le saunda holdings ltd.

萊爾斯丹控股有限公司

annual report 2015

(Stock Code : 0738)

CONTENTS

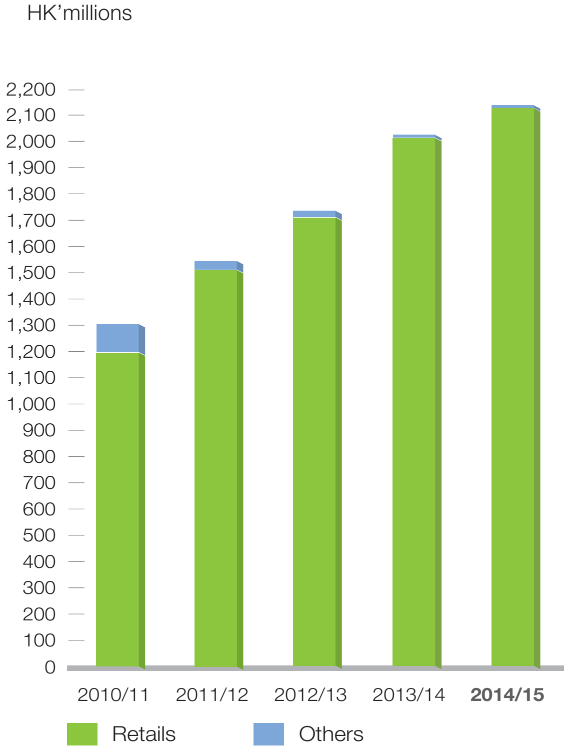
Note : All monetary values are expressed in Hong Kong Dollars unless stated otherwise.

Financial Highlights

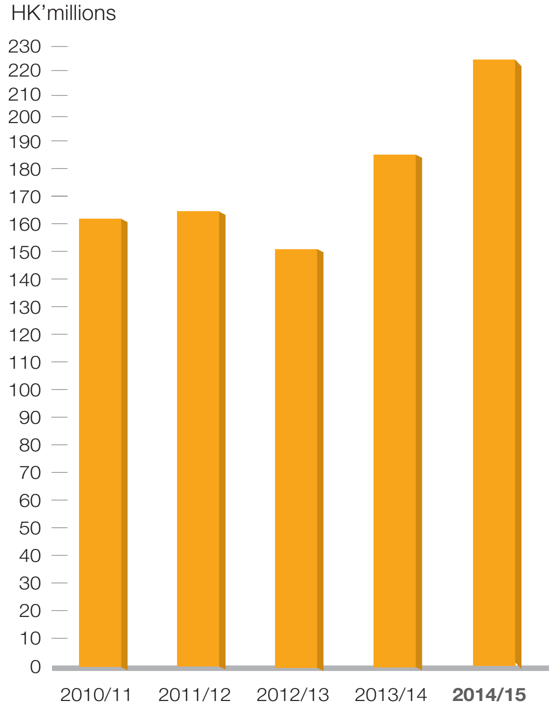
	Year ended 28 February 2015 HK$m	Year ended 28 February 2014 HK$m	Change
Profit and Loss Highlights			
Revenue	**2,108.3**	2,039.4	+3.4%
Underlying Profit Attributable to Equity Holders	**224.5**	185.1	+21.3%
Consolidated Profit Attributable to Equity Holders	**237.1**	287.2	–17.4%
Basic Earnings per Share (HK Cents)	**37.00**	44.92	–17.6%
Balance Sheet Highlights			
Total Equity	**1,559.4**	1,513.6	+3.0%
Net Cash Balances	**636.7**	696.2	–8.5%
Net Assets Value per Share (HK$)	**2.43**	2.37	+2.5%
Net Cash per Share (HK$)	**0.99**	1.09	–9.2%
Other Key Ratios			
Stock Turnover (Days)	**231**	220	
Quick Ratio (Times)	**3.1**	2.8	
Gearing Ratio (%)	**—**	—	

Note: Underlying profit attributable to equity holders is an indicator of the performance of the Group's core footwear business, calculated by deducting share of profit of joint venture, rental income, gains from disposal of property and investment properties, foreign exchanges gains and losses, and unrealized gains arising from change in fair value of investment properties from profit for the year attributable to equity holders of the Company.

Revenue



Underlying profit — Attributable to Equity Holders



Corporate Information

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

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

LEGAL ADVISER
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

2014/15 Interim Results Announcement	27 October 2014
Payments of 2014/15 Interim Dividend	21 November 2014
2014/15 Annual Results Announcement	26 May 2015
Closure of Register of Members for Annual General Meeting (both days inclusive)	10–13 July 2015
Annual General Meeting	13 July 2015
Closure of Register of Members for Proposed 2014/15 Final Dividend and Bonus Issue (both days inclusive)	20–21 July 2015
Payment of Proposed 2014/15 Final Dividend	30 July 2015

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's branch share registrar in Hong Kong:

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

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

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

INVESTOR RELATIONS

For enquiries relating to investor relations, please email to ir@lesaunda.com.hk or write to the Company at:

Le Saunda Holdings Limited
17th Floor
1063 King's Road
Quarry Bay, Hong Kong

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

Key Milestones

APRIL 2014

le saunda was honored "Manpower Developer 2012-2016" Award at the "ERB Manpower Developer Award Scheme" launched by Employees Retraining Board to acknowledge le saunda's outstanding accomplishment in manpower training and development.

NOVEMBER 2014

Ms. Phoebe Cheung, our Senior Supervisor, with her solid management experience and sincere service, won the championship at the 29th "2014 Service & Courtesy Award - Supervisory Level (Footwear Category)" issued by the Hong Kong Retail Management Association.

NOVEMBER 2014

On 13 November 2014, Mr. Louis Koo was invited to attend "le saunda VIP Private Movie Night" to enjoy the movie starring by him at The Grand — Elements, Hong Kong.

MARCH 2015

On 26 March 2015, Mr. Louis Koo attended “le saunda VIP Movie Night” at Jinyi Cinema in Guangzhou Tower, China. The guests enjoyed not only le saunda 2015 Spring/Summer Collection fashion show, but also the movie starring by Louis.

MAY 2015

On 1 May 2015, Mr. Louis Koo and Ms. Sisley Choi were invited to attend our event “le saunda Summer Koo” at our newly opened shop at Lockhart Road, Causeway Bay, Hong Kong.

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 2015 (the "year under review").

During the year under review, the Group achieved satisfactory results amid the slowdown in China's economic growth and ongoing weakness in the retail market. The Group has adopted a flexible and versatile strategy to seize opportunities presenting by e-commerce, and swiftly transformed its business model and made efforts to expand its online business. The Group's revenue for the full year rose by 3.4% to HK$2,108.3 million as compared to last year, while underlying profit attributable to equity holders of the Company, which indicates the performance of the Group's core footwear business, increased by 21.3% to HK$224.5 million as compared to last year, reflecting an optimised cost structure and the substantial improvement in operating efficiency following the transformation.

The e-commerce booming in recent years has a profound effect on the consumer industry. To accommodate the new trend, the Group has adopted a strategy with the dual- engine development of online and offline operations, aiming to grow into an omni-channel brand operator. In the mid- to high-end offline market, we remain focused on le saunda, our core brand, and LINEA ROSA, our high-end fashionable brand, as continuous enhancements have been made to the design and quality of products to meet customers' requirements for personalised products. For the online operations, the Group transformed the mid-end brand CNE into an O2O brand in February last year and swiftly established its presence in the market with the offering of genuine leather ladies' footwear at competitive prices to satisfy customers who seek highly cost-effective products.

The Group reported solid same-store sales growth of 7.5% for the year despite a high base for comparison following rapid same-store sales growth for a few years. This was attributable to the Group's ongoing efforts in brand building and improvement of product quality and design to provide customers with premium products. During the year under review, the Group invited Italian leather experts to station at its production base and help upgrade its core manufacturing know-hows, with a view to taking its product quality to a higher level. In addition, the Group also worked with designers from Europe and the United States, together with its in-house designer team, enriching unique styles and elements for different product lines.

Amid the sluggish retail market, la saunda, the core brand, has been focused on store replacement during the past three years, and has successfully created a refined retail network. Our goal for the coming year is to open 30 new stores in well-developed tier-two cities to steadily expand the offline retail network. The Group has accelerated the pace of store opening of its high-end brand LINEA ROSA in the second half of last year, and plans to open 50 new stores this year, representing one of our key development focuses. After the transformation of CNE into an O2O brand, 8 new CNE O2O concept stores were opened this fiscal year with results meeting our expectations. In the coming year, we intend to further open 30 new O2O stores, with a view to further tapping the market by directing offline customer flow to the online store and facilitating interaction between the online and offline operations.

I believe that our clear direction, well-defined brand positioning and achievable strategies will steer our Group towards further growth and expansion. On behalf of the Board, I would like to express sincere gratitude to all shareholders and customers for their longstanding support. Thanks are also due to our employees for their humble dedication. I will continue to work with my colleagues on the Board to embrace changes and seek prudent progress in the ever-evolving retail market, so as to deliver sustainable and lucrative returns to shareholders.

James Ngai
Chairman

Hong Kong, 26 May 2015

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 Mainland China, Hong Kong and Macau 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 2014/15 fiscal year, total revenue of the Group increased by 3.4% year-on-year to HK$2,108.3 million (2013/14: HK$2,039.4 million). Consolidated gross profit rose by 3.5% to HK$1,416.8 million (2013/14: HK$1,368.4 million). The Group recorded an overall gross profit margin of 67.2%, representing a year-on-year improvement by 0.1 percentage point. The underlying profit attributable to equity holders of the Company, which reflected the performance of the Group's core footwear business, increased by 21.3% year-on-year to HK$224.5 million (2013/14: HK$185.1 million). Benefitting from the increased weighting of its online business and an optimised cost structure, the underlying profit of the Group's core business grew at a significantly higher rate than its total revenue did. Including other non-recurring items, consolidated profit attributable to equity holders of the Company decreased by 17.4% to HK$237.1 million (2013/14: HK$287.2 million) compared to last year, because of the net gain of HK$87.0 million arising from the disposal of certain properties in Hong Kong in the previous year.

HK$ million	2014/15	2013/14	Change
Revenue	**2,108.3**	2,039.4	3.4%
Gross profit	**1,416.8**	1,368.4	3.5%
Gross profit margin	**67.2%**	67.1%	0.1 percentage point
Underlying profit attributable to equity holders	**224.5**	185.1	21.3%
Consolidated profit attributable to equity holders	**237.1**	287.2	(17.4%)
Final dividend (HK cents)	**14.0**	9.0	55.6%
Special dividend (HK cents)	**—**	11.0	(100.0%)
Annual dividend pay-out ratio	**59.6%**	60.1%	(0.5 percentage point)
Bonus Issue	**1 bonus share for every 10 shares in issue**	Nil	

FINANCIAL REVIEW

FINANCIAL REVIEW

(CONTINUED)

PROFITABILITY ANALYSIS

During the year under review, the retail markets of Hong Kong and Mainland China remained sluggish. Nevertheless, the Group enjoyed a strong brand reputation and loyal customer base in Mainland China and Hong Kong, therefore lower discount rates and less frequent promotional activities were employed compared to other operators. Moreover, the Group adopted a market-oriented approach in product supply and increased the weighting of on-season products in sales. As a result, the Group recorded a gross profit of HK$1,416.8 million (2013/14: HK$1,368.4 million), representing a year-on-year growth of 3.5%. Gross profit margin was 67.2%, an improvement of 0.1 percentage point compared to last year.

