le saunda holdings ltd.

利信達集團有限公司

annual report 2014

(Stock Code : 0738)

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

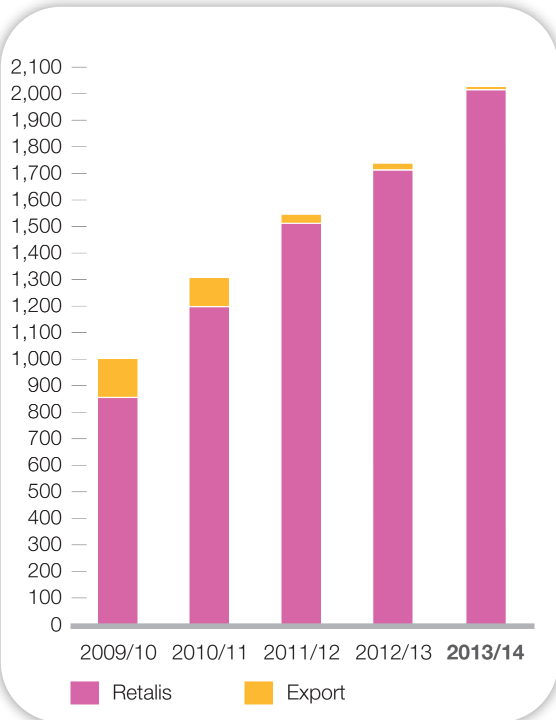
Financial Highlights

	Year ended 28 February 2014 HK$m	Year ended 28 February 2013 HK$m	Change
Profit and Loss Highlights			
Revenue	**2,039.4**	1,762.4	15.7%
Underlying Profit Attributable to Equity Holders	**185.1**	152.8	21.1%
Consolidated Profit Attributable to Equity Holders	**287.2**	179.1	60.3%
Basic Earnings per Share (HK Cents)	**44.92**	28.02	60.3%
Balance Sheet Highlights			
Total Equity	**1,513.6**	1,302.0	16.2%
Net Cash Balances	**696.2**	435.7	59.8%
Net Assets Value per Share (HK$)	**2.37**	2.04	16.2%
Net Cash per Share (HK$)	**1.09**	0.68	59.8%
Other Key Ratios			
Stock Turnover (Days)	**220**	220	
Quick Ratio (Times)	**2.8**	2.3	
Gearing Ratio (%)	**—**	—	

Note: Underlying profit attributable to equity holders is an indicator of the performance of the Group's core footwear business, arrived at by deducting share of profit of joint venture, rental income, profit arising from the disposal of a property and investment properties, net exchange gain, unrealized fair value gain on investment properties from profit for the year attributable to equity holders of the Company.

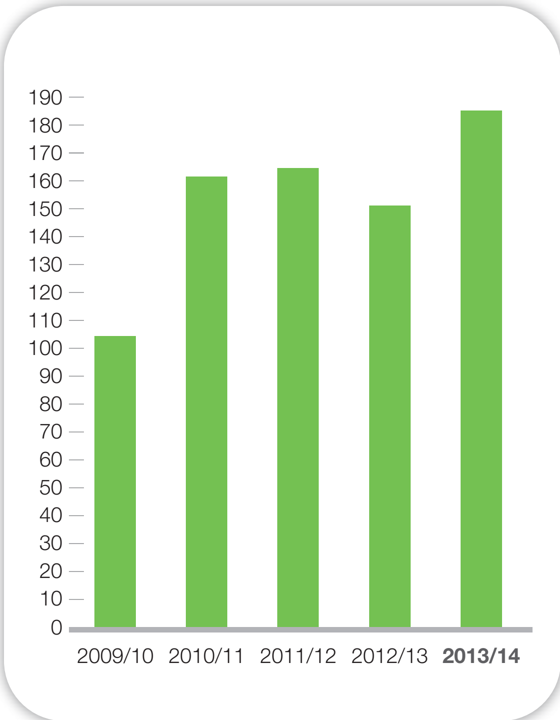
Revenue

HK'millions



Underlying profit — Attributable to Equity Holders

HK'millions



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 *(Chairman)*
Lee Tze Bun, Marces

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

NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

2013/14 Interim Results Announcement	28 October 2013
Payments of 2013/14 Interim Dividend	25 November 2013
2013/14 Annual Results Announcement	26 May 2014
Closure of Register of Members for Annual General Meeting (both days inclusive)	4–7 July 2014
Annual General Meeting	7 July 2014
Closure of Register of Members for Final Dividend and Special Dividend (both days inclusive)	14–15 July 2014
Proposed Payment of 2013/14 Final Dividend and Special Dividend	23 July 2014

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

OCT 2013

Mr. Louis Koo, le saunda's brand representative, together with artist "Princess Aroma" Ms. Eliza Sam, attended our 2013 Autumn/Winter Collection fashion show at Taikoo Hui Shopping Mall in Guangzhou, China on 27 October 2013.

Key Milestones

In November 2013, our Senior Associate, Ms. Mandy Lau, with her excellent service and superb capability, won the championship at the 28th "2013 Service & Courtesy Award – Footwear Category" issued by the Hong Kong Retail Management Association.

NOV 2013

The Group's high-end brand, Linea Rosa, held "I am Fashion Star" fashion show at Beicheng Tianjie Shopping Centre in Chongqing, on 10 November 2013. Mr. Jiang Chao, trend-setter in China and Mr. Zhang Chi, Chinese pioneer fashion designer, were invited to attend the event.

FEB 2014

In 2014, the Group officially transforms its mid-end brand CNE to an online brand, and launched service at T-Mall shop on 14 February, the Valentine's day.

In March 2014, Le Saunda Business (China) Limited (利信達商業(中國)有限公司), the subsidiary of the Group, was honored to be one of 2013-14 Guangdong Top 100 E-commerce Enterprises (廣東省電子商務100強企業), issued by Guangdong E-commerce Association (廣東省電子商務協會) and South China E-commerce Alliance (華南電子商務聯盟).

MAR 2014

APR 2014

Mr. Louis Koo, together with "sweet lady", Ms. Annie Liu, attended our 2014 Spring/Summer Collection fashion show held at Super Brand Mall, Shanghai, China on 12 April 2014.

CHAIRMAN'S STATEMENT

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 2014 (the "year under review").

China's economic growth continued to slow down during the past year, and sentiments in the retail market remained weak. Nevertheless, the Group reported stable and healthy revenue and profit growth against the backdrop of economic slowdown thanks to internal reforms introduced two years ago to improve its operating efficiency and enhance its brand image. Revenue from the Group's continuing operations for the full year rose by 15.7% as compared to last year. Together with a one-off gain from the disposal of properties in Hong Kong, this has resulted in a substantial year-on-year growth of 60.3% in profit attributable to shareholders.

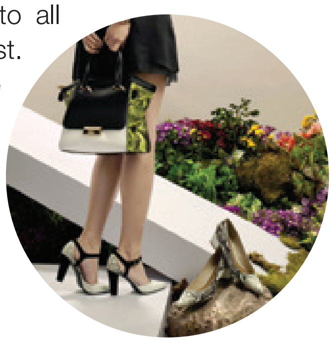
The Group reported same-store sales growth of 13.8% for the full year, as it continued to enhance its operating efficiency during the year under review, with a special emphasis on the efficiency and profitability of individual stores. During the year, the Group remained to focus on store consolidation, as it replaced less profitable stores with more profitable and more prestigiously located ones. Coupled with the effect of CNE transformation, store profitability has been enhanced despite reduction in the total number of outlets.

E-commerce has quickly emerged in China in recent years and become the fastest-growing sales channel in the country, and its impact on traditional retail sales models has become increasingly evident. Upon judicious review, the Group has concluded that e-commerce can complement traditional sales channels in a positive manner and opportunities presented by e-commerce should not be ignored. E-commerce, as a borderless channel, can reach out to remote regions for direct access to more potential customers. The Group has resolved to transform its fashionable youth brand CNE to an online brand which attracts young customers who represent the core market for internet sales. Given experience in internet sales gained over the past three years, the Group believes that a solid foundation has been laid for the transformation of CNE.

During the year under review, the Group continued to invest in brand building and reinforce its brand awareness by inviting popular Asian movie star Mr. Louis Koo Tin Lok and the latest pop diva Miss Gloria Tang Tsz-kei (G.E.M.) to become the brand representatives of le saunda and CNE, respectively. Meanwhile, Linea Rosa, the high-end ladies' footwear brand, has been enjoying strong market recognition since its debut in August 2011. In view of this, the Group has planned to continue with the expansion of Linea Rosa retail outlets this year to meet market demands.

The Group enjoyed stable growth in revenue and profit for the past year despite the slowdown in macro-economic growth, thanks to higher operating efficiency, enhanced brand image and the Group's assured supply of footwear with premium quality and designs. As such, the Board remains optimistic about the medium to long-term prospects for the Group's development.

On behalf of the Board, I would like to express sincere gratitude to all shareholders and customers for their longstanding support and trust. Thanks are also due to our employees who have contributed to the Group's success through their hard work and dedication. I will continue to work with other members of the Board to guide the Group towards sustainable and healthy development amidst intense competition to deliver lasting and lucrative returns to shareholders.



James Ngai
Chairman

Hong Kong, 26 May 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OPERATING RESULTS

The Group is engaged in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and fashion accessories in Hong Kong, Macau and China under a vertically-integrated business model. The major proprietary brands of the Group include le saunda, le saunda MEN, Linea Rosa and CNE, which aim to appeal to diversified target customer groups with their distinctive product lines.

In the 2013/14 fiscal year, total revenue of the Group increased by 15.7% year-on-year to HK$2,039.4 million (2012/13: HK$1,762.4 million). Benefitting from an optimized product mix and cost control initiatives, consolidated gross profit rose by 19.9% to HK$1,368.4 million (2012/13: HK$1,141.1 million). The Group recorded an overall gross profit margin of 67.1%, representing a year-on-year improvement by 2.4 percentage points. The underlying profit attributable to equity holders of the Company, representing the performance of the Group's core footwear business, increased by 21.1% year-on-year to HK$185.1 million (2012/13: HK$152.8 million). Including other non-recurring items, consolidated profit attributable to equity holders of the Company rose by 60.3% to HK$287.2 million (2012/13: HK$179.1 million) compared to last year.

HK$ million	2013/14	2012/13	Change
Revenue	**2,039.4**	1,762.4	15.7%
Gross profit	**1,368.4**	1,141.1	19.9%
Gross profit margin	**67.1%**	64.7%	2.4 percentage points
Operating profit	**357.9**	233.8	53.1%
Consolidated profit attributable to equity holders	**287.2**	179.1	60.3%
Underlying profit attributable to equity holders	**185.1**	152.8	21.1%
Final dividend (HK cents)	**9.0**	8.7	3.4%
Special dividend (HK cents)	**11.0**	1.5	6.3 times
Annual dividend pay-out ratio	**60.1%**	50.7%	9.4 percentage points


FINANCIAL
REVIEW

FINANCIAL REVIEW

(CONTINUED)

GROSS PROFIT & PROFITABILITY ANALYSIS

During the year under review, the retail markets of Hong Kong and China remained weak. However, the Group has focused on the relatively stable mid-to-high-end footwear market for office ladies, where lower discount rates and less-frequent promotional activities are employed as compared to the market for low-to-mid-end products. Moreover, the Group has been consolidating its supply chain over the past two years to increase the weighting of replenishment orders and to boost the sales of new products by supplying more market-oriented merchandises. As a result, the Group recorded a gross profit of HK$1,368.4 million (2012/13: HK$1,141.1 million), representing a year-on-year growth of 19.9% that outpaced the growth rate of revenue. Gross profit margin was higher at 67.1%, an improvement of 2.4 percentage points compared to last year.

