**	194,202
Weighted average number of ordinary shares in issue ('000)	**639,314**	639,314
Adjustments for share options ('000)	**141**	—
Weighted average number of ordinary shares for diluted earnings per share ('000)	**639,455**	639,314
Diluted earnings per share (HK cents)	**28.01**	30.38

14 DIVIDENDS

	2013 HK$'000	2012 HK$'000
Interim, paid, of HK4.0 cents (2012: HK5.0 cents) per ordinary share	25,573	31,966
Final, proposed, of HK8.7 cents (2012: HK8.7 cents) per ordinary share	55,620	55,620
Special, paid of HK1.5 cents (2012: Nil) per ordinary share	9,589	—
	90,782	87,586

At a meeting held on 27 May 2013, 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 2014.

15 INVESTMENT PROPERTIES

	Group	
	2013 HK$'000	2012 HK$'000
At beginning of year	72,795	47,188
Fair value gains recognised in the consolidated income statement (Note 6)	16,168	25,607
Transfer from land and buildings (Note 16)	506	—
Revaluation on investment properties transferred from land and buildings	94	—
At end of year	89,563	72,795

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2013 by an independent professional valuer, Ascent Partners Valuation Service Limited.

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

	Group	
	2013 HK$'000	2012 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	4,080	2,700
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	85,483	70,095
	89,563	72,795

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 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
Year ended 28 February 2013							
Opening net book amount	130,340	30,731	66,020	10,463	2,331	951	240,836
Exchange differences	1,358	62	756	81	17	15	2,289
Additions	3,302	41,142	1,460	2,176	391	398	48,869
Transfers	860	—	—	—	—	(860)	—
Transfer to investment property	(506)	—	—	—	—	—	(506)
Disposals	—	(1,823)	(21)	(417)	(76)	(504)	(2,841)
Depreciation	(5,398)	(31,225)	(9,372)	(4,322)	(741)	—	(51,058)
Closing net book amount	129,956	38,887	58,843	7,981	1,922	—	237,589
At 28 February 2013							
Cost	185,171	165,879	136,972	28,319	5,231	—	521,572
Accumulated depreciation	(55,215)	(126,992)	(78,129)	(20,338)	(3,309)	—	(283,983)
Net book amount	129,956	38,887	58,843	7,981	1,922	—	237,589

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2013	2012
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**6,745**	7,382

17 LAND USE RIGHTS

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of year	**33,394**	33,834
Amortisation	**(913)**	(908)
Exchange differences	**148**	468
At end of year	**32,629**	33,394

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

	Group	
	2013	2012
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**28,404**	28,413
Leases of over 50 years	**4,225**	4,981
	32,629	33,394

18 INTERESTS IN SUBSIDIARIES

	Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**136,680**	130,844
Capital in nature contribution (Note (a))	**345,440**	345,440
Amounts due from subsidiaries (Note (b))	**170,913**	176,984
	653,033	653,268

(a) The amounts due from subsidiaries of HK$345,440,000 are treated as capital in nature contributions 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 28 February 2013 and 29 February 2012.

The following is a list of the principal subsidiaries of the Group at 28 February 2013 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%
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 2013 HK$'000	Group 2012 HK$'000
Registered capital at cost, unlisted	779	779
Share of undistributed post-acquisition reserves	34,333	33,356
Share of net assets	35,112	34,135
At beginning of the year	34,135	48,592
Capital reduction	—	(15,572)
Share of profit/(loss) of a jointly controlled entity	551	(580)
Exchange differences	426	1,695
At end of year	35,112	34,135

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.

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

(a) Share of net assets (Continued)

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.

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

	2013 HK$'000	2012 HK$'000
Operating results		
Revenue	**–**	–
Profit/(loss) for the year	**1,102**	(1,160)
Group's share of profit/(loss) for the year	**551**	(580)
Financial position		
Non-current assets	**16**	14
Current assets	**85,481**	87,171
Current liabilities	**(15,273)**	(18,915)
Net assets	**70,224**	68,270
Group's share of net assets	**35,112**	34,135

(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 2013 HK$'000	2012 HK$'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	3,118	3,081
— Provision for impairment	(3,118)	(3,081)
	–	–
Amount due from an available-for-sale financial asset (Note (b))	9,355	9,242
Less: Provision for impairment	(9,355)	(9,242)
	–	–
	–	–

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

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

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

(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	
	2013	2012
	HK$'000	HK$'000
Deferred tax assets	**51,807**	43,573
Deferred tax liabilities	**(31,743)**	(26,714)
	20,064	16,859