Selling and distribution expenses increased by 1.1% year-on-year to HK$892.7 million (2013/14: HK$882.8 million), which was less than the growth rate of revenue. In terms of sales ratio, selling and distribution expenses accounted for 42.3% of total revenue (2013/14: 43.3%), representing a decrease of 1.0 percentage point, which was attributable mainly to the transformation of CNE into an online-to-offline ("O2O") brand, resulting in optimization of the cost structure with reduction of concessionaire fees to department stores and salary cost of sales staff. During the year under review, advertising and promotional expenses accounted for 2.6% of revenue, maintained at the same level compared to the prior year. During the year under review, the Group continued to implement successful marketing strategy, resulting in further enhancement of its brand awareness.

General and administrative expenses increased by 7.4% to HK$255.9 million (2013/14: HK$238.3 million) compared to last year. General and administrative expenses as a percentage of total revenue increased to 12.1% (2013/14: 11.7%), representing a year-on-year increase of 0.4 percentage point. During the year under review, the Group recruited more professional personnel, and expanded its office and warehouse operations to meet the long-term development of its business, resulting in higher administrative cost.

Other income, mainly represented by government incentives, increased by 187.4% to HK$34.5 million (2013/14: HK$12.0 million). In recognition of the Group's contributions to local economic development and the creation of job opportunities, the incentive by local governments in certain regions where the Group operates increased during the year under review.

Other gains decreased by 96.8% to HK$3.2 million (2013/14: HK$98.6 million), which was attributable to the booking of HK$87.0 million as gain arising from the Group's disposal of certain properties in Hong Kong in the previous fiscal year. Meanwhile, the revaluation gain on investment properties also decreased by 46.9% to HK$3.2 million (2013/14: HK$6.1 million).

FINANCIAL REVIEW

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PROFITABILITY ANALYSIS (CONTINUED)

Consolidated profit attributable to equity holders of the Company decreased by 17.4% year-on-year to HK$237.1 million (2013/14: HK$287.2 million), reflecting the decrease in extraordinary gains. Basic earnings per share decreased by 17.6% year-on-year to HK37.00 cents (2013/14: HK44.92 cents). In return for the shareholders' longstanding support, the Board recommended a final dividend of HK14.0 cents per ordinary share (2013/14: final dividend of HK9.0 cents and special dividend of HK11.0 cents). Together with the interim dividend of HK8.0 cents, the total dividend for this fiscal year was HK22.0 cents per ordinary share, representing a high dividend payout ratio of 59.6% (2013/14: 60.1%).

INCOME TAX EXPENSE

During the year under review, income tax expenses amounted to approximately HK$84.3 million (2013/14: HK$78.3 million), representing an increase of 7.8% 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 corporations in Hong Kong 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. Excluding the gains on the disposal of property and investment properties, the effective tax rate of the Group was 26.5% during the year under review (2013/14: 28.0%).

INVENTORY MANAGEMENT

As at 28 February 2015, the Group's inventory balance was HK$511.1 million, up 5.7% from HK$483.6 million as at the same date last year. Inventory turnover days of finished goods increased by 11 days to 231 (28 February 2014: 220 days). A breakdown of inventory balance was as follows:

HK$ (million)	As at 28 February 2015	As at 28 February 2014	Changes in value	Changes in %
Raw materials and work-in-progress	**51.3**	67.6	(16.3)	(24.1%)
Finished goods	**459.8**	416.0	43.8	10.5%
Total	**511.1**	483.6	27.5	5.7%

FINANCIAL REVIEW

(CONTINUED)

INVENTORY MANAGEMENT (CONTINUED)

During the year under review, the inventory of raw materials and work-in-progress decreased substantially by 24.1% year-on-year. Inventory of finished goods increased as compared to last year, as a result of the Group's focused development of the e-commerce business which requires sufficient supply of merchandise in stock. Also, to mitigate the impact on offline business, the Group deliberately enhanced exclusive designs for the online business and increased the differentiation between online and offline products, which had inevitably increased the inventory of finished goods for e-commerce. Nevertheless, the Group believes that its current inventory amount remains at a healthy level, with about 27% of the inventory of finished goods being items of the latest Spring and Summer seasons. The early launch of products for the coming season will test the market in advance, allowing the Group to adjust its orders and sales strategy in a bid to boost sales and gross profit. Moreover, the Group continued to maintain strict control over the stock age of its inventory. As at 28 February 2015, approximately 83% (28 February 2014: 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 2015, the Group's cash and bank balance amounted to HK$636.7 million (28 February 2014: HK$696.2 million), decreased by 8.6% year-on-year. The quick ratio was 3.1 times (28 February 2014: 2.8 times). During the year, the Group had borrowed and repaid a short term bank loan of HK$60.0 million. As at the fiscal year-end date, the Group had no outstanding bank loan (28 February 2014: HK$0). 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 2015, 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

OVERVIEW

The year under review has been a crucial period for the Group. The Group has transformed from a traditional vertically integrated offline retailer to an omni-channel brand operator embracing both online and offline operations, to seize opportunities in the market and build up a new retail model. In recent years, online shopping has been enjoying phenomenal development and has become a more popular channel that leaves a profound impact on the offline retail market. The Group responded swiftly to the new trend and announced to transform its mid-end brand CNE into an O2O brand last February, with the aim to create an interactive business model comprising both online and offline operations and transform the Group into an omni-channel brand operator.

Consolidated Revenue	Year ended 28 February 2015 (HK$ million)	% to Total	Year ended 28 February 2014 (HK$ million)	% to Total	Year-on-year Growth (%)
Retail Business:					
Mainland China	**1,909.0**	**90.5%**	1,793.5	87.9%	6.4%
Hong Kong and Macau	**195.9**	**9.3%**	234.5	11.5%	(16.5%)
Retail Sub-total	**2,104.9**	**99.8%**	2,028.0	99.4%	3.8%
Others	**3.4**	**0.2%**	11.4	0.6%	(70.4%)
Group's Total Revenue	**2,108.3**	**100.0%**	2,039.4	100.0%	3.4%

E-COMMERCE BUSINESS

According to statistics announced by the PRC Ministry of Commerce, online purchases in China grew by 49.7% in 2014, which was significantly higher than the sales growth rate of physical stores and indicated great potential. The Group has accumulated considerable experience in online sales since it launched its e-commerce business four years ago. During the year under review, the Group expedited the development of its e-commerce business and enlarged its e-commerce team, and established a warehouse and a logistics centre dedicated to its e-commerce business. The Group's e-commerce business has two divisions with different business models. During the year under review, revenue from e-commerce business increased by approximately 190% as compared to last year and accounted for approximately 10% of the Group's total revenue, achieving the Group's initial target.

BUSINESS REVIEW

(CONTINUED)

E-COMMERCE BUSINESS (CONTINUED)

Transformation of CNE brand into an O2O brand

Last February, the Group announced to transform its mid-end brand CNE into an O2O brand and opened online stores on mature online shopping platforms to supply market-oriented products to the customers. To focus on consumers' needs, the Group has adopted a fast-fashion model to offer genuine leather footwear with premium quality at competitive prices that share the savings in operating cost with end-consumers. With the benefits of its vertically integrated offline model and its longstanding effort to optimise its supply chain in past few years, a solid foundation has been formed for the implementation of the new fast-fashion model.

During the year under review, 57 CNE offline stores were closed, while 8 new CNE O2O stores were opened. The new CNE O2O stores have been launched in a new image to provide fashionable products for youth with the principle of "same style same price" on both online and offline channels, and formed an interactive shopping model with our online stores. During the year, CNE was ranked within the top 30 ladies' footwear brands on Tmall platform. The Group believes that, with the phenomenal development of online shopping, the O2O stores will become another indispensable offline channel in the future.

E-commerce business of le saunda brand

The e-commerce business of le saunda brand serves mainly as a complement to its offline business and an extension of the Group's offline retail network. As the Group's physical stores are mainly concentrated in tier-one and tier-two cities, the online stores have effectively extended its retail network to remote regions. The Group persists in the principle of offering "same style same price" on both online and offline channels, so as to minimise the impact of its online operations on offline sales business. The Group has opened stores on mature online shopping platforms to assure customer traffic, and such stores have made sound profit contributions to the Group in the past four years. In tandem with the rapid development of online shopping, the Group has also increased the number of exclusive designs for e-commerce to broaden the differentiation between online and offline offerings and to achieve mutual success for both online and offline operations.

RETAIL BUSINESS

During the year under review, total retail revenue increased by 3.8% year-on-year to HK$2,104.9 million (2013/14: HK$2,028.0 million). Thanks to the Group's dedicated efforts to enhance single-store performance in the past few years, the same-store sales for the full year grew by 7.5% (2013/14: 13.8%) despite worsening consumer's confidence during the year. This was attributable mainly to the relative stable demand from the mid- to high-end market, which was the core market of the Group. Moreover, the Group's consistent emphasis on product design and improvement of quality, as well as its continuously enhanced single-store efficiency through store consolidation, so as to achieve satisfactory same-store sales growth despite lacklustre retail spending.

BUSINESS REVIEW

(CONTINUED)

RETAIL NETWORK

Mainland China remains the key market of the Group's retail business. As at the year-end date, the Group had a retail network comprising 904 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 24 stores compared to the end of the prior year. This was attributable to the restructuring of CNE brand under which 57 CNE physical stores were closed during the year. During the past few years, le saunda, the core brand, focused on store replacement, whereby underperforming stores were closed down and new stores with larger area at better locations were opened, with a view to creating a refined retail network.

As at 28 February 2015, the breakdown of the Group's retail network was as follows:

Number of Outlets by Region	Self-owned (Year-on-year change)		Franchise (Year-on-year change)		Total (Year-on-year change)	
Mainland China	750	(+11)	134	(–33)	884	(–22)
• Northern, Northeastern & Northwestern Regions	191	(+4)	93	(–7)	284	(–3)
• Eastern Region	228	(+3)	2	(–)	230	(+3)
• Central and Southwestern Regions	161	(+23)	27	(–22)	188	(+1)
• Southern Region	170	(–19)	12	(–4)	182	(–23)
Hong Kong and Macau	20	(–2)	–	–	20	(–2)
Total	770	(+9)	134	(–33)	904	(–24)

MAINLAND CHINA

In 2014, China's GDP growth further slowed down to 7.4%, the lowest growth rate reported in more than two decades. Total retail sales of consumer goods grew at a nominal rate of 12%, representing a year-on-year decrease by 1.1 percentage points. The business environment for retailers became increasingly difficult in a further weakened retail market. Notwithstanding the above, the Group reported a year-on-year increase of 6.4% to HK$1,909.0 million in retail sales in Mainland China, which was higher than the growth rate of the Group's overall revenue. This was mainly attributable to the following: 1) the Group has deployed a strategy since three years ago to build up an efficient and refined offline retail network through closing down inefficient outlets and opening up new stores with larger area at better locations, which has driven the rapid and continuous growth in single-store sales; 2) the Group has strong market recognition given the "sophisticated styles with top quality" of its products and has accumulated a huge loyal customer base; and 3) enhancements in product design and development and the ongoing launch of market-oriented products.

BUSINESS REVIEW

(CONTINUED)

MAINLAND CHINA (CONTINUED)

As at the year-end date, the core brand le saunda had 682 stores, representing a net addition of 17 stores as compared to that as at the end of last year. The total number of stores of le saunda MEN was 71, which was 17 less as compared to that as at the end of last year. The number of stores for LINEA ROSA, our high-end fashion brand enjoying strong market recognition since its launch more than 3 years ago, significantly increased to 49 as compared to the end of last year following the Group's decision made in the second half of the fiscal year to step up with its expansion.