Selling and distribution expenses increased by 17.9% year-on-year to HK$882.8 million (2012/13: HK$748.9 million) and outpaced the growth rate of revenue. In terms of sales ratio, selling and distribution expenses accounted for 43.3% of total revenue (2012/13: 42.5%), representing an increase of 0.8 percentage point, attributable mainly to the increase of front-line sales staff's salary and department stores' concessionaire expenses. Most of the stores of the Group in China are located in department stores whose concessionaire rates are raised every year. During the year under review, the increase of concessionaire rate slowed down as compared to the prior year. Rental expenses for lease renewal in Hong Kong also experienced significant increase in the past year. During the year under review, advertising and promotional expenses accounted for 2.6% of revenue, decreasing by 0.3 percentage point compared to the prior year. During the year, popular Asian movie star Mr. Louis Koo Tin Lok and latest pop diva Miss Gloria Tang Tsz-kei (G.E.M.) were engaged to be the brand representatives of le saunda and CNE, respectively. The engagements have enjoyed positive response from the market, resulting in better brand recognition and higher retail sales, which partially offset the impact of increase in advertising expenses.

General and administrative expenses increased by 25.3% to HK$238.3 million (2012/13: HK$190.2 million) compared to last year. General and administrative expenses as a percentage of total revenue increased to 11.7% (2012/13: 10.8%), representing a year-on-year increase of 0.9 percentage point. During the year under review, the Group recruited more professional personnel and expanded its office and warehouse operations to meet the development of its existing business and e-commerce division.

FINANCIAL REVIEW
(CONTINUED)

Other gain grew by 3.1 times to HK$98.6 million (2012/13: HK$23.8 million). During the year under review, the Group disposed of a few properties in Hong Kong and booked net profit of HK$87.0 million. On the other hand, the revaluation gain on investment properties decreased by 62.3% to HK$6.1 million (2012/13: HK$16.2 million).

Driven by the growth in our core footwear business and other non-recurring gains, consolidated profit attributable to equity holders of the Company increased by 60.3% year-on-year to HK$287.2 million (2012/13: HK$179.1 million). Basic earnings per share increased by 60.3% year-on-year to HK44.92 cents (2012/13: HK28.02 cents). In return for the shareholders' trust and longstanding support, the Board recommended a final dividend of HK9.0 cents and a special dividend of HK11.0 cents per ordinary share (2012/13: a final dividend of HK8.7 cents). Together with the interim dividend of HK7.0 cents, the total dividend for this fiscal year was HK27.0 cents per ordinary share, representing a dividend payout ratio as high as 60.1% (2012/13: 50.7%).

INCOME TAX EXPENSE

During the year under review, income tax expenses amounted to approximately HK$78.3 million (2012/13: HK$61.9 million), representing an increase of 26.5% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for the Hong Kong business remains 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. As the weighting of profit contribution from our China business has been increasing, our effective income tax rate is expected to grow further.

In recognition of the Group's contributions to local economic development and the creation of job opportunities, the Group is entitled to some supportive and preferential policies by local governments in certain regions where the Group operates. The Group expects to credit certain local governmental incentives under "Other Income" for the fiscal year, although the overall tax rate will not be lowered. Taking into account the incentives of local governments, the effective tax rate of the Group was approximately 25.9% (2012/13: 24.0%).

FINANCIAL REVIEW
(CONTINUED)

INVENTORY & SUPPLY CHAIN MANAGEMENT

As at 28 February 2014, the Group's inventory balance was HK$483.6 million, up 3.0% from HK469.5 million as at the same date last year. Inventory turnover days remained at 220 days (28 February 2013: 220 days). A breakdown of inventory balance was as follows:

HK$ (million)	As at 28 February 2014	As at 28 February 2013	Changes in value	Changes in %
Raw materials and work-in-progress	**67.6**	74.9	(7.3)	(9.7%)
Finished goods	**416.0**	394.6	21.4	5.4%
Total	**483.6**	469.5	14.1	3.0%

During the year under review, the inventory of raw materials and work-in-progress decreased by 9.7% year-on-year, benefitting mainly from the more efficient supply chain. Inventory of finished goods increased slightly as compared to last year, and the growth pace was lower than that of total revenue, indicating inventory management was improved. Moreover, the Group continued to maintain strict control over the stock age of its inventory. As at 28 February 2014, approximately 82% of the Group's finished goods had a stock age of less than one year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 28 February 2014, the Group's cash and bank balance amounted to HK$696.2 million (28 February 2013: HK$435.7 million), an increase of 59.8% year-on-year. This was attributable to a one-off gains from the disposal of certain properties. Excluding the one-off gain, the cash and bank balance amounted to HK$594.6 million, representing an increase of 36.5% year-on-year. The quick ratio was 2.8 times (28 February 2013: 2.3 times). As at the fiscal year-end date, the Group had no bank loan (28 February 2013: HK$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 2014, 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

OVERALL RETAIL BUSINESS

During the year under review, retail business remained the Group's principal revenue contributor. Total revenue of the retail segment increased by 17.5% year-on-year to HK$2,028.0 million (2012/13: HK$1,726.0 million). The Group's retail business recorded growth both in China and Hong Kong and Macau, which was attributable mainly to continuing improvements in single-store performance. For the year under review, our same-store sales grew by 13.8% (2012/13: 6.1%). The contribution of the retail business to the Group's total revenue was increased to 99.4%, while the export business was further phased out.

Consolidated Revenue	Year ended 28 February 2014 (HK$ million)	% of Total	Year ended 28 February 2013 (HK$ million)	% of Total	Year-on-year Growth (%)
Retail business:					
China	**1,793.5**	**87.9%**	1,519.6	86.2%	18.0
Hong Kong and Macau	**234.5**	**11.5%**	206.4	11.7%	13.6
Retail Sub-total	**2,028.0**	**99.4%**	1,726.0	97.9%	17.5
Export	**11.4**	**0.6%**	36.4	2.1%	(68.8)
Group's Total Revenue	**2,039.4**	**100.0%**	1,762.4	100.0%	15.7

RETAIL NETWORK

The China market remained the focus of the Group's retail business. As at 28 February 2014, the Group had a retail network comprising 928 outlets in China, Hong Kong and Macau, representing a net reduction of 56 outlets compared to the same date of the prior year. This was attributable to the restructuring of CNE brand under which CNE stores were gradually closed when related leases expired. In order to increase single store performance, the core brand le saunda not only opened new stores with good potential, but also closed down those underperforming stores.

BUSINESS REVIEW
(CONTINUED)

RETAIL NETWORK (CONTINUED)

As at 28 February 2014, the retail network breakdown by region was as follows:

Number of Outlets by Region	Self-owned	(Year-on-year change)	Franchise	(Year-on-year change)	Total	(Year-on-year change)
China	739	(–56)	167	(–3)	906	(–59)
• Northern, Northeastern & Northwestern Regions	187	(–2)	100	(–4)	287	(–6)
• Eastern Region	225	(–24)	2	(–)	227	(–24)
• Central and Southwestern Regions	138	(–)	49	(+3)	187	(+3)
• Southern Region	189	(–30)	16	(–2)	205	(–32)
Hong Kong and Macau	22	(+3)	—	—	22	(+3)
Total	761	(–53)	167	(–3)	928	(–56)

PRODUCT MIX

Ladies' footwear remained the major revenue contributor and growth engine by product category. During the year under review, revenue from ladies' footwear grew by 19.1% year-on-year and accounted for 78.6% of the Group's retail revenue, representing an year-on-year increase of 1.2 percentage points. Revenue from men's footwear rose by 7.2% year-on-year but its share of the Group's retail revenue declined slightly to 12.8%. Meanwhile, sales revenue from handbags and accessories increased by 17.0% year-on-year, which was attributable to the Group's increased supply of handbags with greater variety in designs.

Product Category	Year-on-year Growth (%)	Sales Mix for the year ended 28 February 2014 (%)	Sales Mix for the year ended 28 February 2013 (%)	Change
Ladies' Footwear	19.1	**78.6**	77.4	1.2 percentage points
Men's Footwear	7.2	**12.8**	14.0	(1.2) percentage points
Handbags and Accessories	17.0	**8.6**	8.6	—
Total		**100.0**	100.0	

BUSINESS REVIEW
(CONTINUED)

CHINA

In 2013, China's GDP growth was 7.7%, the lowest growth rate reported for more than a decade. Total retail sales of consumer goods grew at a nominal rate of 13.1% while urban disposal income per capita increased by 9.7% year-on-year. The further slowing down of growth rates indicated continued weakness in the retail market, resulting in a difficult operational environment for retailers. Notwithstanding, the Group reported a year-on-year increase of 18.0% to HK$1,793.5 million in retail sales in China, thanks to its strategies introduced two years ago to stay focused on its core business with a special emphasis on improving single store performance and leveraging its brand awareness. This sales growth was attributable mainly to three factors: Firstly, store optimization was conducted to phase out stores with low single-store profitability, resources were re-allocated to stores with sound performance to attain stronger single-store profitability and more effective deployment of staff and products. Secondly, product supply was enhanced and continuous improvements were made to the supply chain through several measures, such as reducing the weighting of first orders and supplying popular items on an ongoing basis, which was the main reason of the substantial increase in gross profit margin. Moreover, a product planning team was in place to add new varieties to best-selling items, ensuring that trendy elements were featured to enhance creativity in style. Thirdly, we have focused on the development of our three main brands through enhancement of the uniqueness of their brand positioning in the market.

As at the end of the year under review, the core brand le saunda had 665 outlets, representing an addition of 53 outlets as compared to that of last year. The total number of stores of le saunda MEN was 88, which was 18 less as compared to that of last year. Enjoying strong market recognition since its launch more than 2 years ago, Linea Rosa, our high-end fashion brand, operated 23 outlets in various prime shopping malls as at the end of the year under review.

HONG KONG AND MACAU

During the year under review, Mainland tourists under the Individual Visit Scheme remained a major driving force for Hong Kong's retail market, although they appeared to be more cautious in spending. Notwithstanding, the Group reported solid performance in its retail businesses in Hong Kong and Macau, with sales rising by 13.6% year-on-year to HK$234.5 million, driven mainly by sales from outlets in tourist areas such as in Tsimshatsui. During the year under review, 3 new outlets were opened in Hong Kong and Macau to take the total number of outlets to 22, including 9 street stores and 13 stores located in shopping malls.

BUSINESS REVIEW
(CONTINUED)

E-COMMERCE BUSINESS

E-commerce has quickly emerged in China in recent years. According to statistics announced by the PRC Ministry of Commerce, online purchases in China grew by 31.9% in 2013, a growth rate significantly higher than that of physical purchases. The Group's e-commerce business has developed rapidly since its debut three years ago and the Group has already accumulated considerable experience in online sales. Revenue from our e-commerce business for the year under review increased by over 117% year-on-year.

Transformation of CNE into an online brand

The Group is well aware that social networking platforms and shopping websites will have an impact on future consumption patterns and distribution channels. To build up an online brand will inevitably compromise the offline sales operations. In line with its decision to develop its e-commerce operation vigorously, the Group has resolutely closed its physical CNE stores. During the year under review, there was a net closure of 105 CNE outlets. As at the end of February this year, there were 57 CNE outlets, which are planned to be closed in the coming year.

