le saunda holdings ltd.
萊爾斯丹控股有限公司

annual report 2016

(Stock Code : 0738)

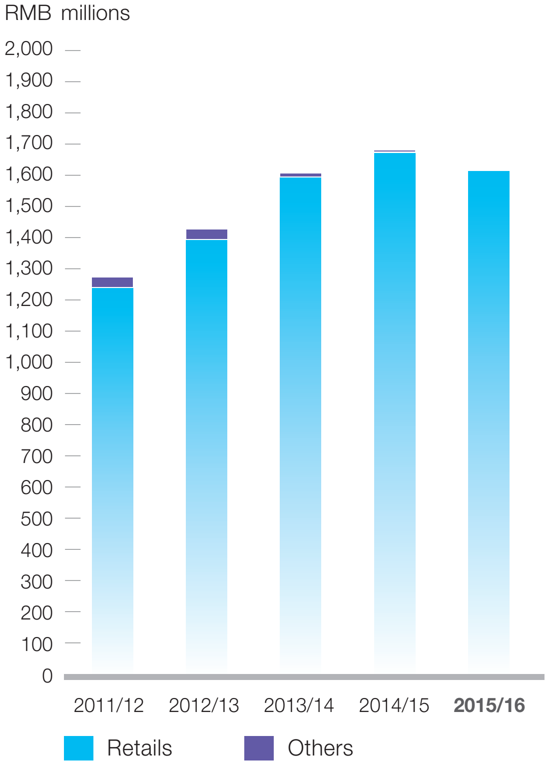
CONTENTS

Financial Highlights

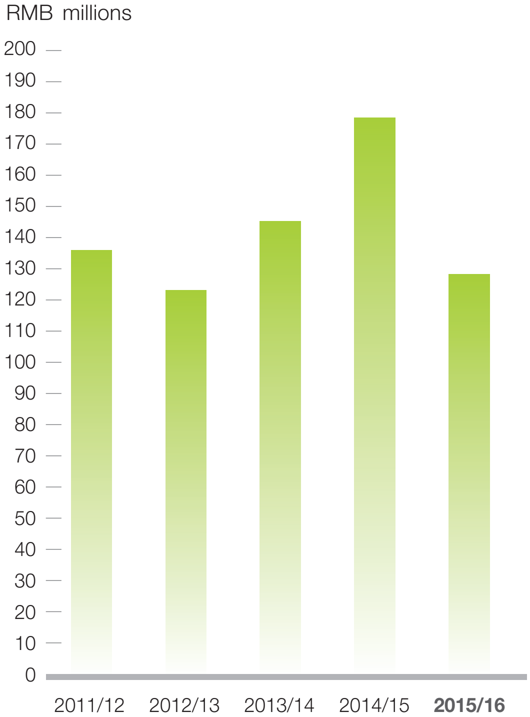
	Year ended 29 February 2016 RMB million	Year ended 28 February 2015 RMB million	Change
Profit and Loss Highlights			
Revenue	**1,621.4**	1,683.0	–3.7%
Consolidated Profit Attributable to Owners of the Company	**122.1**	189.3	–35.5%
Underlying Profit Attributable to Owners of the Company	**129.0**	179.2	–28.1%
Basic Earnings per Share (RMB Cents)	**17.28**	26.84	–35.6%
Balance Sheet Highlights			
Total Equity	**1,312.5**	1,266.7	+3.6%
Net Cash Balances	**543.5**	517.2	+5.1%
Net Assets Value per Share (RMB)	**1.86**	1.79	+3.9%
Net Cash per Share (RMB)	**0.77**	0.73	+5.5%
Other Key Ratios			
Stock Turnover (Days)	**257**	231	
Quick Ratio (Times)	**3.3**	3.1	
Gearing Ratio (%)	**–**	–	

Note: Underlying profit attributable to owners 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 foreign exchange gains and losses from profit for the year attributable to owners of the Company.

Revenue



Underlying profit — Attributable to Owners of the Company



Corporate Information

EXECUTIVE DIRECTORS
Lau Shun Wai *(Chief Executive Officer)*
Chu Tsui Lan *(Chief Operating Officer)*
Chui Kwan Ho, Jacky
(appointed on 8 April 2016)
Wong Sau Han
An You Ying
(resigned on 1 December 2015)

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
Lo Tik Man, Ophelia
(appointed on 27 May 2015)
Yuen Chee Wing
(resigned on 27 May 2015)

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

2015/16 Interim Results Announcement	26 October 2015
Payments of 2015/16 Interim Dividend	20 November 2015
2015/16 Annual Results Announcement	18 May 2016
Closure of Register of Members for Annual General Meeting (both days inclusive)	7–11 July 2016
Annual General Meeting	11 July 2016
Closure of Register of Members for Proposed 2015/16 Final Dividend and Special Dividend (both days inclusive)	18–19 July 2016
Payment of Proposed 2015/16 Final Dividend and Special Dividend	28 July 2016

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

Aug 2015

On August 8, the railway train under Guangzhou Tower was decorated as "Fortune Train", where Ms. Alice Lau, the CEO of le saunda, and movie star, Mr. Louis Koo kicked off a month-long branding event "Fortune Journey". In addition, a book donation conducted at le saunda and CNE stores, with the aim to provide extra-curricular reading opportunity to children in under-developed areas. le saunda and CNE 2015 autumn/winter collections were also launched, models showing the uniqueness of the new collections.

Nov 2015

le saunda's Senior Associate, Mr. Eric Wan, with his swift response, sincere service and positive attitude, won the championship at the 30th "2015 Service & Courtesy Award – Footwear Category (Junior Frontline Level)" and "Excellent Service Star Award" issued by the Hong Kong Retail Management Association.

le saunda was pleased to be the Pink Sponsor of "The 5th Race with Pink Heels" held in November 2015 at Stanley Main Street in Hong Kong, which organized by "The Hong Kong Hereditary Breast Cancer Family Registry". During the event, le saunda had a booth to sell the pink heels and flowers, and all income was donated to Hong Kong Hereditary Breast Cancer Family Registry.

With the aim to promote the brand in international market, le saunda co-operated with Taiwan's budding designer brand "abcense" to develop "VOGUE Talents for Asia" Supermodel Catwalk Series. In November 2015, Elite models showcased "le saunda x abcense" series at "The 32nd Elite World & VOGUE Talents Final". "abcense for le saunda" also took part in the "SUPER N.7" fashion exhibition in Milan, Italy, which obtaining overwhelming responses from medias, designers, superstars and veterans.

On 26 March, le saunda store had a grand-opening at Parc Central in Guangzhou, the Group specially arranged "Big Monster" for photo-shooting with fans and also participated in the "uber x Parc Central" activity.

Mar 2016

On 30 March, LINEA ROSA store had a grand-opening at Parc Central in Guangzhou. Meanwhile, a Poolside Party was held at E coffee in Tianhe Sports Centre, Guangzhou, for LINEA ROSA 2016 spring/summer fashion show.

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 29 February 2016 (the "year under review").

The slowdown in China's economic growth continued in 2015 amid increased volatilities in the stock market and the foreign exchange market and lacklustre sentiments in the retail market. It is worth noting that there was an apparent slowdown in growth for China online retail sales following the slowdown in growth for its physical retail sales in the past few years, indicating the lack of a driving force for both online and offline retailing. More challenges were confronted by retail operators, such as the diversion of purchasing power from traditional retail channel to e-commerce channel, the diminishing appeal to consumers with homogeneous products and services, and the significant change in the pattern of consumers' behavior. The Group endeavoured to maintain stable business development as it actively adjusted its strategies and embraced such challenges with full confidence.

The shopping behavior of consumers in China has evolved from satisfaction of functional needs to the pursuit of quality and fulfilment of individual needs. During the year under review, the Group capitalised on relevant market opportunities and increased its supply of leisure styles and fashionable young personalised lines to meet market demands. On the channel front, we spared no effort in the dual development of online and offline sales with "same style same price" principle, and sought to operate the two channels with complementary products.

During the year under review, the Group accelerated the development of its database system and the integration of the omni-channel platforms to transfer all processes into the IT system. In the future, such system will support our digitalised platform, smart footwear selection at shop and digitalised manufacturing, and facilitate full integration of online and offline operations in respect of products, pricing, membership, logistics and payment methods. A highly data-oriented operating model will allow faster response to the market in design, product development and supply chain management, which will in turn enable us to offer designs in closer tandem with fashion trends and develop more sub-segment fashion lines and fully deploy our O2O model. With the implementation of scientific management on our digitalised platform in the future, we will streamline and flatten our corporate structure to enhance efficiency.

The Group has noted a significant change in the pattern of consumers' behavior in recent years. On one hand, there is no doubt that consumers' demand for high quality products should stimulate more spending. On the other hand, there is an increasing emphasis on the experience gained throughout the shopping process, which means what a consumer purchases is not just the product, but also the value of the shopping experience. The Group is of the view that experiential shopping will become a dominant trend in the future, while the most important advantage of physical stores is exactly their ability to offer valuable shopping experiences. As such, the Group is actively studying the transformation of offline physical stores in this direction.

In the future, the Group's offline operations will continue to feature the high-end LINEA ROSA brand and the mid- to high-end le saunda brand with the offering of fine and exquisite products. We will seek to increase the repeat purchase ratio by attracting consumers with fashionable designs and valuable shopping experience. Online sales will be conducted on the digitalised platform and the mass market will be tapped with swift response. Meanwhile, we will optimize the product mix of our CNE brand and further open O2O stores to facilitate two ways flow of customers between online and offline operations.

I believe that brand operators will face different kind of problems from time to time, but challenges will always come with opportunities. Reacting faster than other competitors in resolving the problems into opportunities is critical in confronting all such challenges. No doubt, a well-defined strategic direction for development and precise brand positioning underpinned by practical plans will facilitate the Group's 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 contributions. I will continue to work with my colleagues on the Board to seize opportunities and make innovative moves in the fast-changing retail market, with the aim of delivering sustainable and lucrative returns to shareholders.

James Ngai
Chairman

Hong Kong, 18 May 2016

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 fiscal year 2015/16, total revenue of the Group decreased by 3.7% year-on-year to RMB1,621,400,000 (2014/15: RMB1,683,000,000). Consolidated gross profit dropped by 5.4% to RMB1,069,800,000 (2014/15: RMB1,131,000,000). The Group recorded an overall gross profit margin of 66.0%, representing a year-on-year decrease by 1.2 percentage points. Consolidated profit attributable to owners of the Company decreased by 35.5% to RMB122,100,000 (2014/15: RMB189,300,000) compared to last year. The underlying profit attributable to owners of the Company, which reflected the performance of the Group's core footwear business, decreased by 28.1% year-on-year to RMB129,000,000 (2014/15: RMB179,200,000).

RMB million	2015/16	2014/15	Change
Revenue	**1,621.4**	1,683.0	(3.7%)
Gross profit	**1,069.8**	1,131.0	(5.4%)
Gross profit margin	**66.0%**	67.2%	(1.2 percentage points)
Underlying profit attributable to owners	**129.0**	179.2	(28.1%)
Consolidated profit attributable to owners	**122.1**	189.3	(35.5%)
Final dividend (HK cents)	**7.0**	14.0	(50.0%)
Special dividend (HK cents)	**3.0**	Nil	N/A
Annual dividend pay-out ratio	**73.8%**	59.6%	14.2 percentage points
Bonus issue	**Nil**	For 1 bonus share for every 10 shares in issue	

FINANCIAL REVIEW

FINANCIAL REVIEW (CONTINUED)

PROFITABILITY ANALYSIS

During the year under review, affected by the sluggish sentiments in the retail markets of Mainland China and Hong Kong as well as abnormal warm winter, the Group's total revenue decreased by 3.7% year-on-year to RMB1,621,400,000 (2014/15: RMB1,683,000,000). The Group enhanced its efforts in clearing current winter and off-season products in order to lower its inventory levels. As a result, gross profit margin decreased by 1.2 percentage points year-on-year to 66.0%. The Group recorded a gross profit of RMB1,069,800,000 (2014/15: RMB1,131,000,000), representing a year-on-year decline of 5.4%.

Selling and distribution expenses increased by 2.4% year-on-year to RMB730,100,000 (2014/15: RMB712,600,000), reflecting substantial increase in marketing expenses that brought by sharp increase in online promotions, to counter the slowdown in sales brought by sluggish macro-economic environment. Together with the inflation-linked annual increase in the labour cost of sales personnel, the ratio of selling and distribution expenses to total revenue increased to 45.0% (2014/15: 42.3%), representing an increase of 2.7 percentage points. During the year under review, advertising and promotional expenses accounted for 3.6% of total revenue, representing an increase of 1.0 percentage point. In addition to the abovementioned increase in online promotional expenses during the year under review, the Group introduced a number of new, large-scale promotional activities to strengthen brand building and further enhance its brand awareness.