HONG KONG AND MACAU

During the year under review, Hong Kong's retail market was further weakened and consumers became more reluctant in spending. The number of Mainland tourists under the Individual Visit Scheme, which had been the driving force for Hong Kong retail market, decreased substantially. The Group's sales in Hong Kong and Macau decreased by 16.5% year-on-year to HK$195.9 million. During the year under review, there was a net decrease of 2 stores in Hong Kong and Macau, reducing the total number of stores to 20.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

Given that more than 90% of our revenue was generated from Mainland China in this financial year, the Group's future strategy would be highly dependent on domestic economic and market conditions there. Although China's stock market has been booming recently, little improvements have been seen in the retail market, and the government has lowered its 2015 full-year GDP guidance as well. At the industry level, department stores used to be the main channels for retail spending, but now consumers prefer shopping malls which bring more diverse shopping experiences, as well as online shopping which is convenient and efficient, resulting in pressure on traditional brand names. In a rapidly-changing retail market, the Group needs to have a solid foundation and a flexible management system in order to keep up with the trend.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

(CONTINUED)

As a vertically-integrated traditional brand owner, the Group perceived market changes three years ago and started to actively develop its e-commerce business. This, together with enhanced brand differentiation and uniqueness, has enabled the Group to sustain healthy growth amid the lacklustre consumer market. With a clear development direction, a well-known and unique brand, high quality products as well as the online and offline double growth engine, the Group is confident in its future growth.

E-COMMERCE AS PROFIT GROWTH ENGINE

The Group's e-commerce business has experienced rapid growth in the past few years, and delivered outstanding performance and satisfactory contributions for this financial year. Such success is attributable to the Group's core strategy to develop e-commerce as it believes e-commerce has enormous potential and will change the pattern of retail market in China in the future. Accordingly, the Group has established a dedicated professional e-commerce team three years ago to take care of the business development, marketing and logistics of its e-commerce business.

In the past, the e-commerce market was dominated by the promotional bargain products, for which there was no guarantee in quality. Perceiving the huge demand for reasonably priced fine quality products, the Group decisively transformed its young fashionable brand CNE into an online-and-offline fast fashion O2O brand last February, and has launched superb quality genuine leather ladies' footwear at competitive prices which received overwhelming positive response from the market. Its success was marked by its solid growth in online revenue and being ranked within the top 30 under ladies' footwear category on Tmall platform within one year. The Group will increase its investment and promotional expenses in future to promote CNE, with the aim of making CNE a well-known brand both online and offline. Meanwhile, the Group will actively develop CNE O2O concept stores with the strategy of "same style same price" in its online and offline channels. The Group plans to open 30 new CNE O2O stores on top of 8 existing stores, so that more consumers will be able to enjoy the innovative O2O shopping experience and format.

With the assistance of the e-commerce model, the Group's leading brand le saunda has effectively reached out to regions beyond tier-one and tier-two cities. Exclusive online designs help broaden the styles differentiation between online and offline operations and ensure win-win results. Apart from ladies' footwear, the Group also plans to speed up the development of le saunda MEN's online footwear, with a view to further enlarging its market share in mid-to high-end segments on the back of the market perception of le saunda's high quality and fine design as well as its strong brand recognition.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

(CONTINUED)

E-COMMERCE AS PROFIT GROWTH ENGINE (CONTINUED)

The Group expects its e-commerce business will become the growth engine of revenue and profit in the next three years, on the back of a meticulous business philosophy similar to that employed in the offline business. With the benefit of a streamlined management structure and flexible marketing strategies, we believe that e-commerce's management cost ratio will decrease gradually in future, resulting in a healthier inventory level and more lucrative earnings for the Group.

STEADY GROWTH OF RETAIL BUSINESS

The Group has a prudent view for the retail market in coming year. The domestic market is expected to be more sensible while the traditional department stores will be subject to the substantial impact from e-commerce. In Hong Kong, consumers' sentiment remains sluggish and rental and labour costs as a proportion of distribution costs remain high, resulting in high operating costs and squeezed profitability for retail operators. It will be challenging for the Group to sustain a high same-store sales growth given the high base accumulated following the solid growth in the past few years. Nevertheless, in view of the strong market position of its brand in the mid- to high-end market, the Group believes that it will be able to achieve good performance amid lacklustre market sentiments, so long as it remains committed to the principle of "sophisticated styles with top quality" with the support of innovative strategies.

The le saunda brand identity of "sophisticated styles with top quality" has been well recognised in the market over the years and it will celebrate its 38th anniversary in 2015. The single-digit growth in the average selling price of le saunda products amid the economic downturn last year reflected the superior value-for-money trait of the brand. Late last year, the Group has recruited a team of Italian leather goods experts to help monitor product development and quality assurance, resulting in added value for the products. This year, le saunda aims to open 30 new stores in well-developed tier-two cities to complement its network in tier-one cities.

Meanwhile, le saunda MEN has been repositioned as a mild luxury brand tailored for the smart and fashionable businessmen. Our consolidation measures, including the closedown of inefficient stores last year, have started to show positive effects. This year, we will continue to enhance the brand of le saunda MEN and improve it product quality, in a bid to enhance customer loyalty.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

(CONTINUED)

STEADY GROWTH OF RETAIL BUSINESS (CONTINUED)

LINEA ROSA, our high-end fashionable brand, has garnered strong market recognition with its unique and avant-garde positioning and developed a loyal customer base in less than four years after its debut. All these make it less susceptible to the economic downturn. For the financial year under review, LINEA ROSA achieved the highest same-store sales growth among our brands. As a growing brand name, it will be one of the key focuses of our offline business development in the next three years. During the second half of this financial year, the Group substantially increased the number of its LINEA ROSA stores to 49, and expects to add another 50 stores next year, in an effort to build LINEA ROSA into another major source of revenue, with a market size and reputation comparable to le saunda, our principal brand.

The Group has achieved initial success in its fast transformation after making strong efforts to develop e-commerce in recent years as a swift response to the macro-economic downturn, weakened consumption and drastic changes in the retail market. The Group believes that, in future, the offline and online models will complement each other to achieve mutual success. Given that the online channel could not possibly replace its offline counterpart, it is crucial that a model for mutual success be identified. In the coming year, the Group will step up with its business expansion, driving its exquisite offline operations with its brands of LINEA ROSA and le saunda targeting the mid- to high-end market, while expanding its fast fashion online operations with the CNE brand, targeting the mid-end fashionable youth market.

Apart from upgrading its product development and emphasising brand building strategies, the Group will also put efforts into upgrading its internal system and data analysis. Following the optimisation of the ERP system in our production base, the Group has invested in the building of a cutting-edge database and the software for management data analysis last year. This year, we have plans to replace our existing sales management system so as to address market changes in more effective and flexible ways.

The Group believes that the key to success lies in an achievable mission, a clear direction, high-calibre teams and quality products. With the aim of becoming an omni-channel brand operator, the Group will be engaged in continuous brand building and implementation of the "double-engine" strategy with offline and online operations, bringing stable and long-term reward for shareholders.

PLEDGE OF ASSETS

As at 28 February 2015, bank deposits of HK$3.5 million (28 February 2014: HK$3.0 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 2014: HK$230.0 million), of which HK$7.1 million (28 February 2014: HK$5.6 million) was utilised as at 28 February 2015.

FINAL DIVIDEND AND BONUS ISSUE

The Board has recommended to declare a final dividend of HK14.0 cents per ordinary share for the year ended 28 February 2015 (the "Final Dividend") (28 February 2014: a final dividend of HK9.0 cents and a special dividend of HK11.0 cents) and issue of bonus shares (the "Bonus Issue") on the basis of one new ordinary share for every ten ordinary shares held by the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 21 July 2015. The proposed Final Dividend and the Bonus Issue are subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company and the granting by the Stock Exchange of the listing of, and permission to deal in, the new shares to be issued pursuant to the Bonus Issue. If passed, the Final Dividend is expected to be paid on or around Thursday, 30 July 2015, while a circular containing further details of the Bonus Issue and notice of the AGM will be despatched to the Shareholders as soon as practicable.

The Board declared the payment of an interim dividend of HK8.0 cents per ordinary share for the six months ended 31 August 2014 (2014: interim dividend of HK7.0 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2015, the Group had a staff force of 5,382 people (28 February 2014: 5,446 people). Of this number, 175 were based in Hong Kong and Macau and 5,207 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 2015, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$475.2 million (2014: HK$454.5 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 page 33 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 44, 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 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 21 years of experience in branding, product merchandising and marketing in both Mainland China and Hong Kong 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 of Hong Kong Chapter. 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.

Chu Tsui Lan, aged 45, 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 retail business operations 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, Hong Kong and Macau and warehouse and logistics functions of the Group. Ms. Chu has over 23 years of retail experience in Mainland China and Hong Kong.

Wong Sau Han, aged 55, 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 32 years of professional experience in human resources management for Mainland China and Hong Kong operations, of which the past 22 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").

An You Ying, aged 45, joined the Group in 1997. She is Executive Director of the Company and General Manager (Eastern and Northern China) of the Group 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 18 years of retail experience in Mainland China.

NON-EXECUTIVE DIRECTORS

James Ngai, aged 52, 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 81, founder of the Group. He is Non-Executive Director of the Company and acts as a director of certain subsidiaries of the Company. Mr. Lee has over 36 years of experience in footwear manufacturing, factory management, retailing operations and business development. 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 66, 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 25 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 International Holdings Limited (formerly known as Kiu Hung Energy Holdings Limited), the shares of which are listed on the Stock Exchange.

Leung Wai Ki, George, aged 57, 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 27 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 66, 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 49, 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 20 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 45, 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 23 years of experience in business development and retail management in Mainland China.

Li Wing Yeung, Peter, aged 56, 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 9 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 46, 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, Hong Kong and Macau. Ms. Li has over 18 years of retail experience in Mainland China.

Xiao Kun Min, aged 40, 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 19 years of retail experience in Mainland China.

Yang Xiao Hui, aged 37, joined the Group in February 2012. He is General Manager of e-Commerce of the Group and is responsible for the e-commerce business operation and development of the Group's le saunda and CNE brands. Mr. Yang has over 16 years of experience in online brand development and e-commerce business management.

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 value for the Shareholders.

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the provisions of the Corporate Governance Code (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 other business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 7 July 2014.

The Board will continue to enhance the Group's corporate governance practices appropriate to the conduct and growth of the Group's 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 2015 and the date of this report, the Board comprises the following members:

Executive Directors:

Ms. Lau Shun Wai *(Chief Executive Officer)*
Ms. Chu Tsui Lan *(Chief Operating Officer)*
Ms. Wong Sau Han
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 a director of an accounting firm 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 used to be 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 was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust of which Mr. Lee was the founder and an eligible beneficiary thereunder. Mr. Lee was 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 25 to 27 of this report.

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

During the year 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(2) 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 independence guidelines set out in Rule 3.13 of the Listing Rules.

BOARD OF DIRECTORS (CONTINUED)

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis of at least four times a year to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. The Board members are served with notices of at least 14 days and provided with all agendas and adequate information for their review at least 3 days before the meetings. After the meeting, draft minutes are circulated to all Directors for comments before confirmation and sign-off. Minutes of board meetings and meetings of board committees are kept by the company secretary of the Company (the "Company Secretary") and are available for inspection by any Director at any reasonable time on reasonable notice. Each Director is entitled to seek independent professional advice under appropriate circumstances at the expense of the Company. During the year, 8 physical Board meetings were held and 1 written resolutions for separate matters signed by all Directors were passed. The attendance records of each Director at the Board meetings are set out on page 35 of this report.