New CNE products were launched online at competitive prices, with the aim of passing the saved operating cost to end-consumers and allowing customers to buy premium genuine leather shoes at bargain prices. The new CNE adopted a fast fashion model to maintain continuous supply of new products to the market. The same marketing strategies were applied to online and offline operations, with the aim of directing online consumers to offline stores and ultimately achieving mutually supportive development for both online and offline operations. On February 14, the new CNE was relaunched on the electronic platform and received overwhelming response. In April this year, the Group transformed its CNE store at May Flower Plaza in Guangzhou to greet customers in a new image, providing online and offline services simultaneously.

E-commerce business of le saunda

Since starting e-commerce business in 2011, the Group has focused on cooperation with sophisticated platforms. This business model not only secured customer base from the platforms but also allowed the Group to deploy its resources more efficiently. As a result, the e-commerce business has contributed considerable growth in profit in the last three years. In fiscal year 2013/14, e-commerce sales, derived mainly from the le saunda brand, grew by 117%. Offline outlets will remain the core channel for le saunda, although the development of online channels is set to become the prevailing trend, which will be conductively exploring markets in remote cities and townships in future. To mitigate the impact of e-commerce on the offline business, the Group has enhanced exclusive designs for e-commerce and supplied different styles for the online and offline markets, with a view to avoiding a cannibal effect on both business models.

BUSINESS REVIEW
(CONTINUED)

EXPORT BUSINESS

For the year under review, the Group's overall export revenue decreased substantially by 68.8% to HK$11.4 million (2012/13: HK$36.4 million), which accounted for 0.6% of the Group's total revenue (2012/13: 2.1%). The drop was mainly attributable to the Group's move to focus on its retail business.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES

The further slowdown in China's economic growth in the past year signifies the end of a high-growth period for the retail sector. Traditional department stores are losing their customers, so retailers must enhance their competitiveness instead of resorting to the opening of new stores to achieve growth. The Group remains cautiously optimistic about the coming year, with the view that opportunities always exist amid crises. In the face of adverse business conditions, we must enhance our competitiveness in order to foster a firm foundation for sustainable and stable development in the future. As such, the Group will continue to focus on the healthy development of its three major brands in adherence to the principle of offering shoes of superb quality and attractive styles, optimizing its management structure and improving its efficiency in a dedicated effort to sustain long-term stable growth in its core businesses.

BRAND PLANNING

The Group focuses on the development of its three main brands and enhances the uniqueness of their brand positioning in the market to maintain its competitive edge. Famous movie stars have been invited to become brand representatives of le saunda to highlight its brand positioning for elites; while trendy pioneers and fashion models have been invited to exchange design ideas with our trendsetter brand, Linea Rose, and CNE has been transformed into a fast fashion model offering quality products at reasonable prices.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES (CONTINUED)

BRAND PLANNING (CONTINUED)

As the core brand of the Group, le saunda has always enjoyed a sound reputation in the mid-to-high-end market. As the Group has successfully been transformed from a retailer to a brand operator, the brand value of le saunda brand has enhanced its customer loyalty, and its ladies' and men's series have both won wide market recognition as a result. In the coming year, le saunda will continue to optimize its product mix and increase the sales of popular items at higher margin. Further efforts will be made in store optimization to enhance single-store performance, while we will continue to increase brand recognition by leveraging the celebrity effect. In connection with channel development, with a view to optimizing the operating system and improving marketing efficiency, the weighting of self-owned outlet will be increased in future. Though department stores have been undergoing a difficult period in recent years, department stores remain a key offline channel for our expansion into second- and third-tier cities. Meanwhile, the Group will also establish multi-brands shops in shopping malls in first-tier cities to showcase a better brand image and a wide range of products. Currently, our e-commerce sales is mainly from the le saunda brand, which is conducive to e-commerce business development because of its nationwide reputation. The Group is aware that offline business will remain the principal source of profit, therefore exclusive series are developed for online business to increase product differentiation from the offline business, with a view to achieving mutually beneficial development of both online and offline operations.

le saunda MEN has elevated its positioning as a mild luxury brand for fashionable urban elites and enhanced its most comfortable business series that highlights the shrewdness of successful businessmen. The brand does not have many direct competitors in the market. The brand recognition has been enhanced following the invitation of celebrities as brand representatives since the Fall/Winter season of 2012, complemented by various types of fashion shows. In 2013, the Group completed the design of new store image for le saunda MEN, which has further enhanced the uniqueness and flair of the brand. In the future, le saunda MEN's outlets will welcome its patrons in the new image and enhance its business elite and casual footwear series with higher quality, underpinning bright prospects for the development of men's footwear segment.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES (CONTINUED)

BRAND PLANNING (CONTINUED)

The rapid development of e-commerce and the changing patterns of consumption are threatening sales of local brands in physical stores, with a particularly profound impact on mid-to-low-end brands. With the belief that opportunities always exist amid crises and that boundless opportunities are available online, the Group has resolved to convert its mid-end brand CNE to an internet-oriented brand with the aim of delivering maximum long-term benefits to shareholders. The new CNE has been relaunched in a young and fashionable image, offering genuine leather products with superb quality at attractive prices. Apart from online sales on large e-commerce platforms, we are also targeting to open physical image stores at shopping malls in first-tier cities, aiming to direct online customers to offline stores, or even attaining the mutually beneficial development of both online and offline operations.

Since its launch in the Fall/Winter season of 2011, Linea Rosa, our high-end fashion brand, has been well received by the market and a loyal customer base has been formed. As at the end of February 2014, there were 26 Linea Rosa outlets, which reported the highest single-store sales growth among all brands of the Group. The Group is of the view that Linea Rosa has grown into a mature name in terms of brand recognition and market perception. Given the fact that an offline operation is more favourable for high-end brands, Linea Rosa will be mainly involved in the offline business in the future, and will open self-owned outlets in premium department stores and shopping malls.

OPTIMIZING MANAGEMENT STRUCTURE AND ENHANCING OPERATING EFFICIENCY

Following a range of reforms over the past two years, the Group has reported satisfactory same-store sales growth for six consecutive quarters. In the future, the Group will continue to consolidate its reforms and enhance its core competitiveness to achieve long-term development of its core footwear business.

Our business focus for the coming year will remain on store optimization and improvement of single-store performance. Meanwhile, leveraging the restructuring of CNE brand, the Group will commit strong efforts to the development of online sales, with the aim of achieving parallel development of physical stores and e-commerce.

FUTURE OUTLOOK AND LONG-TERM STRATEGIES (CONTINUED)

OPTIMIZING MANAGEMENT STRUCTURE AND ENHANCING OPERATING EFFICIENCY (CONTINUED)

Product and inventory management is crucial for the success of a fashion brand. The Group has always adhered to the principle of offering products with superb quality and attractive styles. To achieve a continuous improvement of product quality, we have always emphasized the importance of enhancing production skills and quality control. Having delivered satisfactory results on the back of merchandising reforms in last year, the Group will continue in the future to strengthen its product and inventory management. Through product development and segmented product offerings, the Group aims to increase sales by supplying products that the market demands. By these means, gross profit should be increased, inventory mix should become more healthy with shortened inventory turnover days.

The Group has always regarded its brands as long-term assets and has been constantly committed to the enhancement of market awareness and recognition for its existing brands. The Group will continue to improve its three leading brands' added value, uniqueness and differentiation, in a bid to increase the brands' influence and customer loyalty so as to become consumers' first choices for premium footwear.

Though the macro-economy remains weak with little signs of recovery in the retail markets in Hong Kong and the PRC, the Group believes that a vision for the future, a clear development direction, high-calibre personnel, premium products, and an updated management framework will be the key to success. In the coming year, the Group will assess the abilities of various internal systems to support its future development, especially in relation to the IT system, production capacity & supply chains and middle management training system. The Group will persist in ongoing optimization and pursue healthy and sustainable development in line with its principle of "conservative development and steady progress".

PLEDGE OF ASSETS

As at 28 February 2014, bank deposits of HK$3.0 million (28 February 2013: HK$2.9 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 (28 February 2013: HK$230.0 million), of which HK$5.6 million (28 February 2013: HK$9.4 million) was utilised as at 28 February 2014.

DIVIDEND

The Board has recommended to declare a final dividend of HK9.0 cents and a special dividend of HK11.0 cents per ordinary share for the year ended 28 February 2014 (2013: a final dividend of HK8.7 cents) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 15 July 2014. The final dividend and the special dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company and is expected to be paid on or around Wednesday, 23 July 2014.

The Board declared the payment of an interim dividend of HK7.0 cents per ordinary share for the six months ended 31 August 2013 (2012/13: interim dividend of HK4.0 cents and special dividend of HK1.5 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2014, the Group had a staff force of 5,446 people (28 February 2013: 5,453 people). Of this number, 187 were based in Hong Kong and Macau and 5,259 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 2014, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$454.5 million (2013: HK$378.0 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 35 and 36 and the particulars are set out in note 10 to the Consolidated Financial Statements in accordance with Appendix 16 to the Listing Rules.)

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Lau Shun Wai, aged 43, 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) with distinction 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 20 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. Since 2012, Ms. Lau is a member of Young Presidents' Organization. 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 54, 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 31 years of professional experience in human resources management for Hong Kong and Mainland China operations, of which the past 21 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 44, 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 22 years of retail experience in Hong Kong and Mainland China.

An You Ying, aged 44, 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 two subsidiaries of the Company. Ms. An is responsible for the Group's retail business operations in the Eastern and Northern regions of Mainland China and the business management in Northeastern region of Mainland China. Ms. An holds a Master's degree in Business Administration from Dong Hua University in Shanghai, China. She has over 17 years of retail experience in Mainland China.

NON-EXECUTIVE DIRECTORS

James Ngai, aged 51, joined the Group in March 2011. He is Non-Executive Director of the Company, the Chairman of the board of the Company (the "Board") and a member of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Board. 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 80, founder of the Group. He is Non-Executive Director of the Company and acts as a director of certain subsidiaries of the Company. With more than 35 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 the father of Mr. Li Wing Yeung, Peter, who is a senior management of the Company. He is a director of Stable Gain and Stable Profit Holdings Limited, both of which have 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 65, 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 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 24 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, Lifestyle Properties Development Limited and Kiu Hung Energy Holdings Limited, the shares of which are listed on the Stock Exchange.

Leung Wai Ki, George, aged 56, 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 26 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 65, 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 48, 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 19 years of experience in audit and accounting. Prior to joining the Group, he was the financial controller of a machinery manufacturer listed on the Stock Exchange.

Li Jing Bo, aged 44, first joined the Group in 1992 and left the Group in October 2001. He re-joined the Group in June 2008. He is General Manager, China (Business Development and Franchise Business) of the Group. He is responsible for the Group's business development and franchise business in Mainland China and the business management in the Central, Northwestern and Southwestern regions of Mainland China. Mr. Li graduated from Wuhan University and majored in public relations. He has over 22 years of experience in business development and retail management in Mainland China.

Li Wing Yeung, Peter, aged 55, joined the Group in January 2000. He is Factory Manager of Shunde Production Plant of the Group and acts as a director of certain subsidiaries of the Company. He is responsible for the Group's production management. Mr. Li has over 8 years of experience in factory's production management. He is the son of Mr. Lee Tze Bun, Marces, a Non-Executive Director of the Company.