General and administrative expenses decreased by 3.0% to RMB198,200,000 (2014/15: RMB204,300,000) compared to last year. General and administrative expenses as a percentage of total revenue accounted to 12.2% (2014/15: 12.1%), representing a year-on-year slightly increase of 0.1 percentage point.

Other income increased by 41.0% to RMB38,800,000 (2014/15: RMB27,500,000), representing mainly increase in government incentives granted by local government in recognition of the Group's contributions to local economic development and the creation of job opportunities.

FINANCIAL REVIEW (CONTINUED)

PROFITABILITY ANALYSIS (CONTINUED)

Other gains and losses mainly included the losses brought by change in exchange rates and gains derived from property. The Group's exchange losses increased by RMB5,900,000 as a result of the fluctuation of the RMB exchange rate during the year. In last financial year, gains from the disposal of a property and revaluation on investment properties amounted to RMB7,100,000. Altogether, the Group booked a net loss of RMB10,800,000 this financial year (2014/15: net gain of RMB2,500,000).

Consolidated profit attributable to owners of the Company decreased by 35.5% year-on-year to RMB122,100,000 (2014/15: RMB189,300,000). Basic earnings per share decreased by 35.6% year-on-year to RMB17.28 cents (2014/15: RMB26.84 cents). In return for the shareholders' longstanding support, the Board recommended a final dividend of HK7.0 cents and a special dividend of HK3.0 cents per ordinary share (2014/15: final dividend of HK14.0 cents). Together with the interim dividend of HK5.7 cents, the total dividend for this fiscal year was HK15.7 cents per ordinary share, representing a high dividend payout ratio of 73.8% (2014/15: 59.6%).

INCOME TAX EXPENSE

During the year under review, income tax expenses amounted to approximately RMB55,000,000 (2014/15: RMB67,300,000), representing a decrease of 18.3% 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 losses not subject to taxation, the effective tax rate of the Group was 29.0% during the year under review (2014/15: 26.5%).

INVENTORY MANAGEMENT

As at 29 February 2016, the Group's inventory balance was RMB441,800,000, up 6.4% from RMB415,200,000 as at the same date last year. Inventory turnover days of finished goods increased by 26 days to 257 days (28 February 2015: 231 days).

FINANCIAL REVIEW (CONTINUED)

INVENTORY MANAGEMENT (CONTINUED)

A breakdown of inventory balance was as follows:

RMB (million)	As at 29 February 2016	As at 28 February 2015	Changes in value	Changes in %
Raw materials and work-in-progress	**37.9**	41.7	(3.8)	(9.1%)
Finished goods	**403.9**	373.5	30.4	8.2%
Total	**441.8**	415.2	26.6	6.4%

During the year under review, the inventory of raw materials and work-in-progress decreased by 9.1% year-on-year, reflecting effective control on the inventory of raw materials. The 8.2% increase year-on-year in the inventory of finished goods was attributable to two factors: the over-stocking of slow-moving winter merchandise brought by the abnormal warm weather; and earlier delivery of next season products that increased items of the latest spring/summer collections to approximately 28% of the inventory (28 February 2015: 27%). Nevertheless, the Group believes that its current inventory remains at a healthy level, as it has been exercising strict control over the stock age of its inventory. As at 29 February 2016, approximately 80% of the Group's finished goods had a stock age of less than one year (28 February 2015: 83%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 29 February 2016, the Group's cash and bank balance amounted to RMB543,500,000 (28 February 2015: RMB517,200,000), an increase by 5.1% year-on-year. The quick ratio was 3.3 times (28 February 2015: 3.1 times). During the year, the Group had borrowed and repaid short-term bank loans amounting to RMB42,200,000. As at the fiscal year-end date, the Group had no outstanding bank loan (28 February 2015: Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the year. In addition, working capital requirements for business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

During the year ended 29 February 2016, 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 PRC economy remained weak in 2015, as the gross domestic product (GDP) growth further slowed down to 6.9%, the lowest level since 1991. Signs of weakness were emerging despite the Chinese government's effort to reverse the trend of economic slowdown. Under the new normal economic conditions, the retail industry continued to face unyielding costs and rising expenses, resulting in the further squeezing of profit margin. Moreover, significant changes were noted in the shopping habits of consumers, who became more focused on shopping experience and personalised fashion. Retailers were forced to seek breakthroughs and changes in response to the lacklustre market.

While the pace of growth slowed down for both online and offline spending, there was an increasing demand for high-quality products from consumers. The growth in individual retail spending had evolved such that it was driven by both the improvement in quality and the growth in quantity. The customers' demand for the fulfillment of functional needs had developed into the demand for the satisfaction of personal sentiments. In addition to basic daily-life requirements, consumers were seeking realization of personal tastes as the PRC retail market entered into a new stage. The Group is of the view that the challenge for retailers was essentially a question of how to capitalise on the spending powers of consumers. During the year, the Group adjusted its strategy in a timely manner to actively respond to the adversities in the market, while making strong efforts to seize opportunities presented by the changing trends in consumer spending.

RETAIL BUSINESS

The total retail sales of consumer goods in Mainland China increased by 10.7% in 2015, year-on-year, representing a slowdown in growth rate by 1.3 percentage points. For the year under review, the total retail revenue of the Group decreased by 3.7% year-on-year to RMB1,621,400,000 (2014/15: RMB1,683,000,000). Same-store sales for the full year decreased by 8.0% (2014/15: increased by 7.5%) as a result of: 1) ongoing sluggishness in overall retail spending in line with slackened economic growth in Mainland China; 2) undermined consumers' confidence and willingness to spend after several substantial corrections in the stock market and foreign exchange market; 3) slow sales of winter merchandise as affected by abnormal warm weather; 4) increase in the number of outbound tourists in recent years taking away some of the consumption in China; and 5) a high base for comparison after consecutive years' of rapid same-store growth. As more and more consumers prefer younger styles and the diversification and stratification in retail spending becomes more apparent, the Group will change its methods in the future to strengthen its analysis and study of popular trends and patterns of consumer behaviors based on Big Data, in a bid to enhance consumers' shopping experience and thereby improve same-store sales.

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS (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 896 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 8 stores compared to the end of the prior year. The increase in the number of self-owned stores was offset by the decrease in the number of franchised stores during the year. New stores were mainly high-end LINEA ROSA stores and CNE O2O stores.

As at the year-end date, there were 663 core brand le saunda stores and 61 le saunda MEN stores, representing net reductions of 36 and 10 stores, respectively, as compared to that as at the end of last year. As for LINEA ROSA, our high-end fashionable brand, a moderate pace of new-store opening was sustained amid adverse market conditions with a net addition of 16 stores to bring the total number to 68 stores. CNE O2O stores increased from 8 to 25 stores.

As at 29 February 2016, 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	778	(+28)	106	(–28)	884	—
• Northern, Northeastern & Northwestern Regions	189	(–2)	89	(–4)	278	(–6)
• Eastern Region	236	(+8)	—	(–2)	236	(+6)
• Central and Southwestern Regions	175	(+14)	14	(–13)	189	(+1)
• Southern Region	178	(+8)	3	(–9)	181	(–1)
Hong Kong and Macau	12	(–8)	—	—	12	(–8)
Total	790	(+20)	106	(–28)	896	(–8)

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS (CONTINUED)

E-commerce business

According to statistics announced by the PRC Ministry of Commerce, online purchases in China grew by 33.3% in 2015, representing a significant slowdown in growth pace by 16.4 percentage points as compared to the previous year. The growth pace was slowed down after the phenomenal growth seen in previous periods. E-Commerce players were facing issues such as the slowdown in sales growth, swiftly rising channel costs and escalating competition.

During the year under review, the Group was vigorously driving the integration between physical stores and online stores, striving to meet the needs of consumers at different levels with personalised and youthful designs. In view of the rapidly-increasing ratio of online shopping via mobile terminals, our e-commerce team focused on mobile shopping in close tandem with retail spending trends and redesigned the web pages targeting specific marketing groups based on the outcome of data analysis, in a bid to increase the conversion rate. For the year under review, revenue from e-commerce increased by approximately 25%, year-on-year. In the future, we will, supported by data analysis, refine the operation of e-commerce and reduce its costs in a bid to increase its output ratio.

Integration of online and offline marketing

During the year under review, the Group continued to enhance brand building by increasing online and offline interactive marketing activities through resources-sharing. During the year, the Group organised a number of mega branding campaigns, such as the decoration of railway train under the Guangzhou Tower, the new landmark of Guangzhou, into the "Fortune Train (幸福列車)" for the launch of the Group's autumn/winter collections. Meanwhile, a month-long campaign known as "Fortune Journey (幸福之履)" was introduced, in which games were designed and coupons for online shops were handed out as prizes to passengers. The Group also organised a branding day in association with Tmall to pre-launch its autumn/winter collections at the Group's official flagship stores on the platform. Coupons were handed out to customers through various interactive online initiatives and offline scanning. Moreover, the Group was actively engaged in online branding promotion via social media with the publication of latest product information on its official Facebook and Wechat accounts, generating positive results in interaction with customers.

With further improvements in living standards, the new generation of consumers emerging in recent years have shown more care for the society. On the other hand, enterprises also concern more about their corporate culture and social responsibilities. Under these circumstances, the Group has increased its input in social charity campaigns. During the month-long branding activity known as "Fortune Journey", le saunda and CNE stores organised a book donation initiative to provide children in under-developed areas with extra-curricular reading opportunities. In Hong Kong, le saunda sponsored the "The 5th Race with Pink Heels", and donated all income from a charity bazaar to Hong Kong Hereditary Breast Cancer Family Registry.

BUSINESS REVIEW (CONTINUED)

RETAIL BUSINESS (CONTINUED)

Integration of online and offline marketing (Continued)

In addition, the Group was committed to enhance its brand reputation in the international market. le saunda worked with "abcense", a budding designer brand in Taiwan, to develop the "VOGUE Talents for Asia" super model T contest series, which showed up in the 32nd Elite World & VOGUE Talents Final. Furthermore, "abcense for le saunda" took part in the "SUPER N.7" fashion exhibition in Milan, addressing overwhelming responses in the market. This year, the Group will pre-launch the "abcense for le saunda" series to customers via both online and offline channels.

During the year under review, the Group's staff won the championship at the 30th "2015 Service & Courtesy Award — Footwear Category (Junior Frontline Level)" and "Excellent Service Star Award" issued by Hong Kong Retail Management Association (HKRMA). Furthermore, LINEA ROSA brand won "Service Category Leader — Footwear" Award at Mystery Shoppers Programme organized by HKRMA. "Service & Courtesy Award" is regarded as "Oscar Award" in the retail industry, and the Group has won the award for consecutive years, reflecting the Group's consistent emphasis on high quality products and service as its core value.

MAINLAND CHINA

Though domestic retail market further weakened in 2015, the Group's retail sales in Mainland China decreased slightly by 0.9% to RMB1,510,700,000 (2014/15: RMB1,524,000,000), which was better than the overall decline in Group's revenue. Such result was mainly attributable to the following: 1) a stable loyal customer base brought by the Group's reputation of products with "sophisticated styles with top quality"; 2) the Group's consistent moves to close underperforming stores and open new ones to drive sales; 3) the launch of popular casual designs with elements favoured by young people to meet the market demands; 4) a higher ratio of repeat purchases benefitting from innovative marketing approaches on both online and offline channels to facilitate close interaction with VIP customers.

HONG KONG AND MACAU

According to statistics announced by the Hong Kong government, the Hong Kong's retail sales for 2015 decreased by 3.7%, year-on-year, representing the largest setback since the outbreak of SARS in 2003. As more PRC tourists preferred to outbound travel to the countries where they could enjoy the appreciation of RMB in recent years, the number of PRC inbound tourists in Hong Kong has dropped continuously. The Group's sales in Hong Kong and Macau decreased by 29.2% year-on-year to RMB110,700,000 (2014/15: RMB156,400,000) , and the Hong Kong and Macau business unit changed from profitable to making loss. During the year under review, there was a net decrease of 8 stores in Hong Kong and Macau, reducing the total number of stores in Hong Kong and Macau to 12. The Group is of the view that after the shop rental in Hong Kong adjusted back to a normal level, the opportunities of opening new stores would appear again.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

Retailers in China are facing challenges at multiple levels, as the domestic retail market is undergoing a period of transformation amid the "new normal" economy in China. Urban disposable income is actually on the rise, even though ongoing weakness is noted in consumer spending. Hence, it is the pattern of consumers' behavior that has been changing. Furthermore, the consistent erosion of profit margin by unyielding expenses has also put long standing pressure on retailers. In response to the latest changes in market conditions, the Group will conduct a range of strategic adjustments with the aim of increasing its revenue through consumer spending driving by shopping experience, while striving to streamline its organisational structure to cut the operating costs.