Responsibilities and Delegation

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

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

Directors' Training

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

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

BOARD OF DIRECTORS (CONTINUED)

Directors' Training (Continued)

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	A, B
Ms. Chu Tsui Lan	B
Ms. Wong Sau Han	A, 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.

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

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors (Continued)

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 be 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.

Audit Committee

The Audit Committee was established with written terms of reference (as amended) since 1999. As at 28 February 2015 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.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

During the year, the Audit Committee held 6 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 35 of this report. A summary of work performed by the Audit Committee during the year was as follows:

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

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

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

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

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

Remuneration Committee

The Remuneration Committee was established with written terms of reference (as amended) since 2005. As at 28 February 2015 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.

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 35 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.

BOARD COMMITTEES (CONTINUED)

Nomination Committee

The Nomination Committee was established with written terms of reference (as amended) since 19 March 2012. As at 28 February 2015 and the date of this report, the Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Hui Chi Kwan (chairman of the Nomination Committee), Mr. Lam Siu Lun, Simon and Mr. Leung Wai Ki, George, and one Non-Executive Director, namely Mr. Ngai.

The primary functions and duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies, and identify individuals suitable qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The full terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company.

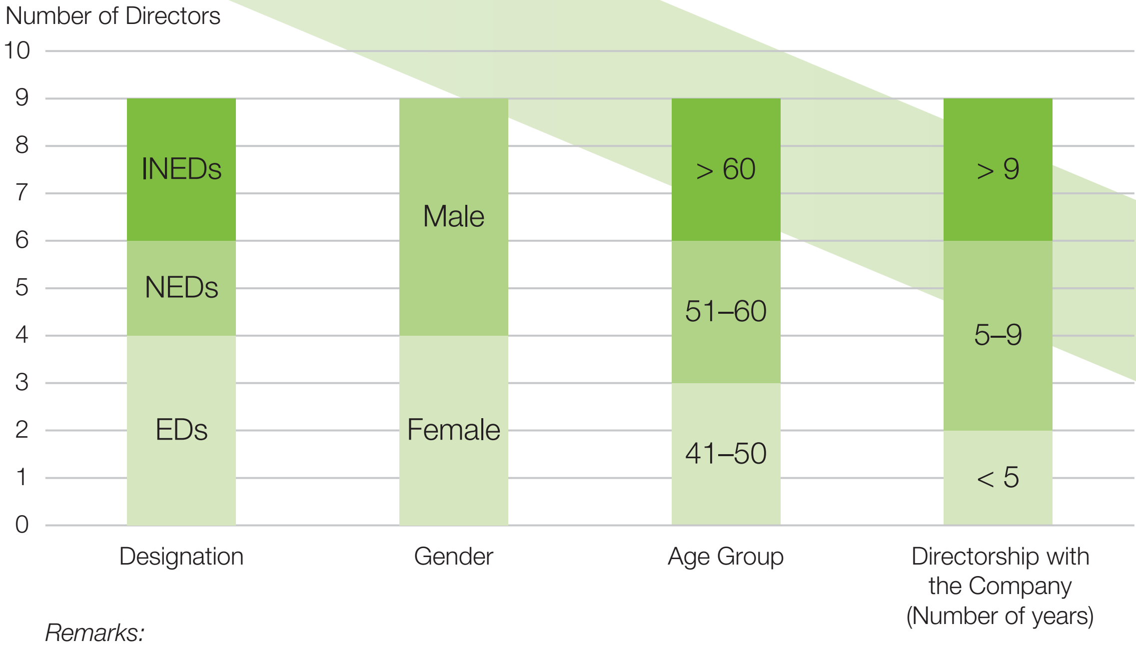
During the year, the Nomination Committee held 1 physical meeting. The attendance records of each member are set out on page 35 of this report. In the meeting, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; and (iii) made recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting.

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 25 to 27 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.

BOARD COMMITTEES (CONTINUED)

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

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 2015 are set out below:

		Number of physical meetings attended/held during his/her tenure				
	Note	Board	Audit Committee	Remuneration Committee	Nomination Committee	2014 AGM
Executive Directors:						
Ms. Lau Shun Wai	1	8/8	6/6	N/A	N/A	1/1
Ms. Chu Tsui Lan		8/8	N/A	N/A	N/A	1/1
Ms. Wong Sau Han	2	7/8	N/A	1/1	N/A	1/1
Ms. An You Ying		7/8	N/A	N/A	N/A	1/1
Non-Executive Directors:						
Mr. James Ngai	3	8/8	6/6	1/1	1/1	1/1
Mr. Lee Tze Bun, Marces		1/8	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:						
Mr. Lam Siu Lun, Simon		8/8	6/6	1/1	1/1	1/1
Mr. Leung Wai Ki, George		8/8	6/6	1/1	1/1	1/1
Mr. Hui Chi Kwan		7/8	6/6	1/1	1/1	1/1

BOARD COMMITTEES (CONTINUED)

Attendance Records (Continued)

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 primarily 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;

(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 2015, 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.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Financial Reporting (Continued)

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 53 to 54 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 2015, 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 auditor of the Company, Messrs. PricewaterhouseCoopers, amounted to approximately HK$1,860,000 (2014: HK$1,751,000) and HK$513,093 (2014: HK$31,000) 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 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 27 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 standard 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 2015 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.

INTERNAL CONTROLS (CONTINUED)

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 them to enable the exercise of their rights in many ways.

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

Pursuant to Bye-Law 58 of the Bye-Laws, 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 carrying the right of voting at general meetings of the Company may request the Board to call 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 with 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 to obtain 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 Companies Act 1981 of Bermuda (as amended).

2. Procedures for putting forward proposals at Shareholders' meetings

Pursuant to Sections 79 and 80 of the Companies Act 1981 of Bermuda (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.

SHAREHOLDERS' RIGHTS (CONTINUED)

2. Procedures for putting forward proposals at Shareholders' meetings (Continued)

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.

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 2015.

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 2015.

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 2015 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 2015 are set out in the consolidated income statements on page 55 of this report.

The Board declared an interim dividend of HK8.0 cents (2013/14: interim dividend of HK7.0 cents) per ordinary share for the year ended 28 February 2015, totaling approximately HK$51,341,000, which was paid on 21 November 2014.

The Board recommends the payment of a final dividend of HK14.0 cents (28 February 2014: a final dividend of HK9.0 cents and a special dividend of HK11.0 cents) per ordinary share, totaling approximately HK$89,876,000 in respect of the year ended 28 February 2015 (2014: HK$127,863,000) and issue of bonus shares on the basis of one new ordinary share for every ten ordinary shares held by the Shareholders.

FIVE-YEAR FINANCIAL SUMMARY

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

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 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 124 of this report.

DIRECTORS

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

Executive Directors

Ms. Lau Shun Wai *(Chief Executive Officer)*
Ms. Chu Tsui Lan *(Chief Operating Officer)*
Ms. Wong Sau Han
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 25 to 27 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Bye-Laws, Ms. An You Ying, Mr. James Ngai and Mr. Hui Chi Kwan 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. Lee Tze Bun, Marces and Mr. James Ngai, both acted as Non-Executive Directors, were renewed for 2 years' fixed term with the Company with effect from 1 June 2014 and 25 March 2015 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 DIRECTORS' INFORMATION

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

Name of Directors	Details of change
Non-Executive Directors:	
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, was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust of which Mr. Lee was 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
	• Renewed service contract of the Company with 2-years' fixed term commencing on 1 June 2014 and ending on 31 May 2016
Mr. James Ngai	• Renewed service contract of the Company with 2-years' fixed term commencing on 25 March 2015 and ending on 24 March 2017

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 2015, 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 they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(I) Long positions in Shares (including underlying Shares)

(a) The Company

Name of Directors	Number of Shares					Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Mr. Lee Tze Bun, Marces ("Mr. Lee")	41,250,000	–	30,684,000 *(Notes 1 & 2)*	205,000,000 *(Note 3)*	276,934,000	43.13%
Ms. Lau Shun Wai ("Ms. Lau")	10,300,000	–	–	–	10,300,000 *(Note 4)*	1.60%
Ms. Chu Tsui Lan ("Ms. Chu")	7,700,000	–	–	–	7,700,000 *(Note 5)*	1.19%
Ms. Wong Sau Han ("Ms. Wong")	5,364,000	350,000	–	–	5,714,000 *(Note 6)*	0.89%
Ms. An You Ying ("Ms. An")	3,200,000	–	–	–	3,200,000 *(Note 7)*	0.49%
Mr. Leung Wai Ki, George ("Mr. Leung")	–	–	–	1,384,000	1,384,000 *(Note 8)*	0.21%

Notes:

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

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

3. Stable Gain held 205,000,000 Shares, representing approximately 31.93% of the issued share capital of the Company. The entire issued share capital of Stable Gain used to be 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. Since 21 March 2014, the entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. 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 (including underlying Shares) (Continued)

(a) The Company (Continued)

Notes: (Continued)

4. Ms. Lau personally held 2,200,000 Shares and was entitled to 8,100,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest.

5. Ms. Chu personally held 2,300,000 Shares and was entitled to 5,400,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest.

6. Ms. Wong personally held 964,000 Shares and was entitled to 4,400,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest. She is also deemed to be interested in the 350,000 Shares owned by her husband.

7. Ms. An personally held 904,000 Shares and was entitled to 2,296,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest.

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

(b) Associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares *(Note 1)*	100% (in respect of non-voting deferred shares)

Note:

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

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

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

Interests in share options

Name of Directors	Date of share options granted (Notes 1 & 2)	Number of Shares: Balance as at 1 March 2014	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 28 February 2015	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	–	400,000	–	–	766,000	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. 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. 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. 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	–	204,000	–	–	129,000	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	–	604,000	–	–	20,196,000		

Notes:

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

2. The closing 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 2015, 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 they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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 and the paragraph headed "Share Option Scheme" below, during the year ended 28 February 2015, (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 2015, 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**
Stable Gain	1	205,000,000	–	–	–	205,000,000	31.93%
Stable Profit	1	–	–	205,000,000	–	205,000,000	31.93%
HSBC Trustee	1, 2	–	–	–	205,060,000	205,060,000	31.94%
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	3	6,350,000	–	–	50,000,000	56,350,000	8.77%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4	1,700,000	–	–	50,000,000	51,700,000	8.05%
Ms. Tsui Oi Kuen ("Ms. Tsui")	5	1,140,000	–	–	50,000,000	51,140,000	7.96%
Ms. Lee, Ms. Chui and Ms. Tsui as trustees of The Lee Keung Charitable Foundation (the "Charitable Foundation")	6	–	–	–	50,000,000	50,000,000	7.78%

Notes:

1. Stable Gain held 205,000,000 Shares, representing approximately 31.93% of the issued share capital of the Company. The entire issued share capital of Stable Gain used to be registered in the name of First Advisory as trustee of the Lee Family Trust. Since 21 March 2014, the entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee was the founder and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, HSBC Trustee and Stable Profit were deemed to be interested in these Shares. The 205,000,000 Shares that Stable Gain and Stable Profit were interested in represented the same interests, and form part of the Shares HSBC Trustee was deemed interested in, and were therefore duplicated amongst them.

2. HSBC Trustee held 205,060,000 Shares, of which 205,000,000 Shares were deemed to be interested as stated in the above note 1.