Li Ying Ying, aged 45, joined the Group in September 1997. She is General Manager (Southern China) of the Group and is responsible for the Group's retail business operations in the southern region of Mainland China. Ms. Li has over 17 years of retail experience in Mainland China.

Xiao Kun Min, aged 39, joined the Group in March 2004. She is General Manager (Southwestern China) of the Group and is responsible for the Group's retail business operations in southwestern region of Mainland China. Ms. Xiao has over 18 years of retail experience in Mainland China.

SENIOR MANAGEMENT (CONTINUED)

Liu Shu Fang, aged 40, joined the Group in June 2007. She is Assistant General Manager (Central China) of the Group and is responsible for the Group's retail business operations in central region (Hunan and Hubei) of Mainland China. Ms. Liu has over 15 years of experience in retail management and operation in Mainland China.

Yang Xiao Hui, aged 36, joined the Group in February 2012. He is Director of e-Commerce of the Group and is responsible for the e-commerce business operation of the Group's le saunda brand. Mr. Yang has over 15 years of experience in online brand development and e-commerce business management.

Yang Xue Mei, aged 35, joined the Group in November 2013. She is Director of e-Commerce (CNE) of the Group and is responsible for the e-commerce business operation of the Group's CNE brand. Ms. Yang has over 6 years of e-commerce business experience.

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 Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to 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 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 15 July 2013.

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 2014 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)*
Mr. Lee Tze Bun, Marces ("Mr. Lee")

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

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, both Mr. Lee and Mr. Ngai are the directors of Stable Gain Holdings Limited ("Stable Gain"), a controlling shareholder of the Company. The entire issued share capital of Stable Gain was 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. Since 21 March 2014, the entire issued share capital of Stable Gain is registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited which acts as trustee of Lee Tze Bun Family Trust, a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder. Mr. Lee is also the sole director of Stable Profit.

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.

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

During the year and up to the date of this report, the Company has three Independent Non-Executive Directors representing not less than one-third of the Board. Mr. Lam Siu Lun, Simon, one of the Independent Non-Executive Directors, 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 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, 7 physical Board meetings were held and 6 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 38 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.

BOARD OF DIRECTORS (CONTINUED)

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, all Directors pursued continuous professional development and relevant details are set out below:

Name of Directors	Types of training
Executive Directors:	
Ms. Lau Shun Wai	B
Ms. Wong Sau Han	A, B
Ms. Chu Tsui Lan	B
Ms. An You Ying	B
Non-Executive Directors:	
Mr. James Ngai	A, B
Mr. Lee Tze Bun, Marces	B
Independent Non-Executive Directors:	
Mr. Lam Siu Lun, Simon	A, B
Mr. Leung Wai Ki, George	B
Mr. Hui Chi Kwan	A, B

Remarks:

A — Attending seminars/conferences/forums
B — Reading journals/updates/articles/materials

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.

BOARD OF DIRECTORS (CONTINUED)

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 44 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. Ngai, being the Chairman of the Board, 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 are 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 2014 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 5 physical meetings together with the external auditors and/or internal auditors. The Chairman of the Board, the Executive Director and Chief Financial Officer were invited to attend the meetings. The attendance records of each member are set out on page 38 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 2014 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.

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 1 physical meeting. The attendance records of each member are set out on page 38 of this report. In the meeting, the Remuneration Committee (i) reviewed the remuneration of the Executive Directors and senior management of the Company; (ii) approved performance-based remuneration with reference to the corporate goals and objective resolved by the Board and/or the senior management from time to time; and (iii) ensured that no Director or senior management or any of his/her associates was involved in deciding his/her own remuneration. Details 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 (as amended) since 19 March 2012. As at 28 February 2014 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 38 of this report. In the meeting, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; (iii) made recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting; and (iv) recommended implementing a board diversity policy to provide procedures and criteria for selection of candidates for directorship.

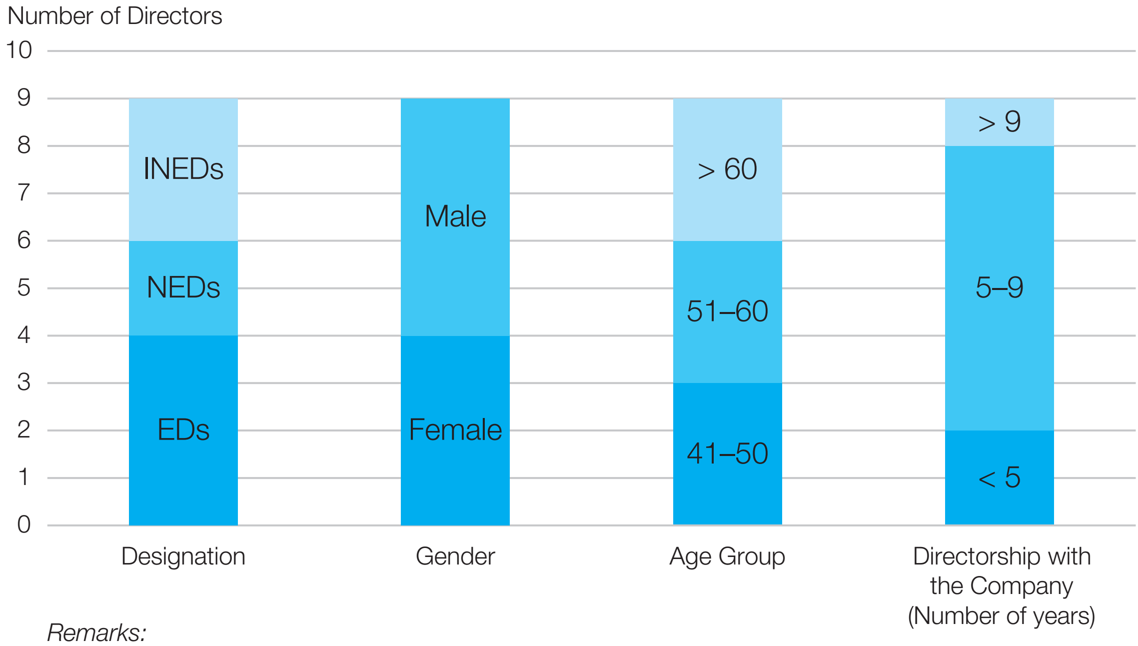
BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The Board adopted a board diversity policy with the aim of achieving diversity on the Company's board of directors in August 2013. The Company recognizes the benefits of having a diverse Board, and sees diversity of perspectives at the Board level as essential in achieving a sustainable and balanced development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills, knowledge, industry experience and expertise. All Board appointments are based on meritocracy, and candidates will be considered against a variety of criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board of Directors for examination and approval.

The Board contains individuals who have diverse educational background, professional experience, skills, knowledge, industry experience and expertise. Coming from diverse business and professional backgrounds, the Non-Executive Directors actively bring their valuable experience to the Board for promoting the best interests of the Company and the Shareholders. On the other hand, the Independent Non-Executive Directors contribute to ensuring that the interests of all Shareholders of the Company are taken into account by the Board and that relevant issues are subject to objective and dispassionate consideration by the Board. The biographical details of the Directors are set out on pages 26 to 28 of this report. In implementing the board diversity policy, the Board aims to have a balanced composition in each of the following areas in the graph below, but recognizing at the same time that all Board appointments must be based on meritocracy having regard to the best interests of the Company and the Shareholders.

The following graph provides an analysis on the composition of the Board:



Remarks:
ED — Executive Directors
NED — Non-Executive Directors
INED — 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 2014 are set out below:

		Number of physical meetings attended/held during his/her tenure				
	Notes	Board	Audit Committee	Remuneration Committee	Nomination Committee	2013 AGM
Executive Directors:						
Ms. Lau Shun Wai	1	7/7	5/5	N/A	N/A	1/1
Ms. Wong Sau Han	2	7/7	N/A	1/1	N/A	1/1
Ms. Chu Tsui Lan		6/7	N/A	N/A	N/A	1/1
Ms. An You Ying		6/7	N/A	N/A	N/A	1/1
Non-Executive Directors:						
Mr. James Ngai	3	7/7	5/5	1/1	1/1	1/1
Mr. Lee Tze Bun, Marces		2/7	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:						
Mr. Lam Siu Lun, Simon		7/7	5/5	1/1	1/1	1/1
Mr. Leung Wai Ki, George		5/7	5/5	1/1	1/1	1/1
Mr. Hui Chi Kwan		6/7	5/5	1/1	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 meeting as an invitee.

3. Mr. Ngai attended the Audit Committee meetings as an invitee.

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;

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

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

CORPORATE GOVERNANCE FUNCTIONS (CONTINUED)

(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 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 2014, 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 consistently, 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 60 to 61 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 2014, 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$1,751,000 (2013: HK$1,700,000) and HK$31,000 (2013: HK$30,000) 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 2014 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 year, 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, provided reports to the Audit Committee with highlighting observations and recommendations to improve the internal control system. The Audit Committee 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.

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 than 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.

SHAREHOLDERS' RIGHTS (CONTINUED)

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
Facsimile: (852) 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 Shareholders, 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 2014.

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") its report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 28 February 2014.

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 2014 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 2014 are set out in the consolidated income statements on page 62 of this report.

The Board declared an interim dividend of HK7.0 cents (2012/13: interim dividend of HK4.0 cents and special dividend of HK1.5 cents) per ordinary share for the year ended 28 February 2014, totaling approximately HK$44,752,000, which was paid on 25 November 2013.

The Board recommends the payment of a final dividend of HK9.0 cents and a special dividend of HK11.0 cents (2013: final dividend of HK8.7 cents) per ordinary share, totaling approximately HK$127,863,000 in respect of the year ended 28 February 2014 (2013: HK$55,620,000).

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on page 135 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 27 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 29 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 136 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

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 *(Chairman)*
Mr. Lee Tze Bun, Marces

Independent Non-Executive Directors

Mr. Lam Siu Lun, Simon
Mr. Leung Wai Ki, George
Mr. 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 29 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Bye-Laws, Ms. Lau Shun Wai, Ms. Chu Tsui Lan and Mr. Lam Siu Lun, Simon shall 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.

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, the service contracts of Mr. Leung Wai Ki, George, Mr. Hui Chi Kwan and Mr. Lam Siu Lun, Simon, all of them are Independent Non-Executive Directors, were renewed for 2 years' fixed term with effect from 1 November 2013, 26 November 2013 and 16 January 2014 respectively. 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 SHAREHOLDERS' INTERESTS IN CONTRACTS

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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directorship and other changes in the information of the Directors of the Company are set out below:

Name of Directors	Details of change
Non-Executive Director:	
Mr. Lee Tze Bun, Marces	• Since 21 March 2014, the entire issued share capital of Stable Gain Holdings Limited ("Stable Gain"), a controlling shareholder of the Company, is registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acts as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder. Prior to this, the entire issued share capital of Stable Gain was registered in 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
	• Appointed as a director of Stable Profit, being a controlling shareholder of the Company, with effect from 13 November 2013
Independent Non-Executive Directors:	
Mr. Lam Siu Lun, Simon	• Appointed on 26 August 2013 as an independent non-executive director of Lifestyle Properties Development Limited, a company listed on the Stock Exchange (stock code: 2183)
	• Renewed service contract of the Company with 2-years' fixed term commencing on 16 January 2014 and ending on 15 January 2016
Mr. Leung Wai Ki, George	• Renewed service contract of the Company with 2-years' fixed term commencing on 1 November 2013 and ending on 31 October 2015
Mr. Hui Chi Kwan	• Renewed service contract of the Company with 2-years' fixed term commencing on 26 November 2013 and ending on 25 November 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 2014, the interests and short positions of the Directors and chief executive 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")	41,250,000	–	30,684,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	276,934,000	43.31%
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")	2,300,000	–	–	–	2,300,000	0.35% *(Note 6)*
Ms. An You Ying ("Ms. An")	700,000	–	–	–	700,000	0.10% *(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.