In recent years, consumers' behavior has been increasingly characterised by the pursuit of personal identity and fulfillment of personal sentimental needs. The Group is of the view that spending driven by shopping experience will become a dominant trend in the future, and physical stores will be in a more advantageous position to offer personalised shopping experiences to customers. What a customer purchased at a store is not just the product, but also the value of the experience realized in shopping.

The Group will make projections on the pattern of consumers' behavior through the collection of data on consumers' purchase preferences, spending habits and purchase frequency. On this basis, it will conduct product analysis and formulate pricing strategies in a more timely and efficient manner in response to market needs, with the aim of driving sales with services and products meeting the consumers' expectations.

Cost-cutting represents an impending task for business operators who suffer from lacklustre sales growth. The Group will resort to more vigorous organisational restructuring to streamline its workforce in the future. More extensive and precise applications of data and systems in daily operation will facilitate a more streamlined corporate structure. Meanwhile, the Group will continue to optimise its store network by closing down underperforming stores and opening new ones at shopping malls.

The O2O retail model emerging in recent years is essentially an extension of online retailing to offline setups, which brings a more efficient and convenient shopping environment for customers. It is important to note, however, that the O2O model must be highly relying on data, which is one of the reasons why the Group has been making vigorous efforts to upgrade its POS system in recent years. The consumers will experience not only the diversification of shopping channels, but also enjoy the convenience brought by integration of a variety of daily services on different channels. In the future, the Group will further develop its O2O model by opening more stores.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP (CONTINUED)

Moreover, as fashion trends have been changing at a much faster pace than before, the Group will try to identify consumer demands in different market segments and enhance its offering of products and services with shopping environment and trendy design elements that appeal to young consumers. In the future, the Group will continue to optimise its product mix by increasing the offering of leisure and fashionable styles so as to enhance consumers' shopping experience. The Group will also continue to upgrade its IT systems to facilitate smart footwear selection and digitalised manufacturing. It will continue to consolidate its omni-channel platforms to facilitate full integration of online and offline products, pricing, memberships, logistics and settlement in support of the development of more sub-segment fashion lines in the future.

The Group anticipates the lacklustre sentiments prevailing in the retail market will last for one to two years and retailers will still face enormous challenges ahead. The Group will make strong efforts to drive internal reforms and address such challenges by diversifying its revenue sources and enhancing cost reduction. In terms of new revenue sources, we will insist on our core edge to offer premium formal footwear for the medium- to high-end market, while seeking to optimise our product mix to explore the young-line products with unique functional and fashionable features. In terms of cost reduction, we will streamline our processes through more extensive applications of systems to achieve cost reduction and efficiency enhancement on both the retail and manufacturing ends, in order to build a solid foundation for rapid development in the future.

The Group is committed to the transformation from a traditional vertically integrated offline retailer to an omni-channel operator which is highly data-oriented, and introduce a new retail model with swift O2O deployment. With a clear direction, a strong brand name and product lines with premium quality, the Group is poised to generate sustainable returns for shareholders as it embraces the new age of retail driven by both online and offline operations.

PLEDGE OF ASSETS

As at 29 February 2016, bank deposits of RMB2,300,000 (28 February 2015: RMB2,800,000) 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 RMB210,800,000 (28 February 2015: RMB186,800,000), of which RMB3,600,000 (28 February 2015: RMB5,800,000) was utilised as at 29 February 2016.

DIVIDEND

The Board has recommended to declare a final dividend of HK7.0 cents (the "Final Dividend") and a special dividend of HK3.0 cents (the "Special Dividend") per ordinary share for the year ended 29 February 2016 (28 February 2015: a final dividend of HK14.0 cents) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 19 July 2016. The proposed Final Dividend and Special Dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company. If passed, the Final Dividend and Special Dividend are expected to be paid on or around Thursday, 28 July 2016, while a circular containing further details of notice of the AGM will be despatched to the Shareholders as soon as practicable.

The Board declared the payment of an interim dividend of HK5.7 cents per ordinary share for the six months ended 31 August 2015 (2015: interim dividend of HK8.0 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 29 February 2016, the Group had a staff force of 5,286 people (28 February 2015: 5,382 people). Of this number, 150 were based in Hong Kong and Macau and 5,136 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 29 February 2016, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB392,900,000 (2015: RMB379,300,000). 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 34 and the particulars are set out in note 10 to the Consolidated Financial Statements in accordance with Appendix 16 to the Listing Rules.)

EXECUTIVE DIRECTORS

Lau Shun Wai, aged 45, first joined the Group in 1992 and left the Group in August 2004. She re-joined the Group in February 2007. She is an Executive Director and the 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 22 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. Ms. Lau obtained 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. Since 2012, Ms. Lau is a member of Young Presidents' Organization of Hong Kong Chapter.

Chu Tsui Lan, aged 46, joined the Group in 1992. She is an Executive Director and the 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, e-commerce 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 24 years of retail experience in Mainland China and Hong Kong.

Chui Kwan Ho, Jacky, aged 52, first joined the Group in 1981 and was appointed as an Executive Director in September 1992 and left the Group in September 2010. She re-joined the Group in April 2016. She is an Executive Director of the Company and acts as a director of a subsidiary of the Company. Ms. Chui is responsible for management of the Group's production facilities in China. She has over 30 years of experience on retail and production management. Prior to re-joining the Group, she was a chief executive officer in a renowned handbag company in China and was responsible for footwear products development, manufacturing management and retail operations.

Wong Sau Han, aged 56, 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 an Executive Director and the 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 33 years of professional experience in human resources management for Mainland China and Hong Kong operations, of which the past 23 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").

NON-EXECUTIVE DIRECTORS

James Ngai, aged 53, joined the Group in March 2011. He is a 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 25 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 82, is the founder of the Group. He is a Non-Executive Director of the Company and acts as a director of certain subsidiaries of the Company. Mr. Lee has over 37 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 manager 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 an 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 26 years and is the proprietor of Messrs. S. L. Lam & Company. He has served as a member of Insider Dealing Tribunal on a number of occasions. Mr. Lam is also an independent non-executive director of Lifestyle International Holdings Limited and Lifestyle Properties Development 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 an 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 28 years of experience in accounting, financial management, auditing and receivership. He is a director and financial controller of a real estate development company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Hui Chi Kwan, aged 67, joined the Group in November 2007. He is an 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 50, joined the Group in August 2010. He is the Chief Financial Officer of the Company and is responsible for the Group's financial control and accounting, treasury, tax, legal as well as investor relations. 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 21 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.

Cheng Wang, Gary, aged 44, joined the Group in March 2016. He is Corporate Development Director of the Company and is responsible for assisting the Board in formulating corporate development strategy, implementing corporate development projects, as well as managing information technology related matters. Mr. Cheng graduated from University of Manitoba with a Bachelor's degree in Commerce and a Master's degree in Accounting, The Chinese University of Hong Kong with a Master's degree in System Engineering, and University of Southern Australia with a Doctorate's degree in Business Administration. He is a member of American Institute of Certified Public Accountants. Prior to joining the Group, Mr. Cheng has over 15 years of experience in providing consulting services of corporate strategic planning, process improvement, cost control and financial management.

Li Jing Bo, aged 46, 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, eastern, northern and northeastern regions of Mainland China. Mr. Li graduated from Wuhan University and majored in public relations. He has over 24 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 10 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.

SENIOR MANAGEMENT (CONTINUED)

Li Ying Ying, aged 47, 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 19 years of retail experience in Mainland China.

Xiao Kun Min, aged 41, 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 northwestern and southwestern region of Mainland China. Ms. Xiao has over 20 years of retail experience in Mainland China.

Yang Xiao Hui, aged 38, 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 17 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, Ms. An You Ying, an executive Director (who resigned on 1 December 2015) and Mr. Lee Tze Bun, Marces, a non-executive Director, were unable to attend the annual general meeting of the Company held on 13 July 2015.

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)

During the year ended 29 February 2016 and up to 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. Chui Kwan Ho, Jacky ("Ms. Chui")
(appointed on 8 April 2016)
Ms. Wong Sau Han
Ms. An You Ying
(resigned on 1 December 2015)

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:

(a) Mr. Ngai is a director of an accounting firm which provides advisory and audit services to private companies owned by Mr. Lee;

(b) Both Mr. Lee and Mr. Ngai are the directors of Stable Gain Holdings Limited ("Stable Gain"), a controlling shareholder of the Company. The entire issued share capital of Stable Gain was registered in 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; and

(c) Ms. Chui is a trustee of The Lee Keung Charitable Foundation, of which Mr. Lee is the founder.

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.

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

During the year and up to the date of this report, the Company has three Independent Non-Executive Directors representing not less than one-third of the Board. Mr. Lam Siu Lun, Simon, one of the Independent Non-Executive Directors, has the appropriate professional qualifications, or accounting or related financial management expertise as required under Rule 3.10(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 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 and up to the date of this report, the Board held 9 physical meetings and 6 written resolutions for separate matters signed by all Directors were passed. The attendance records of each Director at the Board meetings are set out on page 37 of this report.

Responsibilities and Delegation

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

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

BOARD OF DIRECTORS (CONTINUED)

Directors' Training

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

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

During the year and up to the date of this report, 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	A, B
Ms. Chui Kwan Ho, Jacky *(appointed on 8 April 2016)*	A, B
Ms. Wong Sau Han	A, B
Ms. An You Ying *(resigned on 1 December 2015)*	B
Non-Executive Directors:	
Mr. James Ngai	A, B
Mr. Lee Tze Bun, Marces	B
Independent Non-Executive Directors:	
Mr. Lam Siu Lun, Simon	A, B
Mr. Leung Wai Ki, George	B
Mr. Hui Chi Kwan	A, B

Remarks:

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

Directors' and Officers' Liability Insurance

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

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

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

According to 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 45 of this report.

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

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Audit Committee was established with written terms of reference (as amended) since 1999. As at 29 February 2016 and up to 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, risk management and internal control 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 respective websites of the Stock Exchange and the Company.

During the year and up to the date of this report, the Audit Committee held 7 physical meetings together with the external auditors and/or internal auditors. The Chairman of the Board, the Chief Executive Officer and Chief Financial Officer were invited to attend the meetings. The attendance records of each member are set out on page 37 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 risk management and internal control systems and procedures of the Group.

Remuneration Committee

The Remuneration Committee was established with written terms of reference (as amended) since 2005. As at 29 February 2016 and up to the date of this report, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Remuneration Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one Non-Executive Director, namely Mr. Ngai.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

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

During the year and up to the date of this report, the Remuneration Committee held 2 physical meetings and 1 written resolutions for separate matters signed by all members were passed. The attendance records of each member are set out on page 37 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 11 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established with written terms of reference (as amended) since 19 March 2012. As at 29 February 2016 and up to 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 suitably 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 respective websites of the Stock Exchange and the Company.

During the year and up to the date of this report, the Nomination Committee held 2 physical meetings and 1 written resolutions for separate matters signed by all members were passed. The attendance records of each member are set out on page 37 of this report. In the meeting, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; (iii) made recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting; and (iv) reviewed the diversity of the Board's composition.

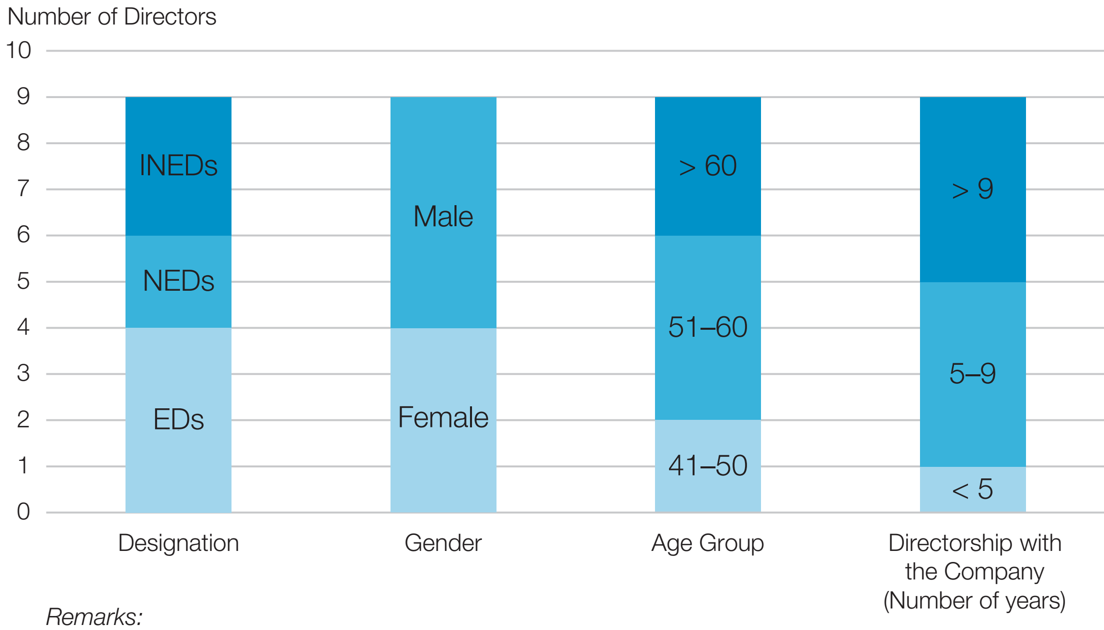
BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

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

The Board contains individuals who have diverse educational background, professional experience, skills, knowledge, industry experience and expertise. Coming from diverse business and professional backgrounds, the Non-Executive Directors actively bring their valuable experience to the Board for promoting the best interests of the Company and the Shareholders. On the other hand, the Independent Non-Executive Directors contribute to ensuring that the interests of all Shareholders of the Company are taken into account by the Board and that relevant issues are subject to objective and dispassionate consideration by the Board. The biographical details of the Directors are set out on pages 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.