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

Long positions in Shares (Continued)

Notes: (Continued)

3. Ms. Lee was interested in an aggregate of 56,350,000 Shares (comprising 6,350,000 Shares personally held as beneficial owner and 50,000,000 Shares jointly held with Ms. Chui and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.77% of the issued share capital of the Company.

4. Ms. Chui was interested in an aggregate of 51,700,000 Shares (comprising 1,700,000 Shares personally held as beneficial owner and 50,000,000 Shares jointly held with Ms. Lee and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.05% of the issued share capital of the Company.

5. Ms. Tsui was interested in an aggregate of 51,140,000 Shares (comprising 1,140,000 Shares personally held as beneficial owner and 50,000,000 Shares jointly held with Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 7.96% of the issued share capital of the Company.

6. Ms. Lee, Ms. Chui and Ms. Tsui jointly held 50,000,000 Shares as trustees of the Charitable Foundation, representing 7.78% of the issued share capital of the Company. Therefore, all of them were deemed to be interested in these Shares which were duplicated amongst their respective interests.

Save as disclosed above, as at 28 February 2015, 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 26,524,000 Shares, representing approximately 4.13% 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.

SHARE OPTION SCHEME (CONTINUED)

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.

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 2015 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 2014**	**Granted during the year**	**Exercised during the year** *(Note 4)*	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 28 February 2015**	**Exercise price per Share** *HK$*	**Exercise Period**
Directors *(Note 5)*	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	–	604,000	–	–	2,161,000	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	–	604,000	–	–	20,196,000		
Employees	27 June 2011	533,000	–	–	–	200,000	333,000	4.730	27 June 2014–26 June 2021
	27 June 2011	533,000	–	–	–	200,000	333,000	4.730	27 June 2015–26 June 2021
	27 June 2011	534,000	–	–	–	200,000	334,000	4.730	27 June 2016–26 June 2021
	10 July 2012	2,839,000	–	2,055,000	–	50,000	734,000	2.404	10 July 2014–9 July 2022
	10 July 2012	2,839,000	–	–	–	383,000	2,456,000	2.404	10 July 2015–9 July 2022
	10 July 2012	2,862,000	–	–	–	384,000	2,478,000	2.404	10 July 2016–9 July 2022
Employees Sub-total		10,140,000	–	2,055,000	–	1,417,000	6,668,000		
Total		30,940,000	–	2,659,000	–	1,417,000	26,864,000		

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.

4. The share options were exercised on 10 July 2014, 11 July 2014, 6 August 2014, 27 August 2014, 12 September 2014, 23 September 2014, 18 November 2014, 2 December 2014, 11 December 2014 and 12 December 2014 respectively, and the weighted average closing prices of the Shares immediately before respective dates was HK$3.53 per Share.

5. For a detailed breakdown of each of the Directors' interests in share options, please refer to page 45.

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 a non-executive Director and a 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 was used as "Le Saunda" retail shop of the Group.

    The total amount of rent paid by the Group to Mr. Lee under the Macau Lease for the year ended 28 February 2015 was HK$3,456,000.

    On 9 February 2015, Mr. Lee as landlord and Le Saunda Calcado as tenant entered into a renewal lease agreement (the "Macau Renewal Lease") in respect of the Macau Premises for a further two-years' term commencing on 1 March 2015 and ending on 28 February 2017. The amount payable by Le Saunda Calcado under the Macau Renewal Lease is HK$400,000 per month or HK$4,800,000 per annum, payable on or before the 5th business day of each month in cash to Mr. Lee. The Macau Premises continues to be used as a "Le Saunda" retail shop of the Group.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(2) 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 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, 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$78,861) per month or approximately RMB755,448 (equivalent to approximately HK$946,335) 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$185,154) 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 3005–3009 was 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 2015 was approximately RMB755,448 (equivalent to approximately HK$946,337).

Note: RMB is converted to HK$ at a rate of RMB1 = HK$1.25268

On 9 February 2015, Super Billion as landlord and Le Saunda Business as tenant entered into a renewal lease agreement (the "Guangzhou 3005–3009 Renewal Lease") in respect of the Guangzhou Premises 3005–3009 for a further two-years' term commencing on 1 March 2015 and ending on 28 February 2017. The amount payable by Le Saunda Business under the Guangzhou 3005–3009 Renewal Lease is the aggregate of (i) the rent of approximately RMB66,148 (equivalent to approximately HK$82,685) per month or approximately RMB793,776 (equivalent to approximately HK$992,220) 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$184,758) per annum, payable in cash on a monthly basis to Metro Plaza Management. The Guangzhou Premises 3005–3009 continues to be used as office premises for the Group's operation in PRC.

(the Macau Renewal Lease and the Guangzhou 3005–3009 Renewal Lease are collectively known as "2015 Lease Agreements")

Note: RMB is converted to HK$ at a rate of RMB1 = HK$1.25.

* *For identification purpose only*

The aggregate rent paid by the Group to Mr. Lee and Super Billion under the Macau Lease and the Guangzhou 3005–3009 Lease (collectively known as the "2013 Lease Agreements") was approximately HK$4,402,337 for the year ended 28 February 2015.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Mr. Lee, being a non-executive Director and a controlling Shareholder, is a connected person to the Company (as defined under the Listing Rules). Therefore, the transactions contemplated under the 2013 Lease Agreements and the 2015 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 2015 Lease Agreements of approximately HK$5,792,220 for each of the financial years of the Company ending 29 February 2016 and 28 February 2017 and the relevant percentage ratios, on an aggregate basis, exceed 0.1% but are less than 5%, the 2015 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. Similarly, based on the maximum aggregate annual rental payable under the 2013 Lease Agreements of approximately HK$4,557,877 and HK$4,402,337 for each of the financial years 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 constituted 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 and the 2015 Lease Agreements were disclosed in the Company's announcements dated 21 January 2013 and 9 February 2015 respectively. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in so far as they are applicable.

All Independent Non-Executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

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

(2) on normal commercial terms; and

(3) according to the 2015 Lease Agreements, 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. According to the Board, the auditor has issued an unqualified letter to the Board, confirming that nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions disclosed in this report (1) have not been approved by the Board, (2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group, (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction, or (4) have exceed the annual cap for continuing connected transaction. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Save as disclosed above, related party transactions disclosed in note 32 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions (as defined in the Listing Rules). The Company confirmed that it has complied with the requirements in Chapter 14A of the Listing Rules.

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 2015.

MANAGEMENT CONTRACTS

No contracts (other than service contracts with Directors as disclosed) 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 1.9% of the total sales for the year and sales to the largest customer included therein amounted to 0.5%. Purchases from the Group's five largest suppliers accounted for approximately 28.7% of the total purchases for the year and purchases from the largest supplier amounted to 8.5%.

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 28 to 39 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITORS

The consolidated financial statements for the year ended 28 February 2015 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 2015

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 55 to 122, which comprise the consolidated and company balance sheets as at 28 February 2015, 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
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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 2015, 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 2015

Consolidated Income Statement

	Note	Year ended 28 February 2015 HK$'000	28 February 2014 HK$'000
Revenue	5	**2,108,271**	2,039,419
Cost of sales	7	**(691,496)**	(671,012)
Gross profit		**1,416,775**	1,368,407
Other income, net	6	**34,466**	11,992
Other gains, net	6	**3,158**	98,573
Selling and distribution expenses	7	**(892,699)**	(882,785)
General and administrative expenses	7	**(255,871)**	(238,309)
Operating profit		**305,829**	357,878
Net finance income	8	**10,705**	8,463
Share of profit of a joint venture	19	**7,217**	566
Profit before income tax		**323,751**	366,907
Income tax expense	11	**(84,349)**	(78,274)
Profit for the year		**239,402**	288,633
Profit attributable to:			
— equity holders of the Company		**237,109**	287,150
— non-controlling interest		**2,293**	1,483
		239,402	288,633
Earnings per share attributable to the equity holders of the Company (express in HK cents)			
— Basic	13	**37.00**	44.92
— Diluted	13	**36.73**	44.67
Dividends	14	**141,217**	172,615

The notes on pages 62 to 122 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 28 February 2015 HK$'000	28 February 2014 HK$'000
Profit for the year	**239,402**	288,633
Other comprehensive income for the year, net of tax		
Items that will not be reclassified to profit or loss		
— Actuarial gains/(losses) on retirement benefit obligation	**588**	(38)
Item that will be reclassified to profit or loss		
— Currency translation differences	**(30,476)**	8,449
Total comprehensive income for the year	**209,514**	297,044
Total comprehensive income for the year, attributable to:		
— equity holders of the Company	**207,601**	295,411
— non-controlling interest	**1,913**	1,633
	209,514	297,044

The notes on pages 62 to 122 are an integral part of these financial statements.

Consolidated Balance Sheet

	Note	As at 28 February 2015 HK$'000	As at 28 February 2014 HK$'000
ASSETS			
Non-current assets			
Investment properties	15	94,828	91,586
Property, plant and equipment	16	201,993	218,996
Land use rights	17	25,763	26,818
Long-term deposits and prepayments		16,712	15,141
Interest in a joint venture	19	42,294	36,137
Interest in and amount due from an available-for-sale financial asset	20	–	–
Deferred tax assets	21	70,019	56,627
		451,609	445,305
Current assets			
Inventories	22	511,064	483,568
Trade and other receivables	23	230,789	198,647
Deposits and prepayments		53,405	46,401
Cash and bank balances	25	636,657	696,211
		1,431,915	1,424,827
Non-current assets classified as held-for-sale		–	6,963
		1,431,915	1,431,790
Total assets		1,883,524	1,877,095
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	64,197	63,931
Reserves			
Proposed dividend	29	89,876	127,863
Others	29	1,390,701	1,308,343
		1,544,774	1,500,137
Non-controlling interest		14,584	13,471
Total equity		1,559,358	1,513,608

	Note	As at 28 February 2015 HK$'000	As at 28 February 2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	44,036	38,280
Current liabilities			
Trade payables and accruals	26	214,828	262,097
Amount due to a joint venture	19	35,699	34,119
Current income tax liabilities		29,603	28,991
		280,130	325,207
Total liabilities		324,166	363,487
Total equity and liabilities		1,883,524	1,877,095
Net current assets		1,151,785	1,106,583
Total assets less current liabilities		1,603,394	1,551,888

James Ngai
Chairman

Lau Shun Wai
Director

The notes on pages 62 to 122 are an integral part of these financial statements.