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	
	2013	2012
	HK$'000	HK$'000
At beginning of year	**16,859**	23,660
Credited/(charged) to consolidated income statement (Note 11)	**2,985**	(7,439)
Exchange realignment	**220**	638
At end of year	**20,064**	16,859

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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	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	**30,202**	20,064	**13,371**	14,943	**(9,241)**	(5,188)	**(17,473)**	(9,013)	**–**	2,854	**16,859**	23,660
Credited/(charged) to consolidated income statement	**10,045**	9,023	**(2,276)**	(1,579)	**(274)**	(4,053)	**(3,267)**	(7,976)	**(1,243)**	(2,854)	**2,985**	(7,439)
Exchange realignment	**462**	1,115	**3**	7	**–**	–	**(230)**	(484)	**(15)**	–	**220**	638
At end of year	**40,709**	30,202	**11,098**	13,371	**(9,515)**	(9,241)	**(20,970)**	(17,473)	**(1,258)**	–	**20,064**	16,859

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 28 February 2013, the Group did not accrue withholding income tax for a portion of the earnings of HK$288,744,000 (2012: HK$138,190,000) 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 28 February 2013, the Group had unrecognised tax losses of approximately HK$73,318,000 (2012: HK$51,589,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Tax losses without expiry date	**47,284**	51,325
Tax losses expiring in 5 years	**26,034**	264
	73,318	51,589

22 INVENTORIES

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**44,226**	55,769
Work in progress	**36,031**	30,784
Finished goods	**398,411**	355,520
	478,668	442,073
Less: Provision for impairment of inventories	**(9,176)**	(8,828)
	469,492	433,245

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$503,221,000 (2012: HK$436,793,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note (a))	**185,567**	128,287	**—**	—
Provision for impairment	**—**	—	**—**	—
	185,567	128,287	**—**	—
Other receivables	**13,270**	6,220	**217**	217
	198,837	134,507	**217**	217

(a) The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days from the invoice date while the sales to corporate customers are generally on average credit period of 90 days.

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

At 28 February 2013, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current to 30 days	**164,845**	116,598
31 to 60 days	**14,053**	8,285
61 to 90 days	**2,984**	1,426
Over 90 days	**3,685**	1,978
	185,567	128,287

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are denominated in the following currencies:

	Group	
	2013	2012
	HK$'000	HK$'000
HK$	**483**	646
US$	**1,071**	994
RMB	**183,967**	126,567
Other currencies	**46**	80
	185,567	128,287

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

	Group	
	2013	2012
	HK$'000	HK$'000
At beginning of year	**—**	1,523
Write back of impairment losses	**—**	(1,555)
Exchange realignment	**—**	32
At end of year	**—**	—

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

As at 28 February 2013, trade receivables of HK$3,021,000 (2012: HK$646,000) 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	
	2013	2012
	HK$'000	HK$'000
61 to 90 days	**966**	340
Over 90 days	**2,055**	306
	3,021	646

24 CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**205,143**	228,797	**2,183**	2,408
Short-term bank deposits (Note (a))	**221,408**	192,114	**–**	–
Cash and cash equivalents	**426,551**	420,911	**2,183**	2,408
Term deposits with initial term over three months (Note (a))	**6,237**	1,897	**–**	–
Pledged bank deposits (Note (b))	**2,873**	1,887	**–**	–
	435,661	424,695	**2,183**	2,408

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**25,728**	49,453	**2,177**	2,403
RMB	**402,393**	358,106	**6**	5
US$	**4,198**	11,852	**–**	–
EUR	**31**	17	**–**	–
Other currencies	**3,311**	5,267	**–**	–
	435,661	424,695	**2,183**	2,408

Notes:

(a) The effective interest rate on short-term bank deposits and term deposits was 2.80% (2012: 2.77%) per annum; these deposits have a maturity ranging from 7 to 365 days.