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)

3. 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, 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. Since 21 March 2014, the entire issued share capital of Stable Gain is registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acts as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder. Mr. Lee is also the sole director of Stable Profit.

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 2,300,000 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 0.35% to 1.19% of the issued share capital of the Company including number of Shares in relation to such exercise.

7. Ms. An personally held 700,000 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 0.10% to 0.49% 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.

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)

(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

Name of Directors	Date of share options granted (Notes 1 & 2)	Number of Shares: Balance as at 1 March 2013	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 28 February 2014	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	1,166,000	–	–	–	–	1,166,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	1,166,000	–	–	–	–	1,166,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	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	466,000	–	–	–	–	466,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	466,000	–	–	–	–	466,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	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	800,000	–	–	–	–	800,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	800,000	–	–	–	–	800,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	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	333,000	–	–	–	–	333,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	333,000	–	–	–	–	333,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	334,000	–	–	–	–	334,000	2.404	10 July 2016– 9 July 2022
TOTAL		20,800,000	–	–	–	–	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 2014, none of the Directors or chief executive (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 2014, (a) none of the Directors nor the chief executive 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 2014, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the following persons or corporations (other than the Director or chief executive of the Company) had 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. Since 21 March 2014, the entire issued share capital of Stable Gain is registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acts as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee is the founder and an eligible beneficiary thereunder. Mr. Lee is also the sole director of Stable Profit.

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 2014, the Company had not been notified of any other persons (other than the Directors or chief executive 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 30,790,000 Shares, representing approximately 4.82% 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 2014 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 2013	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 28 February 2014	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	2,765,000	–	–	–	–	2,765,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	2,765,000	–	–	–	–	2,765,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	2,770,000	–	–	–	–	2,770,000	2.404	10 July 2016– 9 July 2022
Directors Sub-total		20,800,000	–	–	–	–	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	3,005,000	–	–	–	166,000	2,839,000	2.404	10 July 2014– 9 July 2022
	10 July 2012	3,005,000	–	–	–	166,000	2,839,000	2.404	10 July 2015– 9 July 2022
	10 July 2012	3,030,000	–	–	–	168,000	2,862,000	2.404	10 July 2016– 9 July 2022
Employees Sub-total		10,640,000	–	–	–	500,000	10,140,000		
Total		31,440,000	–	–	–	500,000	30,940,000		

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 21 January 2013 (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 2013 and ending on 28 February 2015. The amount payable by Le Saunda Calcado under the Macau Lease was 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. 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 2014 was HK$3,456,000.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(2) Pursuant to a tenancy agreement dated 21 January 2013 (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 2013 and ending on 28 February 2015. The amount payable by Le Saunda Business under the Guangzhou 3504 Lease was the aggregate of (i) the rent of approximately RMB11,133 (equivalent to approximately HK$14,104) per month or approximately RMB133,596 (equivalent to approximately HK$169,247) 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$33,112) 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 was used as office premises for the Group's operation in the PRC.

The Guangzhou 3504 Lease was terminated with effect from 1 November 2013. The total amount of rent paid by the Group to Genda Investment under the Guangzhou 3504 Lease for the year ended 28 February 2014 was RMB89,063 (equivalent to approximately HK$112,830).

(3) Pursuant to a tenancy agreement dated 21 January 2013 (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 2013 and ending on 28 February 2015. The amount payable by Le Saunda Business under the Guangzhou 3005–3009 Lease was the aggregate of (i) the rent of approximately RMB62,954 (equivalent to approximately HK$79,754) per month or approximately RMB755,448 (equivalent to approximately HK$957,047) 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$187,250) 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.

The total amount of rent paid by the Group to Super Billion under the Guangzhou 3005–3009 Lease for the year ended 28 February 2014 was approximately RMB755,448 (equivalent to approximately HK$957,047).

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(4) 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. Ngai are the directors, and L.S. Retailing Limited ("L.S. Retailing"), an indirect wholly-owned subsidiary of the Company, 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 was 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 was used for parking a lorry of the Group.

The Car Park V09 Lease was terminated with effect from 1 January 2014. The total amount of rent (inclusive of management fee, government rent and rates) paid by the Group to Dragon Venture under the Car Park V09 Lease for the year ended 28 February 2014 was HK$32,000.

(the Macau Lease, the Guangzhou 3504 Lease, the Guangzhou 3005–3009 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$1.26686.

* *For identification purpose only*

The aggregate rent paid by the Group to Mr. Lee, Genda Investment, Super Billion and Dragon Venture under the 2013 Lease Agreements was approximately HK$4,557,877 for the year ended 28 February 2014.

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$4,557,877 and HK$4,413,047 for each of the financial years of the Company ending 28 February 2014 and 28 February 2015 respectively 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 2013 Lease Agreements were disclosed in the Company's announcements dated 21 January 2013. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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 55 to 58 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).

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 2014.

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 2.4% of the total sales for the year and sales to the largest customer included therein amounted to 0.7%. Purchases from the Group's five largest suppliers accounted for approximately 26.0% of the total purchases for the year and purchases from the largest supplier amounted to 8.0%.

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 30 to 42 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 2014 have been audited by Messrs. PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming AGM.

By Order of the Board
James Ngai
Chairman

Hong Kong, 26 May 2014

Independent Auditor's Report

pwc

羅兵咸永道

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 62 to 134, which comprise the consolidated and company balance sheets as at 28 February 2014, 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.

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

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 2014, 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, 26 May 2014

Consolidated Income Statement

	Note	Year ended 28 February 2014 HK$'000	28 February 2013 HK$'000
Revenue	5	**2,039,419**	1,762,406
Cost of sales	7	**(671,012)**	(621,289)
Gross profit		**1,368,407**	1,141,117
Other income, net	6	**11,992**	8,065
Other gains, net	6	**98,573**	23,769
Selling and distribution expenses	7	**(882,785)**	(748,926)
General and administrative expenses	7	**(238,309)**	(190,205)
Operating profit		**357,878**	233,820
Net finance income	8	**8,463**	6,247
Share of profit of a joint venture	19	**566**	551
Profit before income tax		**366,907**	240,618
Income tax expense	11	**(78,274)**	(61,863)
Profit for the year		**288,633**	178,755
Profit attributable to:			
— equity holders of the Company		**287,150**	179,134
— non-controlling interest		**1,483**	(379)
		288,633	178,755
Earnings per share attributable to the equity holders of the Company (express in HK cents)			
— Basic	13	**44.92**	28.02
— Diluted	13	**44.67**	28.01
Dividends	14	**172,615**	90,782

The notes on pages 69 to 134 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 28 February 2014 HK$'000	28 February 2013 HK$'000
Profit for the year	**288,633**	178,755
Other comprehensive income for the year, net of tax		
Items that will not be reclassified to profit or loss		
— Revaluation gain on investment properties	**—**	94
— Actuarial losses on retirement benefit obligation	**(38)**	—
Item that will be reclassified to profit or loss		
— Currency translation differences	**8,449**	5,335
Total comprehensive income for the year	**297,044**	184,184
Total comprehensive income for the year, attributable to:		
— equity holders of the Company	**295,411**	184,420
— non-controlling interest	**1,633**	(236)
	297,044	184,184

The notes on pages 69 to 134 are an integral part of these financial statements.

Consolidated Balance Sheet

	Note	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000
ASSETS			
Non-current assets			
Investment properties	15	**91,586**	89,563
Property, plant and equipment	16	**218,996**	237,589
Land use rights	17	**26,818**	32,629
Long-term deposits and prepayments		**15,141**	18,137
Interest in a joint venture	19	**36,137**	35,112
Interest in and amount due from an available-for-sale financial asset	20	**–**	–
Deferred tax assets	21	**56,627**	51,807
		445,305	464,837
Current assets			
Inventories	22	**483,568**	469,492
Trade and other receivables	23	**198,647**	198,837
Deposits and prepayments		**46,401**	41,618
Cash and bank balances	25	**696,211**	435,661
		1,424,827	1,145,608
Non-current assets classified as held-for-sale		**6,963**	–
		1,431,790	1,145,608
Total assets		**1,877,095**	1,610,445
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	**63,931**	63,931
Reserves			
Proposed dividend	29	**127,863**	55,620
Others	29	**1,308,343**	1,170,643
		1,500,137	1,290,194
Non-controlling interest		**13,471**	11,838
Total equity		**1,513,608**	1,302,032

	Note	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	**38,280**	31,743
Current liabilities			
Trade payables and accruals	26	**262,097**	217,773
Amount due to a joint venture	19	**34,119**	37,419
Current income tax liabilities		**28,991**	21,478
		325,207	276,670
Total liabilities		**363,487**	308,413
Total equity and liabilities		**1,877,095**	1,610,445
Net current assets		**1,106,583**	868,938
Total assets less current liabilities		**1,551,888**	1,333,775

James Ngai
Chairman

Lau Shun Wai
Director

The notes on pages 69 to 134 are an integral part of these financial statements.

Balance Sheet

	Note	As at 28 February 2014 HK$'000	As at 28 February 2013 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	**767,012**	653,033
Current assets			
Other receivables	23	**217**	217
Cash and bank balances	25	**2,441**	2,183
		2,658	2,400
Total assets		**769,670**	655,433
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	**63,931**	63,931
Reserves			
Proposed dividend	29	**127,863**	55,620
Others	29	**577,317**	535,361
Total equity		**769,111**	654,912
LIABILITIES			
Current liabilities			
Accruals	26	**559**	521
Total liabilities		**559**	521
Total equity and liabilities		**769,670**	655,433
Net current assets		**2,099**	1,879
Total assets less current liabilities		**769,111**	654,912

James Ngai
Chairman

Lau Shun Wai
Director

The notes on pages 69 to 134 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 2012	63,931	1,119,753	1,183,684	12,299	1,195,983
Comprehensive income					
Profit/(loss) 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
Balance at 1 March 2013	63,931	1,226,263	1,290,194	11,838	1,302,032
Comprehensive income					
Profit for the year	—	287,150	287,150	1,483	288,633
Other comprehensive income					
Currency translation differences	—	8,299	8,299	150	8,449
Actuarial losses on retirement benefit obligation	—	(38)	(38)	—	(38)
Total comprehensive income for the year	—	295,411	295,411	1,633	297,044
Transactions with owners					
Share option scheme:					
— value of service provided	—	14,904	14,904	—	14,904
Dividends	—	(100,372)	(100,372)	—	(100,372)
Total transactions with owners for the year	—	(85,468)	(85,468)	—	(85,468)
Balance at 28 February 2014	63,931	1,436,206	1,500,137	13,471	1,513,608

The notes on pages 69 to 134 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 28 February 2014 HK$'000	28 February 2013 HK$'000
Operating activities			
Net cash generated from operations	24	366,577	210,850
Overseas taxation paid		(68,995)	(61,428)
Net cash generated from operating activities		297,582	149,422
Investing activities			
Net interest received		8,463	6,247
Purchase of property, plant and equipment		(48,637)	(48,869)
Proceeds from sales of property and investment properties		101,614	—
Increase in term deposits (over 3 months)		(65,804)	(4,340)
Increase in pledged deposits		(103)	(986)
Net cash used in investing activities		(4,467)	(47,948)
Financing activities			
Proceeds from short-term bank loan		25,000	30,000
Repayment of short-term bank loan		(25,000)	(30,000)
Dividends paid		(100,332)	(90,746)
Dividends paid to non-controlling interest		—	(225)
Net cash used in financing activities		(100,332)	(90,971)
Net increase in cash and cash equivalents		192,783	10,503
Effect of foreign exchange rate changes, net		1,859	(4,863)
Cash and cash equivalents at beginning of year		426,551	420,911
Cash and cash equivalents at end of year	25	621,193	426,551

The notes on pages 69 to 134 are an integral part of these financial statements.