Balance Sheet

	Note	As at 28 February 2015 HK$'000	As at 28 February 2014 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	734,157	767,012
Current assets			
Other receivables	23	246	217
Cash and bank balances	25	2,591	2,441
		2,837	2,658
Total assets		736,994	769,670
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	64,197	63,931
Reserves			
Proposed dividend	29	89,876	127,863
Others	29	582,225	577,317
Total equity		736,298	769,111
LIABILITIES			
Current liabilities			
Accruals	26	696	559
Total liabilities		696	559
Total equity and liabilities		736,994	769,670
Net current assets		2,141	2,099
Total assets less current liabilities		736,298	769,111

James Ngai
Chairman

Lau Shun Wai
Director

The notes on pages 62 to 122 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 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
Balance at 1 March 2014	63,931	1,436,206	1,500,137	13,471	1,513,608
Comprehensive income					
Profit for the year	—	237,109	237,109	2,293	239,402
Other comprehensive income					
Currency translation differences	—	(30,096)	(30,096)	(380)	(30,476)
Actuarial gains on retirement benefit obligation	—	588	588	—	588
Total comprehensive income for the year	—	207,601	207,601	1,913	209,514
Transactions with owners					
Share option scheme:					
— value of service provided	—	10,290	10,290	—	10,290
— exercise of share options	266	6,126	6,392	—	6,392
Dividends	—	(179,646)	(179,646)	(800)	(180,446)
Total transactions with owners for the year	266	(163,230)	(162,964)	(800)	(163,764)
Balance at 28 February 2015	64,197	1,480,577	1,544,774	14,584	1,559,358

The notes on pages 62 to 122 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 28 February 2015 HK$'000	28 February 2014 HK$'000
Operating activities			
Net cash generated from operations	24	**236,628**	366,577
Overseas taxation paid		**(91,296)**	(68,995)
Net cash generated from operating activities		**145,332**	297,582
Investing activities			
Net interest received		**10,705**	8,463
Purchases of property, plant and equipment		**(43,313)**	(48,637)
Proceeds from sales of property/investment properties		**15,293**	101,614
Increase in term deposits (over 3 months)		**(24,158)**	(65,804)
Increase in pledged deposits		**(508)**	(103)
Net cash used in investing activities		**(41,981)**	(4,467)
Financing activities			
Proceeds from short-term bank loan		**60,000**	25,000
Repayment of short-term bank loan		**(60,000)**	(25,000)
Proceeds from exercise of share options		**6,392**	—
Dividends paid		**(179,608)**	(100,332)
Dividend paid to non-controlling interest		**(800)**	—
Net cash used in financing activities		**(174,016)**	(100,332)
Net (decrease)/increase in cash and cash equivalents		**(70,665)**	192,783
Effect of foreign exchange rate changes, net		**(13,555)**	1,859
Cash and cash equivalents at beginning of year		**621,193**	426,551
Cash and cash equivalents at end of year	25	**536,973**	621,193

The notes on pages 62 to 122 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal account policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong) for this financial year and the comparative period.

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.

(i) Amendments to standards and new interpretation adopted by the Group

The following amendments to standards and new interpretation are mandatory for the first time for the financial year beginning 1 March 2014:

- HKAS 32 (Amendment) — Offsetting Financial Assets and Financial Liabilities
- HKAS 36 (Amendment) — Recoverable Amount Disclosures for Non-financial Assets
- HKAS 39 (Amendment) — Novation of Derivatives and Continuation of Hedge Accounting
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment) — Investment Entities
- Hong Kong (IFRIC)-Int 21 — Levies

The adoption of these amendments to standards and new interpretation did not have any material impact on the preparation of the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

(ii) New standards, amendments and improvements to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments and improvements to existing standards have been issued but are not effective for the financial year beginning 1 March 2014 and have not been early adopted:

			Effective for accounting periods beginning on or after
• Annual Improvements Project	—	Annual Improvements to HKASs and HKFRSs 2010–2012 Cycle	1 July 2014
• Annual Improvements Project	—	Annual Improvements to HKASs and HKFRSs 2011–2013 Cycle	1 July 2014
• Annual Improvements Project	—	Annual Improvements to HKASs and HKFRSs 2012–2014 Cycle	1 January 2016
• HKAS 1 (Amendment)	—	Disclosure Initiative	1 January 2016
• HKAS 19 (2011) (Amendment)	—	Defined Benefit Plans: Employee Contributions	1 July 2014
• HKAS 16 and HKAS 38 (Amendment)	—	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• HKAS 16 and HKAS 41 (Amendment)	—	Agriculture: Bearer Plants	1 January 2016
• HKAS 27 (Amendment)	—	Equity Method in Separate Financial Statements	1 January 2016
• HKFRS 14	—	Regulatory Deferral Accounts	1 January 2016
• HKFRS 10 and HKAS 28 (Amendment)	—	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
• HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	—	Investment Entities: Applying the Consolidation Exception	1 January 2016
• HKFRS 11	—	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• HKFRS 15	—	Revenue from Contracts with Customers	1 January 2017
• HKFRS 9	—	Financial Instruments	1 January 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

(ii) New standards, amendments and improvements to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

The Group has already commenced an assessment of the likely impact of adopting the above new standards, amendments and improvement to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards, amendments and improvements to existing standards when they become effective.

(iii) New Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Ordinance")

In addition, the requirements of Part 9 "Accounts and Audit" of the Ordinance are applicable to the Group's first financial year commencing on or after 3 March 2014 in accordance with section 358 of the Ordinance. The Group is in the process of making an assessment of expected impact of the Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the Ordinance to the Group. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 28 February 2014 and 28 February 2015.

(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/losses on transactions between Group companies are 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 recognized 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 recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. 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 arrangements 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment properties

Investment properties, principally comprising leasehold land and buildings, are 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 properties are 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 financial year end 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 consolidated income statement as part of a valuation gain or loss in 'other gains, net'.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains, net' in the consolidated income statement.

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values 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) 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.

(f) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

(iii) Recognition and measurement (Continued)

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 financial assets 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 recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(i) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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.

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 recognized in the consolidated income statement. If a loan or held-to-maturity investment as 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 recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale financial assets

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 recognized 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.

(j) 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.

(k) Inventories

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

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(m) Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Share capital

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

(o) Trade payables

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

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

(p) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized 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, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current and deferred income tax (Continued)

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

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

(q) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated 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 the consolidated income statement in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Dividend income is recognised when the right to receive payment is established.

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

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

(t) Employee benefits

(i) Employee benefit entitlements

Salaries, bonuses, annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by the employees of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(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.

(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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(iv) Share-based compensation (Continued)

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. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(u) Operating leases

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

(v) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 financial assets 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 financial assets, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

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

(w) Segment reporting

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

(x) Dividend distribution

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

(y) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the 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 HK dollars and RMB.

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 2015 and 2014, 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$600,000 (2014: HK$1,568,000) 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.

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 2015 and 2014, 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 nonperformance by these counterparties.

(c) Liquidity risk

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

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

	Group	
	2015	2014
	HK$'000	HK$'000
Less than 1 year		
Trade payables and accruals	**214,828**	262,097
Amount due to a joint venture	**35,699**	34,119
	250,527	296,216

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Company	
	2015	2014
	HK$'000	HK$'000
Less than 1 year		
Accruals	**696**	559
Corporate guarantee	**7,098**	5,608
	7,794	6,167

3.2 Fair value estimation

Financial instruments that are measured in the consolidated 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 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Fair value estimation (Continued)

Details of the changes in level 3 instruments have been disclosed in Note 20 to the consolidated financial statements.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Taxes

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

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

(c) Net realisable value of inventories

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

(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 non-retail perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

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 2015 is as follows:

	Retail		Others	Total
	Mainland China HK$'000	HK & Macau HK$'000	HK$'000	HK$'000
Revenue from external customers	1,909,035	195,870	3,366	2,108,271
Reportable segment profit	293,092	5,103	1,878	300,073
Rental income				3,928
Other gains, net				3,158
Net finance income				10,705
Share of profit of a joint venture				7,217
Unallocated expenses				(1,330)
Profit before income tax				323,751
Income tax expense				(84,349)
Profit for the year				239,402
Depreciation and amortisation	50,831	3,799	24	54,654
Additions to non-current assets (Other than deferred tax assets)	40,269	3,038	6	43,313

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Retail		Others	Total
	Mainland China HK$'000	HK & Macau HK$'000	HK$'000	HK$'000
Revenue from external customers	1,793,564	234,493	11,362	2,039,419
Reportable segment profit	232,248	19,225	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	48,692	7,781	500	56,973
Additions to non-current assets (Other than deferred tax assets)	44,495	4,116	26	48,637

For the years ended 28 February 2015 and 2014, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA and CNE.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) An analysis of the Group's assets and liabilities as at 28 February 2015 by reportable segment is set out below:

	Retail		Others	Total
	Mainland China	HK & Macau		
	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	1,497,762	257,290	16,034	1,771,086
Interest in a joint venture				42,294
Interest in and amount due from an available-for-sale financial asset				–
Deferred tax assets				70,019
Unallocated assets				125
Total assets per consolidated balance sheet				1,883,524
Segment liabilities	189,209	22,119	1,467	212,795
Amount due to a joint venture				35,699
Current income tax liabilities				29,603
Deferred tax liabilities				44,036
Unallocated liabilities				2,033
Total liabilities per consolidated balance sheet				324,166

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) An analysis of the Group's assets and liabilities as at 28 February 2014 by reportable segment is set out below:

	Retail		Others	Total
	Mainland China HK$'000	HK & Macau HK$'000	HK$'000	HK$'000
Segment assets	1,457,281	307,863	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	235,011	24,844	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

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

	2015 HK$'000	2014 HK$'000
REVENUE		
Mainland China	**1,909,035**	1,793,564
Hong Kong	**156,519**	195,742
Macau	**39,351**	38,751
Other countries	**3,366**	11,362
Total	**2,108,271**	2,039,419

For the years ended 28 February 2015 and 2014, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS		
Mainland China	270,211	280,966
Hong Kong	15,545	13,993
Macau	95,834	93,719
Total	381,590	388,678

6 OTHER INCOME AND OTHER GAINS, NET

	2015 HK$'000	2014 HK$'000
Other income, net		
Gross rental income from investment properties	3,928	4,072
Government incentives	30,538	7,920
	34,466	11,992
Other gains, net		
Fair value gains on investment properties	3,242	6,103
Net exchange (loss)/gain (Note (a))	(5,713)	5,436
Gains on disposal of property and investment properties (Note (b) and (c))	5,629	87,034
	3,158	98,573
	37,624	110,565

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

6 OTHER INCOME AND OTHER GAINS, NET (CONTINUED)

(b) On 1 July 2014, the Group disposed a property at a consideration of RMB12,317,000 (approximately HK$15,293,000) and recognised a net gain of HK$5,629,000 net of transaction cost.

(c) 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:

	2015 **HK$'000**	2014 HK$'000
Auditors' remuneration	**2,262**	2,168
Amortisation of land use rights (Note 17)	**748**	922
Depreciation of property, plant and equipment (Note 16)	**53,906**	56,051
Loss on disposal of property, plant and equipment	**1,472**	1,623
Costs of inventories sold included in cost of sales	**556,034**	542,179
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**114,882**	128,245
— contingent rents	**2,105**	2,058
Freight charges	**12,606**	16,415
Postage and express charges	**10,390**	3,923
Advertising and promotional expenses	**54,264**	53,868
Concessionaire fees	**414,315**	405,803
Direct operating expenses arising from investment properties that generated rental income (Note 15a)	**384**	396
Employee benefit expenses (including directors' emoluments) (Note 9)	**475,191**	454,495
Impairment losses/(write back of impairment) on inventories	**136**	(800)
Provision for impairment of trade receivables	**3,367**	—

8 NET FINANCE INCOME

	2015 HK$'000	2014 HK$'000
Interest income on bank deposits	**10,963**	8,581
Interest expense on short-term bank loan	**(258)**	(118)
	10,705	8,463

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015 HK$'000	2014 HK$'000
Wages and salaries	**396,989**	373,043
Staff welfare and other benefits	**19,063**	19,348
Pension costs — defined contribution plans (Note)	**48,849**	47,200
Employee share option benefits	**10,290**	14,904
	475,191	454,495

Note:

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$48,849,000 (2014:HK$47,200,000) were paid by the Group during the year. Forfeited contributions totaling HK$373,000 (2014: HK$35,000) 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 2015 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**	–	3,308	17	3,223	6,548
Ms. Chu Tsui Lan	–	2,846	17	2,018	4,881
Ms. Wong Sau Han	–	2,389	17	1,739	4,145
Ms. An You Ying	–	1,750	47	953	2,750
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	10,293	98	7,933	19,224