(b) Bank deposits of HK$2,873,000 (2012: HK$1,887,000) have been pledged as rental deposits for subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 1.08% per annum (2012: 1.59% 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**80,242**	65,174	**–**	–
Accruals	**137,531**	135,603	**521**	369
	217,773	200,777	**521**	369

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2013, the ageing analysis of the trade creditors is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current to 30 days	**23,626**	29,218
31 to 60 days	**26,158**	21,934
61 to 90 days	**15,630**	5,379
91 to 120 days	**6,687**	2,531
Over 120 days	**8,141**	6,112
	80,242	65,174

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

	Group	
	2013	2012
	HK$'000	HK$'000
HK$	**1,402**	748
RMB	**70,512**	61,278
US$	**6,313**	1,033
EUR	**2,015**	2,115
	80,242	65,174

26 SHARE CAPITAL

	2013 Number of ordinary shares	2013 HK$'000	2012 Number of ordinary shares	2012 HK$'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	639,313,600	63,931
Exercise of share options (Note 27)	–	–	–	–
At end of year	639,313,600	63,931	639,313,600	63,931

27 SHARE OPTIONS

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

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

27 SHARE OPTIONS (CONTINUED)

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

	2013		2012	
	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	4.730	14,100	—	—
Granted	2.404	17,440	4.730	14,100
Forfeited	2.404	(100)	—	—
At end of year	3.447	31,440	4.730	14,100

The Group has no legal or constructive obligation to repurchase or settle the options in cash. 14,100,000 share options at an exercise price of HK$4.73 each and 17,440,000 share options at an exercise price of HK$2.404 were granted on 27 June 2011 and 10 July 2012 respectively. For the year ended 28 February 2013 100,000 shares at an exercise price of HK$2.404 were forfeited.

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

		Number of share options as at	
Expiry date at	Exercise price per share (HK$)	28 February 2013 (thousands)	29 February 2012 (thousands)
26 June 2021 (Note a)	4.730	14,100	14,100
9 July 2022 (Note b)	2.404	17,340	—

Note:

(a) 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.

(b) Become exercisable from a range of dates between 10 July 2014 and 10 June 2016 and expiring on the 10th anniversary from date of grants.

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

27 SHARE OPTIONS (CONTINUED)

On 10 July 2012, the Group granted 17,440,000 share options to certain eligible persons at exercise price of HK$2.404 per share. In this connection, the total fair value of options HK$17,442,000 will be expensed in profit and loss over the vesting period. For the year ended 28 February 2013, a total share option expense of HK$12,872,000 was recognised and included in employee benefit expenses.

The weighted average fair value of each options is HK$1.0 which was determined using the Binomial Option Pricing Model ("BOPM") performed by an independent valuer, AVISTA Valuation Advisory Limited. Significant inputs into the model were as follows:

	Batch 1	Batch 2	Batch 3
Stock Price	HK$2.400	HK$2.400	HK$2.400
Exercise Price	HK$2.404	HK$2.404	HK$2.404
Risk Free Rate (Continuous)	0.92%	0.92%	0.92%
First Exercise Date	10-Jul-2014	10-Jul-2015	10-Jul-2016
Expire Date	9-Jul-2022	9-Jul-2022	9-Jul-2022
Expected Volatility	54.72%	54.72%	54.72%
Expected Dividend	4.63%	4.63%	4.63%

The expected volatility was determined by using the historical volatility of the Company's share price over the past 10 years.

28 RESERVES

Group

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves HK$'000 (Note (a))	Retained earnings HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2012	416,695	101,582	39,631	551,579	4,261	—	6,005	1,119,753
Comprehensive income								
Profit for the year	—	—	—	179,134	—	—	—	179,134
Other comprehensive income								
Currency translation differences	—	5,192	—	—	—	—	—	5,192
Revaluation on investment properties transferred from land and buildings	—	—	—	—	—	94	—	94
Transactions with owners								
Share option scheme								
— value of service provided	—	—	—	—	—	—	12,872	12,872
Transfer	—	—	9,248	(9,248)	—	—	—	—
Dividends	—	—	—	(90,782)	—	—	—	(90,782)
At 28 February 2013	416,695	106,774	48,879	630,683	4,261	94	18,877	1,226,263
Representing:								
2013 proposed final dividend								55,620
Others								1,170,643
								1,226,263

	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

28 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 2012	416,695	53,558	30,164	85,171	6,005	591,593
Comprehensive income						
Profit for the year	—	—	—	69,363	—	69,363
Other comprehensive income						
Currency translation differences	—	7,935	—	—	—	7,935
Transactions with owners						
Share option scheme						
— value of service provided	—	—	—	—	12,872	12,872
Dividends	—	—	—	(90,782)	—	(90,782)
At 28 February 2013	416,695	61,493	30,164	63,752	18,877	590,981
Representing:						
2013 proposed final dividend						55,620
Others						535,361
						590,981

	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

28 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 28 February 2013 amounted to HK$93,916,000 (2012: HK$115,335,000).