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



Remarks:

ED — Executive Directors
NED — Non-Executive Directors
INED — Independent Non-Executive Directors

BOARD COMMITTEES (CONTINUED)

Attendance Records

The individual attendance records of each Director at the physical meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and annual general meeting during the year ended 29 February 2016 and up to the date of this report are set out below:

		Number of physical meetings attended/held during his/her tenure				
	Note	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2015 AGM**
Executive Directors:						
Ms. Lau Shun Wai	*1*	9/9	7/7	N/A	N/A	1/1
Ms. Chu Tsui Lan		9/9	N/A	N/A	N/A	1/1
Ms. Chui Kwan Ho, Jacky *(appointed on 8 April 2016)*		1/1	N/A	N/A	N/A	N/A
Ms. Wong Sau Han	*2*	9/9	N/A	2/2	N/A	1/1
Ms. An You Ying *(resigned on 1 December 2015)*		6/6	N/A	N/A	N/A	0/1
Non-Executive Directors:						
Mr. James Ngai	*3*	9/9	7/7	2/2	2/2	1/1
Mr. Lee Tze Bun, Marces		1/9	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:						
Mr. Lam Siu Lun, Simon		9/9	7/7	2/2	2/2	1/1
Mr. Leung Wai Ki, George		8/9	7/7	2/2	2/2	1/1
Mr. Hui Chi Kwan		9/9	7/7	2/2	2/2	1/1

Notes:

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Company is committed to enhancing its corporate governance practices relevant to the model and growth of its business. In order to achieve a right balance between governance and performance, the Board is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Board is 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;

CORPORATE GOVERNANCE FUNCTIONS (CONTINUED)

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

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

(v) to review the Company's compliance with the 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 29 February 2016, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the applicable disclosure requirements of the Listing Rules. In preparing the financial statements, the Directors have adopted HKFRSs and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Board is not aware of any material uncertainties relating to any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern during the course of preparing and reviewing the financial statements for the year under review.

The reporting responsibilities of the external auditor of the Company, Messrs. PricewaterhouseCoopers, on the consolidated financial statement of the Group are set out in the section headed "Independent Auditor's Report" on pages 60 to 61 of this report.

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

Auditor's Remuneration

For the year ended 29 February 2016, the fees in respect of audit and non-audit services (the non-audit services being comprised of agreed upon procedures and tax advisory services only) provided to the Group by the external auditor of the Company, Messrs. PricewaterhouseCoopers, amounted to approximately HK$2,020,000 (2015: HK$1,860,000) and HK$295,000 (2015: HK$513,093) 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 resigned and Ms. Lo Tik Man, Ophelia ("Ms. Lo") was appointed as Company Secretary on 27 May 2015. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. In her capacity as the Company Secretary, Ms. Lo 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, Ms. Lo took not less than 15 hours of relevant professional training during the year.

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 29 February 2016 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group is committed to set up and maintain an effective risk management and internal control systems 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 risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group's business strategies and business operations and safeguard the Shareholders' investment and the Company's assets.

During the year, the outsourced internal auditor, responsible for the review and appraisal on the effectiveness of financial, operational and compliance controls and risk management of the Group, provided reports to the Audit Committee twice a year with highlighting observations and recommendations to improve the risk management and internal control systems. 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 risk management and internal control systems, including the financial, operational, compliance and risk management. The Board is of the view that the existing risk management and internal control systems are 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.

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

SHAREHOLDERS' RIGHTS (CONTINUED)

3. Procedures for raising enquiries to the Board

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

Address: 17th Floor, 1063 King's Road, Quarry Bay, Hong Kong
Facsimile: (852) 2554 9304

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

INVESTOR RELATIONS

Communication with the Shareholders and Investors

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

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

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

Constitutional Documents

By a resolution passed on 13 July 2015, the authorised share capital of the Company was increased from HK$80,000,000 to HK$100,000,000 by the creation of 200,000,000 shares of HK$0.10 each.

Save as disclosed above, there was no change in the Memorandum of Association and the Bye-Laws of the Company during the year ended 29 February 2016.

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 29 February 2016.

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 sale of shoes.

Details of the analysis of the Group's performance for the year ended 29 February 2016 by business and geographical segments are set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising analysis of the Group performance during the year, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year as well as indication of likely future development in the business of the Group are set out in the Chairman's Statement on pages 8 to 10 of this report and Management's Discussion and Analysis on pages 12 to 24 of this report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the Financial Highlights on page 2 of this report.

(I) Environmental Policies and Performance

The Group understands that its business has an impact on the environment and recognizes the importance of sound environmental management practices and sustainable business operations. It is committed to comply with the relevant environmental standards and policies related to its business operations as set by the government in People's Republic of China ("PRC") and Hong Kong.

The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to retail shops, warehouses and offices. In its day-to-day operations, the Group advocates "paperless office" and actively promotes electronic management information system. It also sets up required equipments in order to arrange different kinds of meeting by using teleconference and video conference, resulting in savings in time and resources. For retail shops, the Group has implemented energy saving practices by using LED lighting fixtures.

(II) Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of PRC and Hong Kong that have significant impact on the operations of the Group for the year ended 29 February 2016.

BUSINESS REVIEW (CONTINUED)

(III) Key Relationships

(a) Employees

The Group believes that employees are a key element to the success of its business, so it strives to maintain a high staff retention rate by providing competitive remuneration package and developing harmonious workplace. To enhance capabilities and effectiveness of its employees in operation, the Group provides them a comprehensive training program which includes quality service skills, product knowledge and language and interpersonal skills. In addition, the Group would organize regular retail staff gatherings to promote team spirits and award retail staff with outstanding sales performance.

(b) Consumers

The Group provides direct service to consumers in its retail shops. To ensure continuous improvement of the quality of products and services, the Group regularly conduct internal and external market surveys to interact with consumers and to gain market insights and feedback.

(c) Suppliers

The Group has established long standing cooperation relationship with certain suppliers. It selects its suppliers prudently. The relevant suppliers need to fulfil certain assessment criteria of the Group, including, among others, track record, experience, financial capability, reputation and history of meeting our standards for raw materials or finished products. The Group has established anti-bribery policies which are required to be observed by all parties.

(d) Shareholders and Investors

The Board believes effective communication and accurate and timely information disclosure builds the Shareholders' and investors' confidence, and also facilitates the flow of constructive feedback and ideas that are beneficial for investor relations and future corporate development. For details, please refer to the Shareholders' Rights and Investor Relations of the Corporate Governance Report on pages 40 to 41 of this report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 29 February 2016 are set out in the consolidated income statements on page 62 of this report.

The Board declared an interim dividend of HK5.7 cents (2014/15: interim dividend of HK8.0 cents) per ordinary share for the year ended 29 February 2016, totaling approximately RMB32,377,000, which was paid on 20 November 2015.

The Board recommends the payment of a final dividend of HK7.0 cents and a special dividend of HK3.0 cents (28 February 2015: a final dividend of HK14.0 cents per ordinary share and issue of bonus shares on the basis of one new ordinary share for every ten ordinary shares held by the Shareholders) per ordinary share, totaling approximately RMB57,704,000 in respect of the year ended 29 February 2016 (2015: final dividend of RMB71,747,000).

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on page 131 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 30 to the consolidated financial statements.

DONATIONS

The Group made charitable donations of HK$99,700 during the year (2014/15: Nil).

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 in the note 15 to the consolidated financial statements.

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. Chui Kwan Ho, Jacky
(appointed on 8 April 2016)
Ms. Wong Sau Han
Ms. An You Ying
(resigned on 1 December 2015)

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 28 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Bye-Laws, Ms. Wong Sau Han, Mr. Lee Tze Bun, Marces and Mr. Leung Wai Ki, George 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.

Pursuant to Bye-Law 86(2) of the Bye-Laws, Ms. Chui Kwan Ho, Jacky, who has been appointed as an Executive Director, will hold office only until the forthcoming AGM and, being eligible, will offer herself 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. James Ngai, acted as Non-Executive Director, and the service contracts of Mr. Leung Wai Ki, George, Mr. Hui Chi Kwan and Mr. Lam Siu Lun, Simon, all of them acted as Independent Non-Executive Directors, were renewed for 2 years' fixed term with the Company with effect from 25 March 2015, 1 November 2015, 26 November 2015 and 16 January 2016 respectively. In addition, Ms. Chui Kwan Ho, Jacky, acted as Executive Director, had entered into a service contract with the Company with effect from 8 April 2016. None of the service contracts between the Company and the Executive Directors proposed for re-election has a fixed term.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the continuing connected transactions as detailed below, no transactions, arrangements or contracts of significance to the Company in which a Director or an entity connected with 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, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

The changes in directorship and other changes in the information of the Director of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the year ended 28 February 2015 are set out below:

Name of Directors	Details of change
Executive Directors:	
Ms. Chui Kwan Ho, Jacky	• Appointed as Executive Director on 8 April 2016
	• Entered into service agreement with the Company without fixed term commencing on 8 April 2016
Ms. An You Ying	• Resigned as Executive Director with effect from 1 December 2015
Non-Executive Director:	
Mr. James Ngai	• Renewed service contract with the Company with 2-years' fixed term commencing on 25 March 2015 and ending on 24 March 2017
Independent Non-Executive Directors:	
Mr. Leung Wai Ki, George	• Renewed service contract with the Company with 2-years' fixed term commencing on 1 November 2015 and ending on 31 October 2017
Mr. Hui Chi Kwan	• Renewed service contract with the Company with 2-years' fixed term commencing on 26 November 2015 and ending on 25 November 2017
Mr. Lam Siu Lun, Simon	• Renewed service contract with the Company with 2-years' fixed term commencing on 16 January 2016 and ending on 15 January 2018
	• Resigned as an independent non-executive director of Kiu Hung International Holdings Limited, a company listed on the Stock Exchange (stock code: 0381) on 20 February 2016

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 29 February 2016, 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

	Number of Shares					
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the issued share capital of the Company**
Mr. Lee Tze Bun, Marces ("Mr. Lee")	45,375,000	—	33,000,000 *(Note 1)*	280,500,000 *(Note 2)*	358,875,000	50.83%
Ms. Lau Shun Wai ("Ms. Lau")	11,330,000	—	—	—	11,330,000 *(Note 3)*	1.60%
Ms. Chu Tsui Lan ("Ms. Chu")	8,470,000	—	—	—	8,470,000 *(Note 4)*	1.19%
Ms. Wong Sau Han ("Ms. Wong")	5,900,400	385,000	—	—	6,285,400 *(Note 5)*	0.89%

Notes:

1. Succex Limited, a corporation which was controlled and wholly owned by Mr. Lee, held 33,000,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.

2. Stable Gain Holdings Limited ("Stable Gain") held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. 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. Further, The Lee Keung Charitable Foundation, of which Mr. Lee was the founder, held 55,000,000 Shares, representing approximately 7.79% of the issued share capital of the Company. Therefore, Mr. Lee was deemed to be interested in all the foregoing Shares.

3. Ms. Lau personally held 2,420,000 Shares and was entitled to 8,910,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest.

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. Chu personally held 2,530,000 Shares and was entitled to 5,940,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest.

5. Ms. Wong personally held 1,060,400 Shares and was entitled to 4,840,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest. She was also deemed to be interested in the 385,000 Shares owned by her husband.

(b) Associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Percentage of the issued voting shares of the associated corporation
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares *(Note 1)*	0%

Note:

1. Mr. Lee beneficially owned 20,000 non-voting deferred shares in L. S. Retailing Limited, all voting shares of which are wholly-owned by the Company.