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 2014 is set out below:

Name of Director	Fees	Salary, bonus, other allowances and benefits in kind	Employer's contribution to retirement scheme	Share option benefits*	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors					
Ms. Lau Shun Wai**	–	2,509	15	4,412	6,936
Ms. Chu Tsui Lan	–	2,205	15	2,755	4,975
Ms. Wong Sau Han	–	1,811	15	2,397	4,223
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

* 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 (2014: 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 (2014: four) highest paid individuals in the Group. The emoluments of the remaining one (2014: one) highest paid individual during the year ended 28 February 2015 was:

	2015 HK$'000	2014 HK$'000
Salaries, bonus, other allowances and benefits in kind	1,664	846
Employer's contributions to retirement scheme	17	37
Share option benefits	175	880
	1,856	1,763

Emolument bands	Number of individuals	
	2015	2014
HK$1,500,001—HK$2,000,000	1	1

(c) Senior management's emoluments by band

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

Emolument bands	Number of individuals	
	2015	2014
HK$0—HK$500,000	—	1
HK$500,001—HK$1,000,000	4	5
HK$1,000,001—HK$1,500,000	—	—
HK$1,500,001—HK$2,000,000	2	2

11 INCOME TAX EXPENSE

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

	2015 HK$'000	2014 HK$'000
Current income tax		
— Hong Kong profits tax	–	–
— People's Republic of China ("PRC") corporate income tax	92,609	76,397
Deferred taxation (Note 21)	(8,260)	1,877
	84,349	78,274

No provision for Hong Kong profits tax has been made for the years ended 28 February 2015 and 2014 as there were available tax losses brought forward from prior years to offset the assessable profits generated during the years.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2014: 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:

	2015 HK$'000	2014 HK$'000
Profit before income tax and before share of profit of a joint venture	316,534	366,341
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	66,142	74,620
Income not subject to taxation	(2,180)	(17,525)
Expenses not deductible for taxation purposes	4,192	6,316
Tax losses for which no deferred tax asset was recognised	74	3,017
Recognition of previously unrecognized tax losses	–	(5,582)
Utilisation of previously unrecognised tax losses	(1,220)	(2,435)
Withholding tax	17,341	19,863
Income tax expense	84,349	78,274

There was no tax charge relating to components of other comprehensive income for the year ended 28 February 2015 (2014: HK$0).

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$149,091,000 (2014: HK$191,352,000).

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.

	2015	2014
Profit attributable to equity holders of the Company (HK$'000)	237,109	287,150
Weighted average number of ordinary shares in issue ('000)	640,890	639,314
Basic earnings per share (HK cents)	37.00	44.92

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 years ended 28 February 2015 and 2014, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
Profit attributable to equity holders of the Company (HK$'000)	237,109	287,150
Weighted average number of ordinary shares in issue ('000)	640,890	639,314
Adjustments for share options ('000)	4,646	3,536
Weighted average number of ordinary shares for diluted earnings per share ('000)	645,536	642,850
Diluted earnings per share (HK cents)	36.73	44.67

14 DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim, paid, of HK8.0 cents (2014: HK7.0 cents) per ordinary share	**51,341**	44,752
Final, proposed, of HK14.0 cents (2014: HK9.0 cents) per ordinary share	**89,876**	57,538
No special, proposed (2014: HK11.0 cents) per ordinary share	**–**	70,325
	141,217	172,615

At a meeting held on 26 May 2015, the Directors proposed a final dividend of HK14.0 cents per ordinary share totalling approximately HK$89,876,000. These proposed dividends are not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 29 February 2016.

15 INVESTMENT PROPERTIES

	Group	
	2015 HK$'000	2014 HK$'000
At beginning of year	**91,586**	89,563
Fair value gains recognised in the consolidated income statement (Note 6)	**3,242**	6,103
Disposal of investment properties	**–**	(4,080)
At end of year	**94,828**	91,586

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2015 and 2014 by an independent professional value, Ascent Partners Valuation Service Limited. The revaluation gains are included in "other gains, net" in the consolidated income statement.

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

	Group	
	2015 HK$'000	2014 HK$'000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**94,828**	91,586

15 INVESTMENT PROPERTIES (CONTINUED)

(a) Amounts recognized in the consolidated income statement for investment properties

	2015 HK$'000	2014 HK$'000
Rental income	**3,928**	4,072
Direct operating expenses from investment properties that generated rental income	**(384)**	(396)
	3,544	3,676

As at 28 February 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 21).

(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.

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 2015 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	—	—	2,228
Retail outlet — Macau	—	—	92,600

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

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 years ended 28 February 2015 and 2014.

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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
At 1 March 2014	–	2,186	89,400	91,586
Disposal	–	–	–	–
Net gains from fair value adjustment	–	42	3,200	3,242
At 28 February 2015	–	2,228	92,600	94,828
Total gains for the year included in profit or loss for assets held at the end of the year, under 'other gains, net'	–	42	3,200	3,242
Change in unrealised gains for the year included in profit or loss for assets held at the end of the year	–	42	3,200	3,242

Valuation processes of the Group

The Group's investment properties were valued at 28 February 2015 and 2014 by independent professionally qualified valuers, Ascent Partners Valuation Service Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

At each financial year end the finance department assess property valuations movements when compared to the prior year valuation report.

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$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 March 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**
Year ended 28 February 2015						
Opening net book amount	**113,613**	**43,573**	**51,511**	**8,947**	**1,352**	**218,996**
Exchange differences	**(2,777)**	**(820)**	**(1,115)**	**(189)**	**(37)**	**(4,938)**
Additions	**—**	**37,022**	**541**	**4,690**	**1,060**	**43,313**
Disposals	**—**	**(763)**	**(193)**	**(409)**	**(107)**	**(1,472)**
Depreciation	**(5,050)**	**(35,396)**	**(9,319)**	**(3,609)**	**(532)**	**(53,906)**
Closing net book amount	**105,786**	**43,616**	**41,425**	**9,430**	**1,736**	**201,993**
At 28 February 2015						
Cost	**165,823**	**209,592**	**133,948**	**29,765**	**5,855**	**544,983**
Accumulated depreciation	**(60,037)**	**(165,976)**	**(92,523)**	**(20,335)**	**(4,119)**	**(342,990)**
Net book amount	**105,786**	**43,616**	**41,425**	**9,430**	**1,736**	**201,993**

17 LAND USE RIGHTS

	Group 2015 HK$'000	Group 2014 HK$'000
At beginning of year	**26,818**	32,629
Amortisation	**(748)**	(922)
Transfer to non-current assets held-for-sale	**—**	(5,050)
Exchange differences	**(307)**	161
At end of year	**25,763**	26,818

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

	Group 2015 HK$'000	Group 2014 HK$'000
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**25,763**	22,675
Leases of over 50 years	**—**	4,143
	25,763	26,818

18 INTERESTS IN SUBSIDIARIES

	Company 2015 HK$'000	Company 2014 HK$'000
Unlisted shares, at cost	**143,002**	143,002
Capital in nature contribution (Note (a))	**345,440**	345,440
Amounts due from subsidiaries (Note (b))	**245,715**	278,570
	734,157	767,012

(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.

The balances are not in default or impaired as at 28 February 2015 and 2014.

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

The following is a list of the principal subsidiaries of the Group at 28 February 2015 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	Normal value of issued and fully paid share 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%
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%

18 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and kind of legal entity	Normal value of issued and fully paid share capital/registered capital	Principal activities/ place of operation	Group's equity interest
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	
	2015	2014
	HK$'000	HK$'000
Registered capital at cost, unlisted	**779**	779
Share of undistributed post-acquisition reserves	**41,515**	35,358
Share of net assets	**42,294**	36,137
At beginning of the year	**36,137**	35,112
Share of profit of a joint venture	**7,217**	566
Exchange differences	**(1,060)**	459
At end of year	**42,294**	36,137

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

(a) Investment in a joint venture (Continued)

Details of the joint venture are as follows:

Name of the company	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.

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

	2015 HK$'000	2014 HK$'000
Current		
Assets	85,457	87,691
Liabilities	(883)	(15,432)
Total current net assets	84,574	72,259
Non-current		
Assets	14	15
Liabilities	—	—
Total non-current net assets	14	15
Net assets	84,588	72,274

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

(a) Investment in a joint venture (Continued)

Summarised income statement

	2015 HK$'000	2014 HK$'000
Revenue	–	–
Profit before income tax	1,243	870
Income tax income	13,191	262
Post-tax profit from continuing operations	14,434	1,132
Other comprehensive income	(2,120)	918
Total comprehensive income	12,314	2,050

(b) Amount due to a joint venture

The amount due to a joint venture is unsecured, non-interest bearing 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

	2015 HK$'000	2014 HK$'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	3,078	3,159
— Provision for impairment	(3,078)	(3,159)
	–	–
Amount due from an available-for-sale financial asset (Note (b))	9,233	9,477
Less: Provision for impairment	(9,233)	(9,477)
	–	–
	–	–

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

(a) Details of the 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 the 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 2015 HK$'000	Group 2014 HK$'000
Deferred tax assets	**70,019**	56,627
Deferred tax liabilities	**(44,036)**	(38,280)
	25,983	18,347

21 DEFERRED TAXATION (CONTINUED)

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 2015 HK$'000	Group 2014 HK$'000
At beginning of year	**18,347**	20,064
Credited/(charged) to consolidated income statement (Note 11)	**8,260**	(1,877)
Exchange realignment	**(624)**	160
At end of year	**25,983**	18,347

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

	Unrealised profits on inventories 2015 HK$'000	Unrealised profits on inventories 2014 HK$'000	Tax losses 2015 HK$'000	Tax losses 2014 HK$'000	Revaluation of investment properties 2015 HK$'000	Revaluation of investment properties 2014 HK$'000	Withholding tax on dividend for undistributed profits (Note a) 2015 HK$'000	Withholding tax on dividend for undistributed profits (Note a) 2014 HK$'000	Other provision 2015 HK$'000	Other provision 2014 HK$'000	Total 2015 HK$'000	Total 2014 HK$'000
At beginning of year	42,855	40,709	13,772	11,098	(10,247)	(9,515)	(28,033)	(20,970)	–	(1,258)	18,347	20,064
Credited/(charged) to consolidated income statement	16,004	1,701	(1,156)	2,683	(384)	(732)	(6,204)	(6,806)	–	1,277	8,260	(1,877)
Exchange realignment	(1,325)	445	(131)	(9)	–	–	832	(257)	–	(19)	(624)	160
At end of year	57,534	42,855	12,485	13,772	(10,631)	(10,247)	(33,405)	(28,033)	–	–	25,983	18,347

(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 2015, the Group did not accrue withholding income tax for a portion of the earnings of HK$317,014,000 (2014: HK$317,014,000) 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 2015, the Group had unrecognised tax losses of approximately HK$43,871,000 (2014: HK$53,436,000) to be carried forward against future taxable income.

21 DEFERRED TAXATION (CONTINUED)

(a) (Continued)

The expiry of unrecognised tax losses are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Tax losses without expiry date	**32,857**	40,067
Tax losses expiring in 5 years	**11,014**	13,369
	43,871	53,436

22 INVENTORIES

	Group	
	2015	2014
	HK$'000	HK$'000
Raw materials	**37,526**	47,588
Work in progress	**18,532**	24,332
Finished goods	**463,518**	420,024
	519,576	491,944
Less: Provision for impairment of inventories	**(8,512)**	(8,376)
	511,064	483,568

The cost of inventories recognised as expense and included in "cost of sales" amounted to HK$556,034,000 (2014: HK$542,179,000) (Note 7).