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 May 2014.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(i) The Group has adopted the following new and amended standards and interpretations, which are mandatory for the first time for the financial year beginning 1 March 2013 and are relevant to its operations, in the preparation of the consolidated financial statements.

• HKFRSs (amendment)	—	Annual Improvements to HKFRSs 2009–2011 Cycle
• HKFRS 1 (amendment)	—	Government Loans
• HKFRS 1 (amendment)	—	Annual Improvements to 2013 Cycle — First Time Adoption
• HKFRS 7 (amendment)	—	Disclosures — Offsetting Financial Assets and Financial Liabilities
• HKFRS 10	—	Consolidated Financial Statements
• HKFRS 11	—	Joint Arrangements
• HKFRS 12	—	Disclosure of Interests in Other Entities
• HKFRS 10, HKFRS 11 and HKFRS 12 (amendments)	—	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
• HKFRS 13	—	Fair Value Measurements
• HKFRS 13 (amendment)	—	Annual Improvements to 2012 Cycle — Fair Value Measurements
• HKAS 1 (amendment)	—	Presentation of Financial Statements
• HKAS 19 (amendment)	—	Employee Benefits
• HKAS 27 (2011) (amendment)	—	Separate Financial Statements
• HKAS 28 (2011) (amendment)	—	Investments in Associates and Joint Ventures
• Hong Kong (IFRIC) Interpretation ("HK(IFRIC)") 20	—	Stripping Costs in the Production Phase of a Surface Mine

- Amendment to HKAS 1, 'Financial Statements Presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income'on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The impact of the adoption of this amendment is shown in the consolidated statement of comprehensive income.

- HKAS 28 (2011), 'Investments in Associates and Joint Ventures', includes the requirements for joint ventures and associates to be equity accounted following the issue of HKFRS 11, which is consistent with the Group's existing policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(i) (Continued)

- HKFRS 10, 'Consolidated Financial Statements'. The objective of HKAS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- HKFRS 11, 'Joint Arrangements', focuses on the rights and obligations of the arrangement rather than its legal form. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures with no effect on the Group's results and financial position for the current and prior accounting periods.

- HKFRS 12, 'Disclosure of Interests in Other Entities'. The new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has included the required disclosure for a joint venture and an associate in the consolidated financial statements.

- HKFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group has included the disclosure for financial assets and non-financial assets in the consolidated financial statements.

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 March 2013 and have not been early adopted:

- HKFRSs (amendment) — Annual Improvements to HKFRSs 2010–2012 Cycle[2]
- HKFRSs (amendment) — Improvements to HKFRSs 2011–2013 Cycle[2]
- HKFRS 7 (amendment) — Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
- HKFRS 9 — Financial Instruments[4]
- Additions to HKFRS 9 — Financial Instruments — Financial Liabilities[4]
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment) — Investment Entities[1]
- HKFRS 14 — Regulatory Deferral Accounts[3]
- HKAS 19 (amendment) — Defined Benefit Plans: Employee Contribution[2]
- HKAS 32 (amendment) — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
- HKAS 36 (amendment) — Recoverable Amount Disclosures for Non-Financial Assets[1]
- HKAS 39 (amendment) — Novation of Derivatives and Continuation of Hedge Accounting[1]
- HK(IFRIC) Interpretation 21 — Levies[1]

1 Changes effective for annual periods beginning on or after 1 March 2014
2 Changes effective for annual periods beginning on or after 1 March 2015
3 Changes effective for annual periods beginning on or after 1 March 2016
4 The effective date to be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 28 February 2013 and 28 February 2014.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(ii) 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.

(iii) Joint venture

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(iii) Joint venture (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recorded in the income statement as part of a valuation gain or loss in 'other gains, net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

Leasehold land classified as finance lease	over the lease period
Buildings	3–4% or over the lease period, whichever is shorter
Leasehold improvements	5–20% or over the lease period, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	20%–33.3%
Motor vehicles	20%

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

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

(e) Construction-in-progress

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Land use rights

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

(g) Impairment of non-financial assets

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

(h) Impairment of investments in subsidiaries

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

(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 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.

(iii) Recognition and measurement

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 consolidated 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 consolidated income statement within 'other 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 consolidated 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 consolidated 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 consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated 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 (i) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Non-current assets held-for-sale

Non-current assets are classified as held for sale under current assets in the consolidated balance sheet when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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 joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 joint venture, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

(s) 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.

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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) Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Pension obligations

The Group contributes to a mandatory provident fund scheme which is a defined contribution retirement scheme and available to all Hong Kong employees. Both the Company and the staff are required to contribute 5% of the employees' relevant income. Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (Continued)

(iv) Share-based compensation

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

The Group recognises the fair value of the employee services received in exchange for the share options granted as an expense in the consolidated income statement over the vesting period with a corresponding increase being recognised in an employee share-based compensation reserve.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 consolidated income statement on a straight-line basis over the period of the lease.

(w) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK dollars" or "HK$"), which is the Group's presentation currency.

(ii) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

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

(x) 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)

(y) 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.

(z) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants 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.

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 as the majority of the Group's financial assets and liabilities including deposits in banks, trade receivables and trade payables are denominated in RMB and HK dollars.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange rate risk.

At 28 February 2014 and 28 February 2013, if HK dollars had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately HK$1,568,000 (2013: HK$744,000) 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.

The foreign exchange risk arising from the exposure of other foreign currencies is considered to be minimal.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 25. 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 25) included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

Sales to retail customers are made in cash or via major credit cards. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 to 60 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 2014 and 28 February 2013, 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	
	2014	2013
	HK$'000	HK$'000
Less than 1 year		
Trade payables and accruals	**262,097**	217,773
Amount due to a joint venture	**34,119**	37,419
	296,216	255,192

	Company	
	2014	2013
	HK$'000	HK$'000
Less than 1 year		
Accruals	**559**	521
Corporate guarantee	**5,608**	9,415
	6,167	9,936

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation

Financial instruments that are measured in the balance sheet at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

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

The Group's investment in an available-for-sale financial asset is classified as level 3, and there is no transfer among levels 1, 2 and 3 during the year.

3.3 Capital risk management

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

(b) Taxes

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Net realisable value of inventories

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

(d) Estimate of fair values of investment properties

The Group has investment properties in 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. Government incentives recognised in the consolidated income statement are based on the cash refund received by the Group.

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 of a joint venture and unallocated expenses.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets mainly exclude interest in a joint venture, 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 joint venture, 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.

(i) The segment information provided to the Executive Directors for the reportable segments for the year ended 28 February 2014 is as follows:

	Retail		Export	Total
	HK & Macau	Mainland China	(Note (a))	
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers	234,493	1,793,564	11,362	2,039,419
Reportable segment profit	19,225	232,248	4,148	255,621
Rental income				4,072
Other gains, net				98,573
Net finance income				8,463
Share of profit of a joint venture				566
Unallocated expenses				(388)
Profit before income tax				366,907
Income tax expense				(78,274)
Profit for the year				288,633
Depreciation and amortisation	7,781	48,692	500	56,973
Additions to non-current assets (Other than deferred tax assets)	4,116	44,495	26	48,637

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) The segment information provided 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 joint venture				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

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, 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 2014 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau HK$'000	Mainland China HK$'000	HK$'000	HK$'000
Segment assets	307,863	1,457,281	18,946	1,784,090
Interest in a joint venture				36,137
Interest in and amount due from an available-for-sale financial asset				–
Deferred tax assets				56,627
Unallocated assets				241
Total assets per consolidated balance sheet				1,877,095
Segment liabilities	24,844	235,011	2,217	262,072
Amount due to a joint venture				34,119
Current income tax liabilities				28,991
Deferred tax liabilities				38,280
Unallocated liabilities				25
Total liabilities per consolidated balance sheet				363,487

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 joint venture				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 joint venture				37,419
Current income tax liabilities				21,478
Deferred tax liabilities				31,743
Unallocated liabilities				24
Total liabilities per consolidated balance sheet				308,413

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

Revenue

	2014	2013
	HK$'000	HK$'000
Hong Kong	**195,742**	175,125
Mainland China	**1,793,564**	1,519,641
Macau	**38,751**	31,271
Russia	**4,624**	24,537
Other countries (Note (a))	**6,738**	11,832
Total	**2,039,419**	1,762,406

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 2014, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2013: 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

	2014 HK$'000	2013 HK$'000
Hong Kong	**13,993**	31,252
Mainland China	**280,966**	293,003
Macau	**93,719**	88,775
Total	**388,678**	413,030

6 OTHER INCOME, NET AND OTHER GAINS, NET

	2014 HK$'000	2013 HK$'000
Other income, net		
Gross rental income from investment properties	**4,072**	2,635
Government incentives	**7,920**	5,430
	11,992	8,065
Other gains, net		
Fair value gains on investment properties	**6,103**	16,168
Net exchange gain (Note (a))	**5,436**	7,601
Gains on disposal of property and investment properties (Note (b))	**87,034**	—
	98,573	23,769
	110,565	31,834

(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.

(b) On 25 January 2014, the Group disposed of certain properties at a consideration of HK$102,800,000 and recognised a net gain of HK$87,034,000 net of transaction cost.