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

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

Interests in share options

		Number of Shares								
Name of Directors	**Date of share options granted** *(Notes 1 & 2)*	**Balance as at 1 March 2015**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Adjustments during the year** *(Note 3)*	**Outstanding as at 29 February 2016**	**Adjusted exercise price per Share** *(Note 3)* HK$	**Exercise period**
Ms. Lau	27 June 2011	1,666,000	–	–	–	–	166,600	1,832,600	4.300	27 June 2014–26 June 2021
	27 June 2011	1,666,000	–	–	–	–	166,600	1,832,600	4.300	27 June 2015–26 June 2021
	27 June 2011	1,668,000	–	–	–	–	166,800	1,834,800	4.300	27 June 2016–26 June 2021
	10 July 2012	766,000	–	–	–	–	76,600	842,600	2.185	10 July 2014–9 July 2022
	10 July 2012	1,166,000	–	–	–	–	116,600	1,282,600	2.185	10 July 2015–9 July 2022
	10 July 2012	1,168,000	–	–	–	–	116,800	1,284,800	2.185	10 July 2016–9 July 2022
Ms. Chu	27 June 2011	1,000,000	–	–	–	–	100,000	1,100,000	4.300	27 June 2014–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	100,000	1,100,000	4.300	27 June 2015–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	100,000	1,100,000	4.300	27 June 2016–26 June 2021
	10 July 2012	800,000	–	–	–	–	80,000	880,000	2.185	10 July 2014–9 July 2022
	10 July 2012	800,000	–	–	–	–	80,000	880,000	2.185	10 July 2015–9 July 2022
	10 July 2012	800,000	–	–	–	–	80,000	880,000	2.185	10 July 2016–9 July 2022
Ms. Wong	27 June 2011	1,000,000	–	–	–	–	100,000	1,100,000	4.300	27 June 2014–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	100,000	1,100,000	4.300	27 June 2015–26 June 2021
	27 June 2011	1,000,000	–	–	–	–	100,000	1,100,000	4.300	27 June 2016–26 June 2021
	10 July 2012	466,000	–	–	–	–	46,600	512,600	2.185	10 July 2014–9 July 2022
	10 July 2012	466,000	–	–	–	–	46,600	512,600	2.185	10 July 2015–9 July 2022
	10 July 2012	468,000	–	–	–	–	46,800	514,800	2.185	10 July 2016–9 July 2022
Ms. An You Ying ("Ms. An") *(resigned on 1 December 2015)* *(Note 4)*	27 June 2011	500,000	–	–	–	(550,000)	50,000	–	4.300	27 June 2014–26 June 2021
	27 June 2011	500,000	–	–	–	(550,000)	50,000	–	4.300	27 June 2015–26 June 2021
	27 June 2011	500,000	–	–	–	(550,000)	50,000	–	4.300	27 June 2016–26 June 2021
	10 July 2012	129,000	–	(141,900)	–	–	12,900	–	2.185	10 July 2014–9 July 2022
	10 July 2012	333,000	–	(18,100)	–	(348,200)	33,300	–	2.185	10 July 2015–9 July 2022
	10 July 2012	334,000	–	–	–	(367,400)	33,400	–	2.185	10 July 2016–9 July 2022
TOTAL		20,196,000	–	(160,000)	–	(2,365,600)	2,019,600	19,690,000		

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 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.

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

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

Interests in share options (Continued)

Notes: (Continued)

3. On 13 July 2015, an ordinary resolution was duly passed by the Shareholders at the annual general meeting of the Company to approve the issue of bonus Shares on the basis of one bonus Share for every ten existing Shares held by the qualifying Shareholders on the record date (the "Bonus Issue"). As a result of the Bonus Issue, adjustments were made to the exercise price and the number of Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options with effect from 30 July 2015. The exercise price per Share indicated in the above table is the exercise price per Share after the said adjustments were made on 30 July 2015. Prior to the adjustments, the exercise price per Share in relation to share options granted on 27 June 2011 was HK$4.730 while that in relation to share options granted on 10 July 2012 was HK$2.404. For details, please refer to the announcement of the Company dated 29 July 2015.

4. The share options were exercised by Ms. An on 18 August 2015, and the weighted average closing price of the Shares immediately before the exercise dates was HK$2.81 per Share. The exercise price per Share in relation to the aforesaid exercised share options was HK$2.185.

Save as disclosed above, as at 29 February 2016, 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 29 February 2016, (a) at no time was the Company or a specified undertaking (as defined in the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) of the Company a party to any arrangements to enable the Directors or the chief executive of the Company 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.

SHARES ISSUED

During the year ended 29 February 2016, the Company issued 64,318,460 ordinary Shares under the Bonus Issue. The Board believed that the Bonus Issue was a return to the support of the Shareholders and would allow the Shareholders to participate in the growth of the Company by way of capitalization of a portion of share premium account of the Company.

Further, the Company issued 1,372,000 ordinary Shares under the Share Option Scheme, of which 1,212,000 and 160,000 shares options were exercised at HK$2.404 and HK$2.185 with total consideration received by the Company of HK$2,913,648 and HK$349,600 respectively. For details, please refer to the Share Options Scheme on pages 53 to 55 of this report.

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

As at 29 February 2016, 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:

(I) Interests and short positions of substantial shareholders in the Shares and underlying Shares

Long positions in Shares

		Number of Shares and nature of interests				
Name of Shareholders	*Note*	**Beneficial owner**	**Interests of controlled corporation**	**Other interests**	**Total**	**Approximate percentage of the issued Share capital of the Company**
Stable Gain	*1*	225,500,000	—	—	225,500,000	31.94%
Stable Profit	*1*	—	225,500,000	—	225,500,000	31.94%
HSBC Trustee	*1*	—	—	225,500,000	225,500,000	31.94%

Note:

1. Stable Gain held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. 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 was deemed to be interested in these Shares in its capacity as trustee (other than a bare trustee) and Stable Profit was deemed to be interested in these Shares by virtue of the interest of its controlled corporation (being Stable Gain). The respective interests of Stable Gain, Stable Profit and HSBC Trustee were thus duplicated.

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

(II) Interests and short positions of other persons in the Shares and underlying Shares

Long positions in Shares

		Number of Shares and nature of interests			
Name of Shareholders	*Note*	**Personal interests**	**Other interests**	**Total**	**Approximate percentage of the issued Share capital of the Company**
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	*1*	6,985,000	55,000,000	61,985,000	8.78%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	*2*	1,979,000	55,000,000	56,979,000	8.07%
Ms. Tsui Oi Kuen ("Ms. Tsui")	*3*	1,287,000	55,000,000	56,287,000	7.97%
Ms. Lee, Ms. Chui and Ms. Tsui as trustees of The Lee Keung Charitable Foundation (the "Charitable Foundation")	*4*	—	55,000,000	55,000,000	7.79%

Notes:

1. Ms. Lee was interested in an aggregate of 61,985,000 Shares (comprising 6,985,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held with Ms. Chui and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.

2. Ms. Chui was interested in an aggregate of 56,979,000 Shares (comprising 1,979,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held with Ms. Lee and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 8.07% of the issued share capital of the Company.

3. Ms. Tsui was interested in an aggregate of 56,287,000 Shares (comprising 1,287,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held with Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 7.97% of the issued share capital of the Company.

4. Ms. Lee, Ms. Chui and Ms. Tsui jointly held 55,000,000 Shares as trustees of the Charitable Foundation, representing 7.79% 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 29 February 2016, 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 23,939,300 Shares, representing approximately 3.39% of the total number of issued Shares of the Company as at the date of this report. The aggregate number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Shares in issue from time to time.

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

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

The amount payable on acceptance of an option is HK$1.00. The full amount of the exercise price for the subscription of the Shares must be paid upon exercise of an option.

The 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.

SHARE OPTION SCHEME (CONTINUED)

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 29 February 2016 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 2015**	**Granted during the year**	**Exercised during the year** (*Note 4*)	**Cancelled during the year**	**Lapsed during the year**	**Adjustments during the year** (*Note 5*)	**Outstanding as at 29 February 2016**	**Adjusted exercise price per Share** (*Note 5*) HK$	**Exercise period**
Directors	27 June 2011	4,166,000	–	–	–	(550,000)	416,600	4,032,600	4.300	27 June 2014–26 June 2021
(*Note 6*)	27 June 2011	4,166,000	–	–	–	(550,000)	416,600	4,032,600	4.300	27 June 2015–26 June 2021
	27 June 2011	4,168,000	–	–	–	(550,000)	416,800	4,034,800	4.300	27 June 2016–26 June 2021
	10 July 2012	2,161,000	–	(141,900)	–	–	216,100	2,235,200	2.185	10 July 2014–9 July 2022
	10 July 2012	2,765,000	–	(18,100)	–	(348,200)	276,500	2,675,200	2.185	10 July 2015–9 July 2022
	10 July 2012	2,770,000	–	–	–	(367,400)	277,000	2,679,600	2.185	10 July 2016–9 July 2022
Sub-total		20,196,000	–	(160,000)	–	(2,365,600)	2,019,600	19,690,000		
Employees	27 June 2011	333,000	–	–	–	–	33,300	366,300	4.300	27 June 2014–26 June 2021
	27 June 2011	333,000	–	–	–	–	33,300	366,300	4.300	27 June 2015–26 June 2021
	27 June 2011	334,000	–	–	–	–	33,400	367,400	4.300	27 June 2016–26 June 2021
	10 July 2012	734,000	–	(81,000)	–	(302,300)	38,700	389,400	2.185	10 July 2014–9 July 2022
	10 July 2012	2,456,000	–	(1,131,000)	–	(455,300)	90,600	960,300	2.185	10 July 2015–9 July 2022
	10 July 2012	2,478,000	–	–	–	(328,800)	222,400	2,371,600	2.185	10 July 2016–9 July 2022
Sub-total		6,668,000	–	(1,212,000)	–	(1,086,400)	451,700	4,821,300		
TOTAL		26,864,000	–	(1,372,000)	–	(3,452,000)	2,471,300	24,511,300		

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 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 14 July 2015, 15 July 2015, 16 July 2015, 17 July 2015 and 18 August 2015 respectively, and the weighted average closing price of the Shares immediately before the respective exercise dates was HK$3.37 per Share. Please refer to note 5 for the exercise price of the aforesaid exercised share options.

SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

5. On 13 July 2015, an ordinary resolution was duly passed by the Shareholders at the annual general meeting of the Company to approve the Bonus Issue. As a result of the Bonus Issue, adjustments were made to the exercise price and the number of Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options with effect from 30 July 2015. The exercise price per Share indicated in the above table is the exercise price per Share after the said adjustments were made on 30 July 2015. Prior to the adjustments, the exercise price per Share in relation to share options granted on 27 June 2011 was HK$4.730 while that in relation to share options granted on 10 July 2012 was HK$2.404. For details, please refer to the announcement of the Company dated 29 July 2015.

6. For a detailed breakdown of each of the Directors' interests in share options, please refer to page 49 of this report.

CONTINUING CONNECTED TRANSACTIONS

During the year, for the purposes of the Listing Rules, the following tenancy agreements subsisted between the Group and the connected persons of the Company (as defined under the Listing Rules):

(1) Pursuant to a tenancy agreement dated 9 February 2015 (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 2015 and ending on 28 February 2017. The amount payable by Le Saunda Calcado under the Macau Lease is HK$400,000 per month or HK$4,800,000 per annum (equivalent to approximately RMB326,982 per month or approximately RMB3,923,781 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.

    The total amount of rent paid by the Group to Mr. Lee under the Macau Lease for the year ended 29 February 2016 was HK$4,720,000 (equivalent to approximately RMB3,858,384).

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(2) Pursuant to a tenancy agreement dated 9 February 2015 (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 2015 and ending on 28 February 2017. The amount payable by Le Saunda Business under the Guangzhou 3005–3009 Lease is the aggregate of (i) the rent of approximately RMB66,148 per month or approximately RMB793,776 per annum, payable before the 10th day of each month in cash to Super Billion; and (ii) the management fee of approximately RMB147,806 per annum, payable in cash on a monthly basis to Guangzhou Metro Plaza Management Company Limited, an independent third party. The Guangzhou Premises 3005–3009 continues to be 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 29 February 2016 was approximately RMB793,776.

The Macau Lease and the Guangzhou 3005–3009 Lease are collectively known as "2015 Lease Agreements".

The aggregate rent paid by the Group to Mr. Lee and Super Billion under 2015 Lease Agreements was approximately RMB4,652,160 for the year ended 29 February 2016.

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 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 RMB4,717,557 for each of the financial years of the Company ending 29 February 2016 and 28 February 2017 respectively 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.

Details of the above continuing connected transactions of the 2015 Lease Agreements were disclosed in the Company's announcement dated 9 February 2015. 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.