29 CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on Letters of Credit and bank loan to the extent of HK$230,000,000 (2012: HK$120,000,000) of which HK$9,415,000 (2011: HK$9,761,000) was utilised as at 28 February 2013.

30 COMMITMENTS

(a) Capital commitments

	Group	
	2013	2012
	HK$'000	HK$'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	**732**	752
— unpaid capital contribution to a subsidiary	**2,326**	6,204

At 28 February 2013, the Company had no capital commitment (2012: HK$ Nil).

30 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

(i) At 28 February 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**92,070**	81,958
Later than one year and not later than five years	**75,321**	66,861
	167,391	148,819

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

At 28 February 2013, the Company had no future aggregate minimum lease payments under non-cancellable operating leases (2012: HK$Nil).

(ii) At 28 February 2013, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**3,982**	2,510
Later than one year and not later than five years	**3,873**	103
	7,855	2,613

At 28 February 2013, the Company had no future aggregate minimum rental receivable under non-cancellable operating leases (2012: HK$Nil).

31 CONSOLIDATED CASH FLOW STATEMENT

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

	2013 HK$'000	2012 HK$'000
Profit before income tax	240,618	248,507
Share of (profit)/loss of a jointly controlled entity	(551)	580
Fair value gains on investment properties	(16,168)	(25,607)
Depreciation of property, plant and equipment	51,058	47,291
Loss on disposal of property, plant and equipment	2,841	1,039
Amortisation of land use rights	913	908
Impairment losses/(write back of impairment losses) on inventories	348	(1,661)
Write back of impairment losses on trade receivables	—	(1,555)
Net interest income	(6,247)	(4,119)
Share option benefits	12,872	6,005
Changes in working capital:		
— Inventories	(29,580)	(34,208)
— Trade and other receivables	(62,214)	3,879
— Deposits and prepayments	(5,977)	(20,078)
— Amount due to a jointly controlled entity	6,614	(16,651)
— Trade payables and accruals	16,323	28,584
Net cash generated from operations	210,850	232,914

32 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2013, Stable Gain Holdings Limited held 32.06% 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	
	2013	2012
	HK$'000	HK$'000
Rental expenses charged by:		
— a related party (Note (i))	**2,160**	2,160
— related companies (Note (ii))	**913**	897

(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 a related party

	Group	
	2013	2012
	HK$'000	HK$'000
Amount due to a jointly controlled entity (Note 19(b))	**37,419**	30,805

(d) Key management compensation

	Group	
	2013	2012
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**7,831**	8,439
Employer's contributions to retirement scheme	**84**	73
Share option benefits	**9,818**	5,324
	17,733	13,836

FIVE-YEAR FINANCIAL SUMMARY

RESULTS OF THE GROUP

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**1,762,406**	1,545,042	1,319,927	1,000,018	910,018
Operating profit	**233,820**	244,968	201,350	150,808	77,511
Finance income, net	**6,247**	4,119	1,894	975	4,171
Share of profit/(loss) of a jointly controlled entity	**551**	(580)	8,628	386	534
Profit before income tax	**240,618**	248,507	211,872	152,169	82,216
Income tax expense	**(61,863)**	(53,735)	(42,557)	(29,167)	(10,146)
Profit for the years	**178,755**	194,772	169,315	123,002	72,070
Profit attributable to:					
— equity holders of the Company	**179,134**	194,202	168,500	123,002	72,070
— non-controlling interest	**(379)**	570	815	—	—
	178,755	194,772	169,315	123,002	72,070

ASSETS AND LIABILITIES OF THE GROUP

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Investment properties, property, plant and equipment and land use rights	**359,781**	347,025	313,149	297,180	339,625
Interest in a jointly controlled entity	**35,112**	34,135	48,592	38,109	37,441
Long-term deposits and prepayments	**18,137**	16,745	10,388	9,621	6,534
Interest in and amount due from an available-for-sale financial asset	**–**	–	–	4,553	22,381
Deferred tax assets	**51,807**	43,573	37,861	24,407	32,286
Net current assets	**868,938**	781,219	658,434	541,759	400,955
	1,333,775	1,222,697	1,068,424	915,629	839,222
Total equity	**1,302,032**	1,195,983	1,054,223	910,932	832,746
Deferred tax liabilities	**31,743**	26,714	14,201	4,697	6,476
	1,333,775	1,222,697	1,068,424	915,629	839,222

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