7 EXPENSES BY NATURE

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

	2014 HK$'000	2013 HK$'000
Auditors' remuneration	**2,168**	1,954
Amortisation of land use rights (Note 17)	**922**	913
Depreciation of property, plant and equipment (Note 16)	**56,051**	51,058
Loss on disposal of property, plant and equipment	**1,623**	2,841
Costs of inventories sold included in cost of sales	**542,179**	503,221
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**128,245**	100,392
— contingent rents	**2,058**	3,939
Freight charges	**16,415**	13,935
Advertising and promotional expenses	**53,868**	51,066
Concessionaire fees	**405,803**	331,253
Direct operating expenses arising from investment properties that generated rental income	**396**	245
Employee benefit expenses (including directors' emoluments) (Note 9)	**454,495**	378,012
(Write back of impairment)/ impairment losses on inventories	**(800)**	348

8 NET FINANCE INCOME

	2014 HK$'000	2013 HK$'000
Interest income on bank deposits	**8,581**	6,348
Interest expense on short-term bank loan	**(118)**	(101)
	8,463	6,247

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2014 HK$'000	2013 HK$'000
Wages and salaries	**373,043**	309,505
Staff welfare and other benefits	**19,348**	16,917
Pension costs — defined contribution plans (Note (a))	**47,200**	38,718
Employee share option benefits	**14,904**	12,872
	454,495	378,012

(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$47,200,000 (2013: HK$38,718,000) were paid by the Group during the year. Forfeited contributions totalling HK$35,000 (2013: HK$40,000) 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 2014 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**	–	2,509	15	4,412	6,936
Ms. Wong Sau Han	–	1,811	15	2,397	4,223
Ms. Chu Tsui Lan	–	2,205	15	2,755	4,975
Ms. An You Ying	–	1,116	47	1,306	2,469
Non-executive Directors					
Mr. James Ngai	180	–	–	–	180
Mr. Lee Tze Bun, Marces	–	–	–	–	–
Independent non-executive Directors					
Mr. Lam Siu Lun, Simon	240	–	–	–	240
Mr. Leung Wai Ki, George	240	–	–	–	240
Mr. Hui Chi Kwan	240	–	–	–	240
	900	7,641	92	10,870	19,503

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 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

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

** 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 (2013: 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 (2013: four) highest paid individuals in the Group. The emoluments of the remaining one (2013: one) highest paid individual during the year ended 28 February 2014 was:

	2014 HK$'000	2013 HK$'000
Salaries, bonus, other allowances and benefits in kind	846	596
Employer's contributions to retirement scheme	37	32
Share option benefits	880	792
	1,763	1,420

Emolument bands	Number of individuals 2014	2013
HK$1,000,001 — HK$1,500,000	—	1
HK$1,500,001 — HK$2,000,000	1	—

(c) Senior management's emoluments by band

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

Emolument bands	Number of individuals 2014	2013
HK$0 — HK$500,000	1	—
HK$500,001 — HK$1,000,000	5	1
HK$1,000,001 — HK$1,500,000	—	2
HK$1,500,001 — HK$2,000,000	2	—

11 INCOME TAX EXPENSE

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

	2014 HK$'000	2013 HK$'000
Current income tax		
— Hong Kong profits tax	—	—
— People's Republic of China ("PRC") corporate income tax	76,397	64,848
Deferred taxation (Note 21)	1,877	(2,985)
	78,274	61,863

No provision for Hong Kong profits tax has been made for the year ended 28 February 2014 (2013: HK$Nil) as there were available tax losses brought forward from prior years to offset the assessable profits generated during the year.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2013: 25%).

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:

	2014 HK$'000	2013 HK$'000
Profit before income tax and before share of profit of a joint venture	366,341	240,067
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	74,620	48,949
Income not subject to taxation	(17,525)	(5,468)
Expenses not deductible for taxation purposes	6,316	2,986
Tax losses for which no deferred tax asset was recognised	3,017	6,704
Recognition of previously unrecognized tax losses	(5,582)	—
Utilisation of previously unrecognised tax losses	(2,435)	(1,048)
Withholding tax	19,863	9,740
Income tax expense	78,274	61,863

There was no tax charge relating to components of other comprehensive income for the year ended 28 February 2014 (2013: 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 HK$191,352,000 (2013: HK$69,363,000).

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.

	2014 **HK$'000**	2013 HK$'000
Profit attributable to equity holders of the Company	**287,150**	179,134
Weighted average number of ordinary shares in issue ('000)	**639,314**	639,314
Basic earnings per share (HK cents)	**44.92**	28.02

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 2014 and 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.

13 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

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.

	2014 HK$'000	2013 HK$'000
Profit attributable to equity holders of the Company	**287,150**	179,134
Weighted average number of ordinary shares in issue ('000)	**639,314**	639,314
Adjustments for share options ('000)	**3,536**	141
Weighted average number of ordinary shares for diluted earnings per share ('000)	**642,850**	639,455
Diluted earnings per share (HK cents)	**44.67**	28.01

14 DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim, paid, of HK7.0 cents (2013: HK4.0 cents) per ordinary share	**44,752**	25,573
Final, proposed, of HK9.0 cents (2013: HK8.7 cents) per ordinary share	**57,538**	55,620
Special, proposed, of HK11.0 cents (2013: HK1.5 cents) per ordinary share	**70,325**	9,589
	172,615	90,782

At a meeting held on 26 May 2014, the Directors proposed a final dividend of HK9.0 cents per ordinary share and a special dividend of HK11.0 cents per ordinary share totalling approximately HK$127,863,000. These proposed dividends are 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 2015.

15 INVESTMENT PROPERTIES

	Group 2014 HK$'000	2013 HK$'000
At beginning of year	**89,563**	72,795
Fair value gains recognised in the consolidated income statement (Note 6)	**6,103**	16,168
Disposal of investment properties	**(4,080)**	—
Transfer from land and buildings (Note 16)	**—**	506
Revaluation on investment properties transferred from land and buildings	**—**	94
At end of year	**91,586**	89,563

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2014 by an independent professional valuer, Ascent Partners Valuation Service Limited.

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

	Group 2014 HK$'000	2013 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**—**	4,080
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**91,586**	85,483
	91,586	89,563

(a) Amounts recognized in profit and loss for investment properties

	2014 HK$'000	2013 HK$'000
Rental income	**4,072**	2,635
Direct operating expenses from investment properties that generated rental income	**396**	245

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis

The Group obtains independent valuations for its investment properties at least annually. In the current year, the valuations are performed by Ascent Partners Valuation Service Limited, an independent professionally qualified valuers. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows; or

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The valuation gain is included in "Other gains, net" in the consolidated income statement (Note 6).

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

The following table analyses the investment properties carried at fair value by valuation method:

Fair value hierarchy

Description	Fair value measurements at 28 February 2014 using Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
Retail outlet — PRC	—	—	2,186
Retail outlet — Macau	—	—	89,400

As at 28 February 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: HK$Nil).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the year.

Fair value measurements using significant unobservable inputs (Level 3)

	Group Hong Kong HK$'000	PRC HK$'000	Macau HK$'000	Total HK$'000
At 1 March 2013	4,080	2,183	83,300	89,563
Disposal	(4,080)	—	—	(4,080)
Net gains from fair value adjustment	—	3	6,100	6,103
At 28 February 2014	—	2,186	89,400	91,586
Total gains for the year included in profit or loss for assets held at the end of the year, under 'Other gains, net'	—	3	6,100	6,103
Change in unrealised gains for the year included in profit or loss for assets held at the end of the year	—	3	6,100	6,103

Level 3 fair values of investment properties have been derived using the direct comparison approach, which basically uses the comparable sales transactions as available in the relevant market to derive the fair values of the properties.

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 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 29 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
Year ended 28 February 2014							
Opening net book amount	129,956	38,887	58,843	7,981	1,922	–	237,589
Exchange differences	1,453	515	793	78	18	–	2,857
Additions	124	40,896	601	6,650	366	–	48,637
Transfer to non-current assets held-for-sale	(1,913)	–	–	–	–	–	(1,913)
Disposals	(10,500)	(1,337)	–	(286)	–	–	(12,123)
Depreciation	(5,507)	(35,388)	(8,726)	(5,476)	(954)	–	(56,051)
Closing net book amount	113,613	43,573	51,511	8,947	1,352	–	218,996
At 28 February 2014							
Cost	169,617	203,875	138,765	29,586	5,310	–	547,153
Accumulated depreciation	(56,004)	(160,302)	(87,254)	(20,639)	(3,958)	–	(328,157)
Net book amount	113,613	43,573	51,511	8,947	1,352	–	218,996

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

	Group	
	2014 HK$'000	2013 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**–**	6,745

17 LAND USE RIGHTS

	Group 2014 HK$'000	2013 HK$'000
At beginning of year	**32,629**	33,394
Amortisation	**(922)**	(913)
Transfer to non-current assets held-for-sale	**(5,050)**	—
Exchange differences	**161**	148
At end of year	**26,818**	32,629

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

	Group 2014 HK$'000	2013 HK$'000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**22,675**	28,404
Leases of over 50 years	**4,143**	4,225
	26,818	32,629

18 INTERESTS IN SUBSIDIARIES

	Company 2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**143,002**	136,680
Capital in nature contribution (Note (a))	**345,440**	345,440
Amounts due from subsidiaries (Note (b))	**278,570**	170,913
	767,012	653,033

(a) The amount due from a subsidiary of HK$345,440,000 is treated as capital in nature contribution.

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

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

The balances are not in default or impaired as at 28 February 2014 and 28 February 2013.

The following is a list of the principal subsidiaries of the Group at 28 February 2014 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%
昶信貿易（天津）有限公司	PRC, limited liability company	USD100,000	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 JOINT VENTURE

(a) Investment in a joint venture

	Group 2014 HK$'000	2013 HK$'000
Registered capital at cost, unlisted	**779**	779
Share of undistributed post-acquisition reserves	**35,358**	34,333
Share of net assets	**36,137**	35,112
At beginning of the year	**35,112**	34,135
Share of profit of a joint venture	**566**	551
Exchange differences	**459**	426
At end of year	**36,137**	35,112

Details of the joint venture 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 joint venture 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. A supplementary agreement was signed by LSRE and SHREC on 15 November 2013 to extend the joint venture to 20 April 2019.

19 INVESTMENT IN AND AMOUNT DUE TO A JOINT VENTURE (CONTINUED)

(a) Investment in a joint venture (Continued)

The joint venture agreement was revised on 13 November 2007 and 1 December 2010, whereby the total registered share capital of SSQ was reduced to US$200,000 (approximately HK$1,558,000). The applications of capital reduction were approved on 3 March 2008 and 15 March 2011 respectively.

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

Summarised balance sheet

	2014 HK$'000	2013 HK$'000
Current		
Assets	87,691	85,481
Liabilities	(15,432)	(15,273)
Total current net assets	72,259	70,208
Non-current		
Assets	15	16
Liabilities	—	—
Total non-current net assets	15	16
Net assets	72,274	70,224

Summarised income statement

	2014 HK$'000	2013 HK$'000
Revenue	—	—
Profit before income tax	870	1,361
Income tax income/(expense)	262	(259)
Post-tax profit from continuing operations	1,132	1,102
Other comprehensive income	918	851
Total comprehensive income	2,050	1,953

(b) Amount due to a joint venture

The amount due to a joint venture 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	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	**3,159**	3,118
— Provision for impairment	**(3,159)**	(3,118)
	—	—
Amount due from an available-for-sale financial asset (Note (b))	**9,477**	9,355
Less: Provision for impairment	**(9,477)**	(9,355)
	—	—
	—	—

(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	
	2014	2013
	HK$'000	HK$'000
Deferred tax assets	**56,627**	51,807
Deferred tax liabilities	**(38,280)**	(31,743)
	18,347	20,064

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	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**20,064**	16,859
(Charged)/credited to consolidated income statement (Note 11)	**(1,877)**	2,985
Exchange realignment	**160**	220
At end of year	**18,347**	20,064

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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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	**40,709**	30,202	**11,098**	13,371	**(9,515)**	`(9,241)	**(20,970)**	(17,473)	**(1,258)**	–	**20,064**	16,859
Credited/(charged) to consolidated income statement	**1,701**	10,045	**2,683**	(2,276)	**(732)**	(274)	**(6,806)**	(3,267)	**1,277**	(1,243)	**(1,877)**	2,985
Exchange realignment	**445**	462	**(9)**	3	**–**	–	**(257)**	(230)	**(19)**	(15)	**160**	220
At end of year	**42,855**	40,709	**13,772**	11,098	**(10,247)**	(9,515)	**(28,033)**	(20,970)	**–**	(1,258)	**18,347**	20,064

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 2014, the Group did not accrue withholding income tax for a portion of the earnings of HK$317,014,000 (2013: HK$324,094,000) 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 2014, the Group had unrecognised tax losses of approximately HK$53,436,000 (2013: HK$73,318,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Tax losses without expiry date	**40,067**	47,284
Tax losses expiring in 5 years	**13,369**	26,034
	53,436	73,318

22 INVENTORIES

	Group 2014 HK$'000	Group 2013 HK$'000
Raw materials	**47,588**	44,226
Work in progress	**24,332**	36,031
Finished goods	**420,024**	398,411
	491,944	478,668
Less: Provision for impairment of inventories	**(8,376)**	(9,176)
	483,568	469,492

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$542,179,000 (2013: HK$503,221,000).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade receivables (Note (a))	**194,154**	185,567	**—**	—
Provision for impairment	**—**	—	**—**	—
	194,154	185,567	**—**	—
Other receivables	**4,493**	13,270	**217**	217
	198,647	198,837	**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.