* *For identification purpose only*

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

All Independent Non-Executive Directors have reviewed, during the year ended 29 February 2016, the above continuing connected transactions and confirmed that such transactions 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 exceeded 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

During the year, the Company repurchased a total of 1,768,000 ordinary shares of the Company on the Stock Exchange, all of which were cancelled on 15 October 2015. The details of the repurchases were disclosed as follows:

Date of Repurchase	Number of Shares Repurchased	Repurchased Price		Total Consideration Paid#
		Highest (HK$)	Lowest (HK$)	(HK$)
11 September 2015	156,000	2.10	2.07	325,320
14 September 2015	300,000	2.10	2.10	630,000
15 September 2015	300,000	2.04	2.04	612,000
16 September 2015	12,000	1.99	1.99	23,880
17 September 2015	1,000,000	2.07	2.05	2,061,480
Total	1,768,000			3,652,680

Excluding brokerage and cancellation fees

The Board considered that the value of the Shares was consistently undervalued and believed that through repurchase of Shares, the financial key performance indicators would improve.

Saved as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 29 February 2016.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur in or about the execution of their duty or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to any of the Directors.

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 1.4% of the total revenue from sales of goods for the year and sales to the largest customer included therein amounted to 0.4% of the total revenue from sales of goods for the year. Purchases from the Group's five largest suppliers accounted for approximately 29.4% of the total purchases for the year and purchases from the largest supplier amounted to 7.6%.

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 number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

CORPORATE GOVERNANCE PRACTICE

A corporate governance report is set out on pages 29 to 41 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.

AUDITOR

The consolidated financial statements for the year ended 29 February 2016 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, 18 May 2016

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LE SAUNDA HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Le Saunda Holdings Limited (the "Company") and its subsidiaries set out on pages 62 to 130, which comprise the consolidated balance sheets as at 29 February 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 29 February 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 May 2016

Consolidated Income Statement

	Note	**Year ended 29 February 2016 RMB'000**	Year ended 28 February 2015 (Restated) Note 2.1(d) RMB'000
Revenue	5	**1,621,414**	1,683,008
Cost of sales	7	**(551,614)**	(552,013)
Gross profit		**1,069,800**	1,130,995
Other income	6	**38,792**	27,514
Other (losses)/gains, net	6	**(10,829)**	2,521
Selling and distribution expenses	7	**(730,085)**	(712,631)
General and administrative expenses	7	**(198,186)**	(204,259)
Operating profit		**169,492**	244,140
Net finance income	8	**8,858**	8,546
Share of profit of a joint venture	19	**376**	5,761
Profit before income tax		**178,726**	258,447
Income tax expense	12	**(54,999)**	(67,335)
Profit for the year		**123,727**	191,112
Profit for the year attributable to:			
— owners of the Company		**122,073**	189,282
— non-controlling interest		**1,654**	1,830
		123,727	191,112
Earnings per share attributable to the owners of the Company (express in RMB cents)			(Restated)
— Basic	13	**17.28**	26.84
— Diluted	13	**17.25**	26.67
Dividends	14	**90,081**	112,823

The notes on pages 68 to 130 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 29 February 2016	Year ended 28 February 2015 (Restated) Note 2.1(d)
	RMB'000	RMB'000
Profit for the year	**123,727**	191,112
Other comprehensive income for the year, net of tax		
Items that will not be reclassified to profit or loss		
— Actuarial gains on retirement benefit obligation	**22**	469
Item that will be reclassified to profit or loss		
— Currency translation differences	**14,674**	8,338
— Revaluation on investment properties transferred from land and buildings, net of tax	**11,070**	—
Total comprehensive income for the year	**149,493**	199,919
Total comprehensive income for the year, attributable to:		
— owners of the Company	**148,273**	198,392
— non-controlling interest	**1,220**	1,527
	149,493	199,919

The notes on pages 68 to 130 are an integral part of these financial statements.

Consolidated Balance Sheet

	Note	**As at 29 February 2016 RMB'000**	As at 28 February 2015 (Restated) Note 2.1(d) RMB'000	As at 1 March 2014 (Restated) Note 2.1(d) RMB'000
ASSETS				
Non-current assets				
Investment properties	15	**141,505**	77,033	72,477
Property, plant and equipment	16	**108,372**	164,089	173,304
Land use rights	17	**14,880**	20,929	21,223
Long-term deposits and prepayments		**8,961**	13,575	11,983
Interest in a joint venture	19	**34,733**	34,357	28,596
Interest in and amount due from an available-for-sale financial asset	20	**—**	—	—
Deferred tax assets	21	**69,813**	56,879	44,812
		378,264	366,862	352,395
Current assets				
Inventories	22	**441,819**	415,162	382,676
Trade and other receivables	23	**162,693**	187,481	157,201
Deposits and prepayments		**44,958**	43,382	36,721
Cash and bank balances	24	**543,466**	517,187	550,952
		1,192,936	1,163,212	1,127,550
Non-current assets classified as held-for-sale		**—**	—	5,510
		1,192,936	1,163,212	1,133,060
Total assets		**1,571,200**	1,530,074	1,485,455
EQUITY				
Capital and reserves attributable to the owners of the Company				
Share capital	27	**59,979**	54,754	54,542
Reserves				
Proposed dividend	30	**57,704**	71,747	100,929
Others	30	**1,183,115**	1,127,811	1,030,796
		1,300,798	1,254,312	1,186,267
Non-controlling interest		**11,723**	12,429	11,541
Total equity		**1,312,521**	1,266,741	1,197,808

	Note	**As at 29 February 2016** **RMB'000**	As at 28 February 2015 (Restated) Note 2.1(d) RMB'000	As at 1 March 2014 (Restated) Note 2.1(d) RMB'000
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	21	**44,375**	35,772	30,293
Current liabilities				
Trade payables and accruals	26	**170,086**	174,515	207,412
Amount due to a joint venture	19	**33,000**	29,000	27,000
Current income tax liabilities		**11,218**	24,046	22,942
		214,304	227,561	257,354
Total liabilities		**258,679**	263,333	287,647
Total equity and liabilities		**1,571,200**	1,530,074	1,485,455

The consolidated financial statements on page 62 to 130 were approved by the Board of Director on 18 May 2016 and were signed on its behalf.

James Ngai
Chairman

Chu Tsui Lan
Director

The notes on pages 68 to 130 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				
	Share capital (Restated) Note 2.1(d) RMB'000	Reserves (Restated) Note 2.1(d) RMB'000	Total (Restated) Note 2.1(d) RMB'000	Non-controlling interest (Restated) Note 2.1(d) RMB'000	Total equity (Restated) Note 2.1(d) RMB'000
Balance at 1 March 2014	54,542	1,131,725	1,186,267	11,541	1,197,808
Comprehensive income					
Profit for the year	—	189,282	189,282	1,830	191,112
Other comprehensive income					
Currency translation differences	—	8,641	8,641	(303)	8,338
Actuarial gains on retirement benefit obligation	—	469	469	—	469
Total comprehensive income for the year	—	198,392	198,392	1,527	199,919
Transactions with owners					
Share option scheme:					
— value of service provided	—	8,214	8,214	—	8,214
— exercise of share options	212	4,890	5,102	—	5,102
Dividends	—	(143,663)	(143,663)	(639)	(144,302)
Total transactions with owners for the year	212	(130,559)	(130,347)	(639)	(130,986)
Balance at 28 February 2015	54,754	1,199,558	1,254,312	12,429	1,266,741
Balance at 1 March 2015	**54,754**	**1,199,558**	**1,254,312**	**12,429**	**1,266,741**
Comprehensive income					
Profit for the year	**—**	**122,073**	**122,073**	**1,654**	**123,727**
Other comprehensive income					
Currency translation differences	**—**	**15,108**	**15,108**	**(434)**	**14,674**
Actuarial gains on retirement benefit obligation	**—**	**22**	**22**	**—**	**22**
Revaluation on an investment property transferred from land and buildings	**—**	**11,070**	**11,070**	**—**	**11,070**
Total comprehensive income for the year	**—**	**148,273**	**148,273**	**1,220**	**149,493**
Transactions with owners					
Share option scheme:					
— value of service provided	**—**	**3,697**	**3,697**	**—**	**3,697**
— exercise of share options	**112**	**2,556**	**2,668**	**—**	**2,668**
Bonus issue	**5,258**	**(5,258)**	**—**	**—**	**—**
Share repurchase	**(145)**	**(2,840)**	**(2,985)**	**—**	**(2,985)**
Dividends	**—**	**(105,167)**	**(105,167)**	**(1,926)**	**(107,093)**
Total transactions with owners for the year	**5,225**	**(107,012)**	**(101,787)**	**(1,926)**	**(103,713)**
Balance at 29 February 2016	**59,979**	**1,240,819**	**1,300,798**	**11,723**	**1,312,521**

The notes on pages 68 to 130 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 29 February 2016 RMB'000	Year ended 28 February 2015 (Restated) Note 2.1(d) RMB'000
Operating activities			
Net cash generated from operations	25	**223,864**	190,435
Hong Kong and overseas taxation paid		**(75,843)**	(72,880)
Net cash generated from operating activities		**148,021**	117,555
Investing activities			
Net finance income		**8,858**	8,546
Purchases of property, plant and equipment		**(28,267)**	(34,576)
Proceeds from sale of a property		**—**	12,423
Decrease/(increase) in term deposits (over 3 months)		**52,147**	(21,137)
Decrease/(increase) in pledged deposits		**497**	(475)
Net cash generated from/(used in) investing activities		**33,235**	(35,219)
Financing activities			
Proceeds from short-term bank loans		**42,160**	48,741
Repayment of short-term bank loans		**(42,160)**	(48,741)
Proceeds from exercise of share options		**2,668**	5,102
Payment for repurchases of ordinary shares		**(2,985)**	—
Dividends paid		**(105,135)**	(143,629)
Dividends paid to non-controlling interest		**(1,926)**	(639)
Net cash used in financing activities		**(107,378)**	(139,166)
Net increase/(decrease) in cash and cash equivalents		**73,878**	(56,830)
Effect of foreign exchange rate changes, net		**5,045**	1,452
Cash and cash equivalents at beginning of year		**436,209**	491,587
Cash and cash equivalents at end of year	24	**515,132**	436,209

The notes on pages 68 to 130 are an integral part of these financial statements.

1 GENERAL INFORMATION

Le Saunda Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in manufacturing and sales of shoes. The Group mainly operates in 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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and an available-for-sale financial asset, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Amended standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning on or after 1 March 2015:

HKAS 19 (2011) (Amendment)	Defined benefit plans: Employee contributions
Annual Improvements Project	Annual improvements 2010–2012 cycle
Annual Improvements Project	Annual improvements 2011–2013 cycle

The amendments do not have significant impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) The following new standards and amended standards that have been issued but are not yet effective for the financial year beginning on or after 1 March 2015 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer plants	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established by HKICPA
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRSs (Amendment)	Annual improvements 2014 cycle	1 January 2016

Management is in the process of making an assessment of the impact of the adoption of these new and amended standards but not yet in a position to comment on the impact on the results and financial position of the Group.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) Change of presentation currency

During the year, the Group has changed its presentation currency from Hong Kong dollars ("HK$") to RMB for the preparation of its consolidated financial statements. The presentation currency of the consolidated financial statements in the prior financial year was HK$ and presentation currency of HK$ had been adopted for the Group's consolidated financial statements since the Group listed on the Stock Exchange in December 1992.

As the Group currently mainly operates its business in Mainland China and most of the assets and liabilities of the Group are denominated in RMB, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of consolidated financial statements in RMB can provide a more relevant information for management to control and monitor the operating performance and financial position of the Group.

The change in presentation currency have been applied retrospectively. The comparative figures in these consolidated financial statements were translated from HK$ to RMB using the applicable closing rates for items in the consolidated balance sheet and applicable average rates that approximated to actual rates for items in the consolidated income statement and consolidated statement of comprehensive income.

2.2 Subsidiaries

2.2.1 Consolidation

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.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised identifiable assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

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

(b) *Changes in ownership interests in subsidiaries without change of control*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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.

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.

2.3 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.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investment properties (Continued)

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 (losses)/gains, net'.

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

Investment properties are derecognized either when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal.

If the land use rights and the attached properties for own-use become an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of the land use rights and the attached properties under HKAS 16. Any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in equity upon the subsequent disposal of the investment properties.

2.5 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)

2.5 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 2.7).

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

2.6 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 rights.

2.7 Impairment of non-financial assets

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 that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (Continued)

(a) 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. The Group's loans and receivables comprise "trade and other receivables", and "cash and bank balances" in the consolidated balance sheet (Notes 2.11 and 2.12).

(b) 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.