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**230,344**	194,154	**—**	—
Provision for impairment	**(3,308)**	—	**—**	—
	227,036	194,154	**—**	—
Other receivables	**3,753**	4,493	**246**	217
	230,789	198,647	**246**	217

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's concessionaire sales through department stores are generally collectible within 30 to 60 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.

The ageing analysis of the trade receivables as at the end of the reporting period, and net of provision, based on invoice date is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Current to 30 days	**206,349**	165,265
31 to 60 days	**15,213**	16,400
61 to 90 days	**3,011**	5,865
Over 90 days	**2,463**	6,624
	227,036	194,154

Trade receivables are denominated in the following currencies:

	Group	
	2015	2014
	HK$'000	HK$'000
HK$	**503**	672
US$	**—**	1,069
RMB	**226,419**	192,312
Other currencies	**114**	101
	227,036	194,154

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.

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 28 February 2015, trade receivables of HK$3,472,000 (2014: HK$4,910,000) 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	
	2015	2014
	HK$'000	HK$'000
61 to 90 days	**1,120**	2,640
Over 90 days	**537**	2,270
	1,657	4,910

Movements in the Group's provision for impairment of the trade receivables are as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
As at 1 March	**–**	–
Provision for impairment	**3,308**	–
As at 28 February	**3,308**	–

The impairment loss recognised on trade receivables is mainly for customers who have financial difficulties. At 28 February 2015, trade receivables of HK$3,308,000 (2014: Nil) were individually determined to be impaired. The individually impaired trade receivables relate to receivables which are expected not to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

24 CONSOLIDATED CASH FLOW STATEMENT

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

	2015 HK$'000	2014 HK$'000
Cash flow from operating activities		
Profit before income tax	323,751	366,907
Adjustment for:		
Share of profit of a joint venture	(7,217)	(566)
Fair value gains on investment properties	(3,242)	(6,103)
Depreciation of property, plant and equipment	53,906	56,051
Loss on disposal of property, plant and equipment	1,472	1,623
Amortisation of land use rights	748	922
Gains on the disposal of property/investment properties	(5,629)	(87,034)
Provision for impairment of trade receivables	3,308	—
Impairment losses/(write back of impairment) on inventories	136	(800)
Net finance income	(10,705)	(8,463)
Employee share option benefits	10,290	14,904
	366,818	337,441
Changes in working capital:		
— Inventories	(39,066)	(10,251)
— Trade and other receivables	(39,496)	(297)
— Deposits and prepayments	(8,575)	(1,787)
— Amount due to a joint venture	2,505	(3,300)
— Trade payables and accruals	(45,558)	44,771
Net cash generated from operations	236,628	366,577

25 CASH AND BANK BALANCES

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**254,460**	265,800	**2,591**	2,441
Short-term bank deposits (Note (a))	**282,513**	355,393	**—**	—
Cash and cash equivalents	**536,973**	621,193	**2,591**	2,441
Term deposits with initial term over three months (Note (a))	**96,199**	72,041	**—**	—
Pledged bank deposits (Note (b))	**3,485**	2,977	**—**	—
	636,657	696,211	**2,591**	2,441

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

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**20,971**	156,610	**2,591**	2,435
RMB	**599,271**	529,888	**—**	6
US$	**12,203**	5,823	**—**	—
Other currencies	**4,212**	3,890	**—**	—
	636,657	696,211	**2,591**	2,441

Note:

(a) The effective interest rate on short-term bank deposits and term deposits was 2.80% (2014: 2.64%) per annum; these deposits have a maturity ranging from 7 to 365 days (2014: 7 to 365 days).

(b) Bank deposits of HK$3,432,000 (2014: HK$2,977,000) have been pledged as rental deposits for subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 1.31% per annum (2014: 1.05%).

(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.

(d) The carrying amounts of cash and bank balances approximate their fair values.

26 TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**50,296**	90,582	**—**	—
Accruals	**164,532**	171,515	**696**	559
	214,828	262,097	**696**	559

The credit periods granted by suppliers are generally ranged from 7 to 60 days. The ageing analysis of the trade creditors at the end of reporting period is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Current to 30 days	**42,203**	53,855
31 to 60 days	**6,469**	20,672
61 to 90 days	**789**	5,698
91 to 120 days	**288**	4,525
Over 120 days	**547**	5,832
	50,296	90,582

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

	Group	
	2015	2014
	HK$'000	HK$'000
HK$	**480**	2,222
RMB	**45,097**	82,713
US$	**4,719**	2,541
EUR	**—**	3,106
	50,296	90,582

27 SHARE CAPITAL

	2015 Number of ordinary shares	2015 HK$'000	2014 Number of ordinary shares	2014 HK$'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)	**2,659,000**	**266**	—	—
At end of year	**641,972,600**	**64,197**	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:

	2015		2014	
	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	**3.464**	**30,940**	3.447	31,440
Exercised	**2.404**	**(2,659)**	—	—
Lapsed	**2.404**	**(817)**	2.404	(500)
Lapsed	**4.730**	**(600)**	—	—
At end of year	**3.573**	**26,864**	3.464	30,940

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 2015, 817,000 shares at an exercise price of HK$2.404 and 600,000 shares at an exercise price of HK$4.730 were lapsed. 2,659,000 share options at an exercise price of HK$2.404 each were exercised and total consideration received by the Group for the exercise of share options were HK$6,392,000.

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

	Exercise price per share	**Number of share options as at 28 February**	
Expiry date at	(HK$)	**2015 (thousands)**	2014 (thousands)
26 June 2021 (Note a)	4.730	**13,500**	14,100
9 July 2022 (Note b)	2.404	**13,364**	16,840

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 2015, a total share option expense of HK$10,290,000 (2014: HK$14,904,000) 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 2014	416,695	115,073	50,867	815,680	4,261	–	33,668	(38)	1,436,206
Comprehensive income									
Profit for the year	–	–	–	237,109	–	–	–	–	237,109
Other comprehensive income									
Currency translation differences	–	(30,096)	–	–	–	–	–	–	(30,096)
Retirement benefit obligation	–	–	–	–	–	–	–	588	588
Transactions with owners									
Share option scheme									
– value of service provide	–	–	–	–	–	–	10,290	–	10,290
– share option lapsed	–	–	–	1,415	–	–	(1,415)	–	–
– exercise of share options	8,759	–	–	–	–	–	(2,633)	–	6,126
Transfer	–	–	4,608	(4,608)	–	–	–	–	–
Dividends	–	–	–	(179,646)	–	–	–	–	(179,646)
At 28 February 2015	425,454	84,977	55,475	869,950	4,261	–	39,910	550	1,480,577
Representing:									
2015 proposed dividend									89,876
Others									1,390,701
									1,480,577

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$'000	Other reserve HK$'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)

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 2014	416,695	69,808	30,164	154,845	33,668	705,180
Comprehensive income						
Profit for the year	—	—	—	149,091	—	149,091
Other comprehensive income						
Currency translation differences	—	(18,940)	—	—	—	(18,940)
Transactions with owners						
Share option scheme						
— value of service provided	—	—	—	—	10,290	10,290
— share option lapsed	—	—	—	1,415	(1,415)	—
— exercise of share options	8,759	—	—	—	(2,633)	6,126
Dividends	—	—	—	(179,646)	—	(179,646)
At 28 February 2015	425,454	50,868	30,164	125,705	39,910	672,101
Representing:						
2015 proposed dividend						89,876
Others						582,225
						672,101

29 RESERVES (CONTINUED)

Company (Continued)

	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

Note:

(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.

29 RESERVES (CONTINUED)

Company (Continued)

Note: (Continued)

(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 2015 amounted to HK$155,869,000 (2014:HK$185,009,000).

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 (28 February 2014: HK$230,000,000) of which HK$7,098,000 (28 February 2014: HK$5,608,000) was utilised as at 28 February 2015.

31 COMMITMENTS

(a) Capital commitments

	Group	
	2015	2014
	HK$'000	HK$'000
Contracted but not provided for, in respect of purchase of property, plant and equipment	**399**	742

At 28 February 2015, the Company had no capital commitment (2014: Nil).

31 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

(i) The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group 2015 HK$'000	2014 HK$'000
Land and buildings:		
Not later than one year	**88,901**	85,257
Later than one year and not later than five years	**75,750**	80,771
	164,651	166,028

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 2015, the Company had no future aggregate minimum lease payments under non-cancellable operating leases (2014: Nil).

(ii) The Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Group 2015 HK$'000	2014 HK$'000
Land and buildings:		
Not later than one year	**4,903**	3,873
Later than one year and not later than five years	**4,960**	–
	9,863	3,873

At 28 February 2015, the Company had no future aggregate minimum rental receivable under non-cancellable operating leases (2014: Nil).

32 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2015, Stable Gain Holdings Limited held 31.93% (2014: 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	
	2015	2014
	HK$'000	HK$'000
Rental expenses charged by:		
— a related party (Note (i))	**3,456**	3,456
— related companies (Note (ii))	**946**	1,102

	Group	
	2015	2014
	HK$'000	HK$'000
Amount due to a related company (Note (iii))	**155**	159

(i) During the year, the Group rented a shop located in Macau from Mr. Lee, a substantial shareholder and Director of the Company, as a retail outlet in Macau.

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

(iii) The amount due to Super Billion is unsecured, interest-free and repayable on demand and to be settled in cash.

(c) Year-end balance with a related party

	Group	
	2015	2014
	HK$'000	HK$'000
Amount due to a joint venture (Note 19(b))	**35,699**	34,119

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	Group	
	2015	2014
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**11,191**	8,541
Employer's contributions to retirement scheme	**99**	92
Share option benefits	**7,934**	10,870
	19,224	19,503

Five-Year Financial Summary

RESULTS OF THE GROUP

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Revenue	**2,108,271**	2,039,419	1,762,406	1,545,042	1,319,927
Operating profit	**305,829**	357,878	233,820	244,968	201,350
Net finance income	**10,705**	8,463	6,247	4,119	1,894
Share of profit/(loss) of a joint venture	**7,217**	566	551	(580)	8,628
Profit before income tax	**323,751**	366,907	240,618	248,507	211,872
Income tax expense	**(84,349)**	(78,274)	(61,863)	(53,735)	(42,557)
Profit for the years	**239,402**	288,633	178,755	194,772	169,315
Profit attributable to:					
— equity holders of the Company	**237,109**	287,150	179,134	194,202	168,500
— non-controlling interest	**2,293**	1,483	(379)	570	815
	239,402	288,633	178,755	194,772	169,315

ASSETS AND LIABILITIES OF THE GROUP

	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Investment properties, property, plant and equipment and land use rights	**322,584**	337,400	359,781	347,025	313,149
Interest in a joint venture	**42,294**	36,137	35,112	34,135	48,592
Long-term deposits and prepayments	**16,712**	15,141	18,137	16,745	10,388
Interest in and amount due from an available-for-sale financial asset	**—**	—	—	—	—
Deferred tax assets	**70,019**	56,627	51,807	43,573	37,861
Net current assets	**1,151,785**	1,106,583	868,938	781,219	658,434
	1,603,394	1,551,888	1,333,775	1,222,697	1,068,424
Total equity	**1,559,358**	1,513,608	1,302,032	1,195,983	1,054,223
Deferred tax liabilities	**44,036**	38,280	31,743	26,714	14,201
	1,603,394	1,551,888	1,333,775	1,222,697	1,068,424

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