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 28 February 2014, the ageing analysis of the trade receivables based on invoice date is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 30 days	**165,265**	164,845
31 to 60 days	**16,400**	14,053
61 to 90 days	**5,865**	2,984
Over 90 days	**6,624**	3,685
	194,154	185,567

Trade receivables are denominated in the following currencies:

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**672**	483
US$	**1,069**	1,071
RMB	**192,312**	183,967
Other currencies	**101**	46
	194,154	185,567

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 2014, trade receivables of HK$4,910,000 (2013: HK$3,021,000) 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	
	2014	2013
	HK$'000	HK$'000
61 to 90 days	**2,640**	966
Over 90 days	**2,270**	2,055
	4,910	3,021

24 CONSOLIDATED CASH FLOW STATEMENT

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

	2014 HK$'000	2013 HK$'000
Profit before income tax	**366,907**	240,618
Share of profit of a joint venture	**(566)**	(551)
Fair value gains on investment properties	**(6,103)**	(16,168)
Depreciation of property, plant and equipment	**56,051**	51,058
Loss on disposal of property, plant and equipment	**1,623**	2,841
Amortisation of land use rights	**922**	913
Gains on the disposal of properties and investment properties	**(87,034)**	—
(Write back of impairment)/impairment losses on inventories	**(800)**	348
Net finance income	**(8,463)**	(6,247)
Employee share option benefits	**14,904**	12,872
Changes in working capital:		
— Inventories	**(10,251)**	(29,580)
— Trade and other receivables	**(297)**	(62,214)
— Deposits and prepayments	**(1,787)**	(5,977)
— Amount due to a joint venture	**(3,300)**	6,614
— Trade payables and accruals	**44,771**	16,323
Net cash generated from operations	**366,577**	210,850

25 CASH AND BANK BALANCES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash at bank and on hand	**265,800**	205,143	**2,441**	2,183
Short-term bank deposits (Note (a))	**355,393**	221,408	**—**	—
Cash and cash equivalents	**621,193**	426,551	**2,441**	2,183
Term deposits with initial term over three months (Note (a))	**72,041**	6,237	**—**	—
Pledged bank deposits (Note (b))	**2,977**	2,873	**—**	—
	696,211	435,661	**2,441**	2,183

25 CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**156,610**	25,728	**2,435**	2,177
RMB	**529,888**	402,393	**6**	6
US$	**5,823**	4,198	**—**	—
EUR	**117**	31	**—**	—
Other currencies	**3,773**	3,311	**—**	—
	696,211	435,661	**2,441**	2,183

Notes:

(a) The effective interest rate on short-term bank deposits and term deposits was 2.64% (2013: 2.80%) per annum; these deposits have a maturity ranging from 7 to 365 days.

(b) Bank deposits of HK$2,977,000 (2013: HK$2,873,000) have been pledged as rental deposits for subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 1.05% per annum (2013: 1.08% 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.

26 TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**90,582**	80,242	**–**	–
Accruals	**171,515**	137,531	**559**	521
	262,097	217,773	**559**	521

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2014, the ageing analysis of the trade creditors is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Current to 30 days	**53,855**	23,626
31 to 60 days	**20,672**	26,158
61 to 90 days	**5,698**	15,630
91 to 120 days	**4,525**	6,687
Over 120 days	**5,832**	8,141
	90,582	80,242

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

	Group	
	2014	2013
	HK$'000	HK$'000
HK$	**2,222**	1,402
RMB	**82,713**	70,512
US$	**2,541**	6,313
EUR	**3,106**	2,015
	90,582	80,242

27 SHARE CAPITAL

	2014 Number of ordinary shares	2014 HK$'000	2013 Number of ordinary shares	2013 HK$'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 28)	**—**	**—**	—	—
At end of year	**639,313,600**	**63,931**	639,313,600	63,931

28 SHARE OPTIONS

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

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

28 SHARE OPTIONS (CONTINUED)

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

	2014		2013	
	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	3.447	31,440	4.730	14,100
Granted	—	—	2.404	17,440
Lapsed	2.404	(500)	2.404	(100)
At end of year	3.464	30,940	3.447	31,440

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 2014 500,000 shares at an exercise price of HK$2.404 were lapsed.

(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 2014 (thousands)	28 February 2013 (thousands)
26 June 2021 (Note a)	4.730	14,100	14,100
9 July 2022 (Note b)	2.404	16,840	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 July 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).

For the year ended 28 February 2014, a total share option expense of HK$14,904,000 (2013: HK$12,872,000) was recognised and included in employee benefit expenses.

29 RESERVES

Group

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves HK$'000 (Note (a))	Retained earnings HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	Other reserve HK$'000	Total HK$'000
At 1 March 2013	416,695	106,774	48,879	630,683	4,261	94	18,877	–	1,226,263
Comprehensive income									
Profit for the year	–	–	–	287,150	–	–	–	–	287,150
Other comprehensive income									
Currency translation differences	–	8,299	–	–	–	–	–	–	8,299
Disposal of investment properties transferred to retained earnings	–	–	–	94	–	(94)	–	–	–
Retirement benefit obligation	–	–	–	–	–	–	–	(38)	(38)
Transactions with owners									
Share option scheme									
– value of service provide	–	–	–	–	–	–	14,904	–	14,904
– share option lapsed	–	–	–	113	–	–	(113)	–	–
Transfer	–	–	1,988	(1,988)	–	–	–	–	–
Dividends	–	–	–	(100,372)	–	–	–	–	(100,372)
At 28 February 2014	416,695	115,073	50,867	815,680	4,261	–	33,668	(38)	1,436,206
Representing:									
2014 proposed dividend									127,863
Others									1,308,343
									1,436,206

29 RESERVES (CONTINUED)

Group (Continued)

	Share premium HK$'000	Exchange translation reserve HK$'000	Statutory reserves HK$'000 (Note (a))	Retained earnings HK$'000	Capital reserve HK$'000	Revaluation reserve HK$'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

29 RESERVES (CONTINUED)

Company

	Share premium HK$'000	Exchange translation reserve HK$'000	Contributed surplus HK$'000 (Note (b))	Retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2013	416,695	61,493	30,164	63,752	18,877	590,981
Comprehensive income						
Profit for the year	—	—	—	191,352	—	191,352
Other comprehensive income						
Currency translation differences	—	8,315	—	—	—	8,315
Transactions with owners						
Share option scheme						
— value of service provided	—	—	—	—	14,904	14,904
— share option lapsed	—	—	—	113	(113)	—
Dividends	—	—	—	(100,372)	—	(100,372)
At 28 February 2014	416,695	69,808	30,164	154,845	33,668	705,180
Representing:						
2014 proposed dividend						127,863
Others						577,317
						705,180

	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

29 RESERVES (CONTINUED)

Notes:

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

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

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

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

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

Distributable reserves of the Company at 28 February 2014 amounted to HK$185,009,000 (2013: HK$93,916,000).

30 CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on Letters of Credit and bank loan to the extent of HK$230,000,000 (2013: HK$230,000,000) of which HK$5,608,000 (2013: HK$9,415,000) was utilised as at 28 February 2014.

31 COMMITMENTS

(a) Capital commitments

	Group 2014 HK$'000	2013 HK$'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	**742**	732
— unpaid capital contribution to a subsidiary	**—**	2,326

At 28 February 2014, the Company had no capital commitment (2013: HK$Nil).

(b) Commitments under operating leases

(i) At 28 February 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group 2014 HK$'000	2013 HK$'000
Land and buildings:		
Not later than one year	**85,257**	92,070
Later than one year and not later than five years	**80,771**	75,321
	166,028	167,391

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 2014, the Company had no future aggregate minimum lease payments under non-cancellable operating leases (2013: HK$Nil).

31 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (Continued)

(ii) At 28 February 2014, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Land and buildings:		
Not later than one year	**3,873**	3,982
Later than one year and not later than five years	**—**	3,873
	3,873	7,855

At 28 February 2014, the Company had no future aggregate minimum rental receivable under non-cancellable operating leases (2013: HK$Nil).

32 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2014, 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	
	2014	2013
	HK$'000	HK$'000
Rental expenses charged by:		
— a related party (Note (i))	**3,456**	2,160
— related companies (Note (ii))	**1,102**	913

	Group	
	2014	2013
	HK$'000	HK$'000
Amounts due to related companies (Note (iii))	**159**	154

(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.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

(ii) During the year, the Group rented office premises located in Mainland China from Genda Investment Limited ("Genda Investment") and Super Billion Properties Limited ("Super Billion"), companies controlled by Mr. Lee.

The Group also rented a carpark located in Hong Kong from Dragon Venture Enterprises Limited, a company controlled by Mr. Lee.

(iii) The amounts due to Genda Investment and Super Billion are unsecured, interest-free and repayable on demand and to be settled in cash.

(c) Year-end balance with a related party

	Group	
	2014	2013
	HK$'000	HK$'000
Amount due to a joint venture (Note 19(b))	**34,119**	37,419

(d) Key management compensation

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**8,541**	7,831
Employer's contributions to retirement scheme	**92**	84
Share option benefits	**10,870**	9,818
	19,503	17,733

Five-Year Financial Summary

RESULTS OF THE GROUP

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Revenue	**2,039,419**	1,762,406	1,545,042	1,319,927	1,000,018
Operating profit	**357,878**	233,820	244,968	201,350	150,808
Net finance income	**8,463**	6,247	4,119	1,894	975
Share of profit/(loss) of a joint venture	**566**	551	(580)	8,628	386
Profit before income tax	**366,907**	240,618	248,507	211,872	152,169
Income tax expense	**(78,274)**	(61,863)	(53,735)	(42,557)	(29,167)
Profit for the years	**288,633**	178,755	194,772	169,315	123,002
Profit attributable to:					
— equity holders of the Company	**287,150**	179,134	194,202	168,500	123,002
— non-controlling interest	**1,483**	(379)	570	815	—
	288,633	178,755	194,772	169,315	123,002

ASSETS AND LIABILITIES OF THE GROUP

	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Investment properties, property, plant and equipment and land use rights	**337,400**	359,781	347,025	313,149	297,180
Interest in a joint venture	**36,137**	35,112	34,135	48,592	38,109
Long-term deposits and prepayments	**15,141**	18,137	16,745	10,388	9,621
Interest in and amount due from an available-for-sale financial asset	**—**	—	—	—	4,553
Deferred tax assets	**56,627**	51,807	43,573	37,861	24,407
Net current assets	**1,106,583**	868,938	781,219	658,434	541,759
	1,551,888	1,333,775	1,222,697	1,068,424	915,629
Total equity	**1,513,608**	1,302,032	1,195,983	1,054,223	910,932
Deferred tax liabilities	**38,280**	31,743	26,714	14,201	4,697
	1,551,888	1,333,775	1,222,697	1,068,424	915,629

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