(c) 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 are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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)

2.9 Impairment of financial assets (Continued)

(a) *Assets carried at amortised cost (Continued)*

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

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

(b) *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, if any such evidence exists 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 recognized in profit or loss — is removed from equity and recognized in profit or loss. 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 recognized in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, 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 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 recognized in profit or loss — is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Inventories

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

2.11 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.

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

2.12 Cash and bank balances

Cash and bank balances 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.

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other payables

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

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

2.15 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, 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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax (Continued)

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

2.16 Provisions

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

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

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

2.17 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.

2.18 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

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.

(a) 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.

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

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

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

(e) 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.

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

2.19 Employee benefits

(a) 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)

2.19 Employee benefits (Continued)

(b) 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.

(c) 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.

(d) Share-based compensation

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

The fair value of the services rendered in exchange for the share-based payment is recognised as an expense in the consolidated income statement.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(d) *Share-based compensation (Continued)*

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 and share premium.

2.20 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.

2.21 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the consolidated 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 RMB. The consolidated financial statements are presented in RMB, which is the Group's presentation currency.

(b) *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)

2.21 Foreign currency translation (Continued)

(c) 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.

2.22 Segment reporting

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

2.23 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.

2.24 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 consolidated 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$ and RMB. The Group is exposed to foreign exchange risk arising mainly from the exposure of HK$ 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$ 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 29 February 2016, if HK$ had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately RMB4,823,000 (2015: RMB512,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ 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 24. The interest rate risk is considered to be insignificant.

(b) Credit risk

The carrying amounts of the trade and other receivables (Note 23) and deposits with banks (Note 24) included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

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 29 February 2016 and 28 February 2015, substantially all the deposits with banks are held in international financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

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

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

	2016	2015
	RMB'000	RMB'000
Less than 1 year		
Trade payables and accruals	**170,086**	174,515
Amount due to a joint venture	**33,000**	29,000
	203,086	203,515

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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.

3.3 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).

(a) Financial instrument level 1

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.

(b) Financial instrument level 2

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.

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 2.5. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, which are based on the best information available to reflect the amount obtainable at each balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) Taxes

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Net realisable value of inventories

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

(d) Estimate of fair values of investment properties

The Group has investment properties in Macau and Mainland China. In accordance with HKAS 40 "Investment property", all investment properties are carried at fair value. The fair value is based on active market prices which in turn depend on the property market conditions and the economic environment in the area in which such properties are located. As the movements in the fair value of investment properties are recognised in the consolidated income statement, the Group's results are exposed to the risk of fluctuation of such fair values.

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) respectively. The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes rental income, other gains and losses, 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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) The segment information provided to the Executive Directors for the reportable segments for the year ended 29 February 2016 is as follows:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	1,510,736	110,678	–	1,621,414
Reportable segment profit/(loss)	187,305	(10,596)	–	176,709
Rental income				4,005
Other losses, net				(10,829)
Net finance income				8,858
Share of profit of a joint venture				376
Unallocated expenses				(393)
Profit before income tax				178,726
Income tax expense				(54,999)
Profit for the year				123,727
Depreciation and amortisation	38,338	3,198	–	41,536
Additions to non-current assets (Other than deferred tax assets)	27,422	845	–	28,267

(ii) 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 RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	1,523,960	156,361	2,687	1,683,008
Reportable segment profit	233,972	4,074	1,499	239,545
Rental income				3,136
Other gains, net				2,521
Net finance income				8,546
Share of profit of a joint venture				5,761
Unallocated expenses				(1,062)
Profit before income tax				258,447
Income tax expense				(67,335)
Profit for the year				191,112
Depreciation and amortisation	40,578	3,033	19	43,630
Additions to non-current assets (Other than deferred tax assets)	32,146	2,425	5	34,576

For the years ended 29 February 2016 and 28 February 2015, 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)

(iii) An analysis of the Group's assets and liabilities as at 29 February 2016 by reportable segment is set out below:

	Retail		Others	Total
	Mainland China RMB'000	HK& Macau RMB'000	RMB'000	RMB'000
Segment assets	**1,161,005**	**295,284**	**10,261**	**1,466,550**
Interest in a joint venture				**34,733**
Interest in and amount due from an available-for-sale financial asset				**—**
Deferred tax assets				**69,813**
Unallocated assets				**104**
Total assets per consolidated balance sheet				**1,571,200**
Segment liabilities	**155,691**	**13,479**	**894**	**170,064**
Amount due to a joint venture				**33,000**
Current income tax liabilities				**11,218**
Deferred tax liabilities				**44,375**
Unallocated liabilities				**22**
Total liabilities per consolidated balance sheet				**258,679**

(iv) 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 RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,216,703	209,009	13,025	1,438,737
Interest in a joint venture				34,357
Interest in and amount due from an available-for-sale financial asset				—
Deferred tax assets				56,879
Unallocated assets				101
Total assets per consolidated balance sheet				1,530,074
Segment liabilities	153,704	17,968	1,192	172,864
Amount due to a joint venture				29,000
Current income tax liabilities				24,046
Deferred tax liabilities				35,772
Unallocated liabilities				1,651
Total liabilities per consolidated balance sheet				263,333

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(v) The analysis of revenue from external customers by geographical segments is as follows:

Revenue

	2016 **RMB'000**	2015 RMB'000
Mainland China	**1,510,736**	1,523,960
Hong Kong	**94,163**	124,947
Macau	**16,515**	31,414
Other countries	**—**	2,687
Total	**1,621,414**	1,683,008

For the years ended 29 February 2016 and 28 February 2015 respectively, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

Non-current assets

	2016 **RMB'000**	2015 RMB'000
Mainland China	**209,085**	219,504
Hong Kong	**20,536**	12,628
Macau	**78,830**	77,851
Total	**308,451**	309,983

6 OTHER INCOME AND OTHER GAINS AND LOSSES

	2016 **RMB'000**	2015 RMB'000
Other income		
Gross rental income from investment properties	**4,005**	3,136
Government incentives	**34,787**	24,378
	38,792	27,514
Other (losses)/gains, net		
Fair value (losses)/gains on investment properties	**(359)**	2,588
Net exchange losses (Note (a))	**(10,470)**	(4,561)
Gain on disposal of a property (Note (b))	**–**	4,494
	(10,829)	2,521

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

(b) On 1 July 2014, the Group disposed a property at a consideration of RMB12,317,000 and recognised a net gain of RMB4,494,000 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:

	2016 **RMB'000**	2015 RMB'000
Auditors' remuneration		
— audit services	**1,651**	1,485
— non-audit services	**557**	321
Amortisation of land use rights (Note 17)	**558**	597
Depreciation of property, plant and equipment (Note 16)	**40,978**	43,033
Loss on disposal of property, plant and equipment	**2,553**	1,175
Costs of inventories sold included in cost of sales	**430,237**	443,876
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**97,072**	91,709
— contingent rents	**1,437**	1,680
Freight charges	**9,672**	10,063
Postage and express charges	**10,825**	8,294
Advertising and promotional expenses	**57,869**	43,318
Concessionaire fees	**310,088**	330,743
Direct operating expenses arising from investment properties that generated rental income (Note 15a)	**480**	307
Employee benefit expenses (including directors' emoluments) (Note 9)	**392,934**	379,339
Impairment losses on inventories	**10,678**	109
(Write back of impairment)/provision for impairment of trade receivables	**(789)**	2,687

8 NET FINANCE INCOME

	2016 **RMB'000**	2015 RMB'000
Interest income on bank deposits	**8,917**	8,752
Interest expense on short-term bank loans	**(59)**	(206)
	8,858	8,546

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016	2015
	RMB'000	RMB'000
Wages and salaries	**322,306**	316,911
Staff welfare and other benefits	**22,759**	15,218
Pension costs — defined contribution plans (Note)	**44,172**	38,996
Share-based payment expense	**3,697**	8,214
	392,934	379,339

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 RMB44,172,000 (2015: RMB38,996,000) were paid by the Group during the year.

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the emoluments paid or payable to every Director and the Chief Executive for the year are as follows:

	2016				
Name	**Fees RMB'000**	**Salary, bonus, other allowances and benefits in kind RMB'000**	**Employer's contribution to retirement benefit scheme RMB'000**	**Share option benefits* RMB'000**	**Total RMB'000**
Executive Director and Chief Executive					
Ms. Lau Shun Wai	–	2,407	15	1,281	3,703
Executive Directors					
Ms. Chu Tsui Lan	–	2,142	15	799	2,956
Ms. Wong Sau Han	–	1,739	15	697	2,451
Ms. An You Ying *(resigned on 1 December 2015)*	–	882	31	379	1,292
Non-executive Directors					
Mr. James Ngai	196	–	–	–	196
Mr. Lee Tze Bun, Marces	–	–	–	–	–
Independent non-executive Directors					
Mr. Lam Siu Lun, Simon	196	–	–	–	196
Mr. Leung Wai Ki, George	196	–	–	–	196
Mr. Hui Chi Kwan	196	–	–	–	196
	784	7,170	76	3,156	11,186

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	2015				
Name	Fees RMB'000	Salary, bonus, other allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Share option benefits* RMB'000	Total RMB'000
Executive Director and Chief Executive					
Ms. Lau Shun Wai	—	2,641	14	2,573	5,228
Executive Directors					
Ms. Chu Tsui Lan	—	2,272	14	1,611	3,897
Ms. Wong Sau Han	—	1,907	14	1,388	3,309
Ms. An You Ying	—	1,397	38	761	2,196
Non-executive Directors					
Mr. James Ngai	144	—	—	—	144
Mr. Lee Tze Bun, Marces	—	—	—	—	—
Independent non-executive Directors					
Mr. Lam Siu Lun, Simon	192	—	—	—	192
Mr. Leung Wai Ki, George	192	—	—	—	192
Mr. Hui Chi Kwan	192	—	—	—	192
	720	8,217	80	6,333	15,350

* 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).

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2015: Nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2015: Nil).

(d) Consideration provided to third parties for making available Directors' services

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2015: Nil).

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2015: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

11 SENIOR MANAGEMENT'S EMOLUMENTS

(a) Five highest paid individuals

The Directors' emoluments presented above include the emoluments of the 4 (2015: same) highest paid individuals in the Group. The emoluments of the remaining 1 (2015: same) highest paid individual during the year ended 29 February 2016 was:

	2016	2015
	RMB'000	RMB'000
Salaries, bonus, other allowances and benefits in kind	**1,211**	1,328
Employer's contributions to retirement benefits scheme	**15**	14
Share option benefits	**69**	140
	1,295	1,482

Emolument bands	**Number of individuals**	
	2016	2015
RMB1,000,001–RMB1,500,000	**1**	1

11 SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Other than disclosed in notes 10(a) and 11(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

(c) Senior management's emoluments by band

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

Emolument bands	Number of individuals 2016	2015
RMB0–RMB500,000	**3**	1
RMB500,001–RMB1,000,000	**1**	3
RMB1,000,001–RMB1,500,000	**2**	2

12 INCOME TAX EXPENSE

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

	2016 RMB'000	2015 RMB'000
Current income tax		
— Hong Kong profits tax	**–**	–
— People's Republic of China ("PRC") corporate income tax	**62,943**	73,929
Deferred taxation (Note 21)	**(7,944)**	(6,594)
	54,999	67,335

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2015: 25%).

12 INCOME TAX EXPENSE (CONTINUED)

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2016 **RMB'000**	2015 RMB'000
Profit before income tax and before share of profit of a joint venture	**178,350**	252,686
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	**42,868**	52,800
Income not subject to tax	**(1,003)**	(1,740)
Expenses not deductible for tax purposes	**3,202**	3,346
Tax losses for which no deferred tax asset was recognised	**—**	59
Recognition of previously unrecognized tax losses	**(2,241)**	—
Utilisation of previously unrecognised tax losses	**(289)**	(974)
Derecognition of previously recognised tax losses	**1,197**	—
Withholding tax	**11,265**	13,844
Income tax expense	**54,999**	67,335

13 EARNINGS PER SHARE

Basic

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

On 30 July 2015, the Group completed a bonus issue of 64,318,460 shares at HK$0.1 each on the basis of one bonus share for every ten shares pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 13 July 2015. The basic earnings per share for the year ended 28 February 2015 have been restated to take into account the bonus issue during the year. The weighted average number of shares outstanding was retrospectively adjusted to reflect the effect of bonus issue. For the year ended 28 February 2015, the weighted average of number of ordinary shares in issue was 640,890,216 before the restatement.

13 EARNINGS PER SHARE (CONTINUED)

Basic (Continued)

	2016	2015 (Restated)
Profit attributable to owners of the Company (RMB'000)	**122,073**	189,282
Weighted average number of ordinary shares in issue ('000)	**706,327**	705,208
Basic earnings per share (RMB cents)	**17.28**	26.84

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 29 February 2016 and 28 February 2015 respectively, 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.

	2016	2015 (Restated)
Profit attributable to owners of the Company (RMB'000)	**122,073**	189,282
Weighted average number of ordinary shares in issue ('000)	**706,327**	705,208
Adjustments for share options ('000)	**1,390**	4,646
Weighted average number of ordinary shares for diluted earnings per share ('000)	**707,717**	709,854
Diluted earnings per share (RMB cents)	**17.25**	26.67

14 DIVIDENDS

	2016 RMB'000	2015 RMB'000
Interim, paid, of HK5.7 cents (2015: HK8.0 cents) per ordinary share	**32,377**	41,076
Final, proposed, of HK7.0 cents (2015: HK14.0 cents) per ordinary share	**40,393**	71,747
Special, proposed, of HK3.0 cents (2015: Nil) per ordinary share	**17,311**	—
	90,081	112,823

At a meeting held on 18 May 2016, the Directors proposed a final dividend of HK7.0 cents per ordinary share and a special dividend of HK3.0 cents per ordinary share totaling approximately RMB57,700,000. These proposed dividends are not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of contributed surplus of the Company for the year ended 28 February 2017.

15 INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
At beginning of year	**77,033**	72,477
Transfer from property, plant and equipment and land use rights (Note)	**62,000**	—
Fair value (losses)/gains recognised in the consolidated income statement (Note 6)	**(359)**	2,588
Exchange differences	**2,831**	1,968
At end of year	**141,505**	77,033

Note:

On 31 October 2015, certain properties were transferred from property, plant and equipment and land use rights to investment properties. They are with book value of RMB62,000,000.

Investment properties are stated at the professional valuation made on an open market value basis at 29 February 2016 and 28 February 2015 by an independent professional valuer, Ascent Partners Valuation Service Limited. The revaluation gains are included in "other (losses)/gains, net" in the consolidated income statement.

15 INVESTMENT PROPERTIES (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Rental income (Note 6)	**4,005**	3,136
Direct operating expenses from investment properties that generated rental income	**(480)**	(307)
	3,525	2,829

As at 29 February 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: 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 professional 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	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
	Fair value measurements at 29 February 2016 using		
Recurring fair value measurements			
Investment properties:			
PRC	**—**	**—**	**64,350**
Macau	**—**	**—**	**77,155**

Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
	Fair value measurements at 28 February 2015 using		
Recurring fair value measurements			
Investment properties:			
PRC	—	—	1,810
Macau	—	—	75,223

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 29 February 2016 and 28 February 2015.

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Fair value measurements using significant unobservable inputs (level 3)

	PRC RMB'000	Macau RMB'000	Total RMB'000
At 1 March 2014	1,730	70,747	72,477
Gains from fair value adjustment	80	2,508	2,588
Exchange differences	—	1,968	1,968
At 28 February 2015	1,810	75,223	77,033
At 1 March 2015	**1,810**	**75,223**	**77,033**
Transferred from property, plant and equipment and land use rights	**62,000**	**—**	**62,000**
Gains/(losses) from fair value adjustment	**540**	**(899)**	**(359)**
Exchange differences	**—**	**2,831**	**2,831**
At 29 February 2016	**64,350**	**77,155**	**141,505**
Total gains for the year included in profit or loss for assets held at the end of the year, under "other (losses)/gains, net"	**540**	**(899)**	**(359)**
Change in unrealised gains/(losses) for the year included in profit or loss for assets held at the end of the year	**540**	**(899)**	**(359)**

Valuation processes of the Group

The Group's investment properties were valued at 29 February 2016 and 28 February 2015 by independent professional 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:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Hold discussions with the independent valuer.

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Valuation techniques

For certain investment properties located in PRC and Macau, the valuations were determined by using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

For other investment properties in PRC, the valuations were based on income capitalization approach (term and reversionary method) which largely used unobservable inputs (e.g. market rent, yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties.

Information about fair value measurements using significant unobservable inputs (level 3)

Description	Fair value at 29 February 2016 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties — Retail shop in PRC	1,750	Direct comparison approach	Comparable's unit selling/ asking price	RMB12,300 per square meter	The higher the unit selling price, the higher the fair value
Investment properties — Retail shop in Macau	77,155	Direct comparison approach	Comparable's unit selling/ asking price	RMB1,050,000 per square meter	The higher the unit selling price, the higher the fair value
Investment properties — Factory building in PRC	62,600	Income capitalisation approach	Market rent	11.52 per square meter per month	The higher the rent, the higher the fair value.
			Capitalization rate	5.65%	The higher the capitalization rate, the lower the fair value.

Description	Fair value at 28 February 2015 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties — Retail shops in PRC	1,810	Direct comparison approach	Comparable's unit selling/ asking price	RMB12,700 per square meter	The higher the unit selling price, the higher the fair value
Investment properties — Retail shop in Macau	75,223	Direct comparison approach	Comparable's unit selling/ asking price	RMB1,024,000 per square meter	The higher the unit selling price, the higher the fair value

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 March 2014						
Cost	134,228	161,338	109,813	23,413	4,202	432,994
Accumulated depreciation	(44,320)	(126,855)	(69,050)	(16,333)	(3,132)	(259,690)
Net book amount	89,908	34,483	40,763	7,080	1,070	173,304
Year ended 28 February 2015						
Opening net book amount	89,908	34,483	40,763	7,080	1,070	173,304
Exchange differences	59	260	50	43	5	417
Additions	—	29,554	432	3,744	846	34,576
Disposals	—	(609)	(154)	(326)	(86)	(1,175)
Depreciation	(4,032)	(28,257)	(7,439)	(2,880)	(425)	(43,033)
Closing net book amount	85,935	35,431	33,652	7,661	1,410	164,089
At 28 February 2015						
Cost	134,706	170,261	108,812	24,180	4,756	442,715
Accumulated depreciation	(48,771)	(134,830)	(75,160)	(16,519)	(3,346)	(278,626)
Net book amount	85,935	35,431	33,652	7,661	1,410	164,089
Year ended 29 February 2016						
Opening net book amount	**85,935**	**35,431**	**33,652**	**7,661**	**1,410**	**164,089**
Exchange differences	**(189)**	**122**	**397**	**52**	**2**	**384**
Additions	**—**	**24,568**	**628**	**2,872**	**199**	**28,267**
Disposals	**(291)**	**(1,453)**	**(53)**	**(698)**	**(58)**	**(2,553)**
Revaluation surplus (note)	**13,313**	**—**	**—**	**—**	**—**	**13,313**
Transfer to investment properties (note)	**(54,150)**	**—**	**—**	**—**	**—**	**(54,150)**
Depreciation	**(3,281)**	**(27,822)**	**(6,540)**	**(2,758)**	**(577)**	**(40,978)**
Closing net book amount	**41,337**	**30,846**	**28,084**	**7,129**	**976**	**108,372**
At 29 February 2016						
Cost	**84,354**	**169,802**	**109,173**	**23,883**	**4,821**	**392,033**
Accumulated depreciation	**(43,017)**	**(138,956)**	**(81,089)**	**(16,754)**	**(3,845)**	**(283,661)**
Net book amount	**41,337**	**30,846**	**28,084**	**7,129**	**976**	**108,372**

Note:

On 31 October 2015, a land use right and attached properties for own-use were transferred to investment properties because its use has been changed. They are with net book value of RMB46,757,000 and the fair value of these land use right and attached properties were RMB62,000,000 at the date of transfer. Upon the transfer, a gain representing a revaluation of the land use right and the attached properties of RMB15,243,000, netted with deferred tax charge of RMB4,172,000 was credited to other comprehensive income during the year.

17 LAND USE RIGHTS

	2016 RMB'000	2015 RMB'000
At beginning of year	**20,929**	21,223
Amortisation	**(558)**	(597)
Revaluation surplus (note)	**1,930**	—
Transfer to investment properties (note)	**(7,850)**	—
Exchange differences	**429**	303
At end of year	**14,880**	20,929

Note:

During the year, a land use right is transferred to investment properties. The details have been disclosed in Note 16 to the consolidated financial statements.

18 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 29 February 2016 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 HK$1 each	Property holding/PRC	100%
Brightly Investment Limited	Hong Kong, limited liability company	2 Ordinary shares of HK$1 each	Property holding/PRC	100%
Grandmark Holdings Limited	Hong Kong, limited liability company	1 Ordinary share of HK$1 each	Trading of shoes/Hong Kong	100%
Great Sino Enterprises Limited	Hong Kong, limited liability company	10,000 Ordinary shares of HK$1 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 US$1 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 HK$1 each	Investment holding/Hong Kong	100%
Le Saunda China Investment Limited	Hong Kong, limited liability company	100 Ordinary shares of HK$1 each	Investment Holding/Hong Kong	100%
Le Saunda Licensing Limited	Bahamas, limited liability company	5,000 Ordinary shares of US$1 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 HK$1 each	Provision of management services/Hong Kong	100%
Le Saunda Real Estate Limited	Hong Kong, limited liability company	2 Ordinary shares of HK$1 each	Investment holding/Hong Kong	100%
L.S. Retailing Limited (Note b)	Hong Kong, limited liability company	2 Ordinary shares of HK$1,000 each plus 20,000 non-voting deferred shares of HK$1,000 each	Retailing of shoes/Hong Kong	100%
Maior Limited	Hong Kong, limited liability company	1,000 Ordinary shares of HK$2,000 each	Trading of shoes and investment holding/Hong Kong	100%

18 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
Master Benefit Limited	Hong Kong, limited liability company	3,000,000 Ordinary shares of HK$1 each	Investment holding/Hong Kong	100%
Parklink Investment Development Limited	Hong Kong, limited liability company	2 Ordinary shares of HK$1 each	Property holding/PRC	100%
Trend Door Company Limited	Hong Kong, limited liability company	2 Ordinary shares of 1 HK$1 each	Investment holding/Hong Kong	100%
Trend Light Trading Company Limited	Hong Kong, limited liability company	2 Ordinary shares of HK$1 each	Property holding/PRC	100%
昶信貿易（天津）有限公司	PRC, limited liability company	US$100,000	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

	2016 RMB'000	2015 RMB'000
Registered capital at cost, unlisted	**689**	689
Share of undistributed post-acquisition reserves	**34,044**	33,668
Share of net assets	**34,733**	34,357
At beginning of the year	**34,357**	28,596
Share of profit of a joint venture	**376**	5,761
At end of year	**34,733**	34,357

Details of the joint venture are as follows:

Name	Place of establishment/ operation	Principal activities	Group's equity interest
佛山市順德區雙強房地產開發有限公司("SSQ")	PRC	Property development	50%

The joint venture is held indirectly by the Company.

By virtue of a joint venture agreement dated 23 February 1994, the Company's subsidiary, Le Saunda Real Estate Limited ("LSRE"), and Shunde Hongye Real Estate Company ("SHREC"), a company established in the PRC, agreed to form a limited liability company known as SSQ in accordance with the rules and regulations of the PRC. The joint venture period is 20 years from the date of issue of business licence, i.e. 21 April 1994. A supplementary agreement was signed by LSRE and SHREC on 15 November 2013 to extend the joint venture to 20 April 2019.

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 RMB1,380,000). The applications of capital reduction were approved on 3 March 2008 and 15 March 2011 respectively.

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

(a) Investment in a joint venture (Continued)

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

Summarised balance sheet

	2016 RMB'000	2015 RMB'000
Current		
Assets	**70,273**	69,420
Liabilities	**(817)**	(717)
Total current net assets	**69,456**	68,703
Non-current		
Assets	**10**	11
Liabilities	**—**	—
Total non-current net assets	**10**	11
Net assets	**69,466**	68,714

Summarised income statement

	2016 RMB'000	2015 RMB'000
Revenue	**—**	—
Profit before income tax	**968**	992
Income tax (expense)/income	**(216)**	10,530
Post-tax profit from continuing operations	**752**	11,522

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

(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

	2016 RMB'000	2015 RMB'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	**2,500**	2,500
— Provision for impairment	**(2,500)**	(2,500)
	–	–
Amount due from an available-for-sale financial asset (Note (b))	**7,500**	7,500
Less: Provision for impairment	**(7,500)**	(7,500)
	–	–
	–	–

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

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

The 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:

	2016 **RMB'000**	2015 RMB'000
Deferred tax assets	**69,813**	56,879
Deferred tax liabilities	**(44,375)**	(35,772)
	25,438	21,107

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.

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**21,107**	14,519
Credited to consolidated income statement (Note 12)	**7,944**	6,594
Debited to reserve	**(3,689)**	—
Exchange realignment	**76**	(6)
At end of year	**25,438**	21,107

21 DEFERRED TAXATION (CONTINUED)

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

	Unrealised profits on inventories		Tax losses		Revaluation of investment properties		Withholding tax on dividend for undistributed profits (Note a)		Other provision		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
At beginning of year	**46,738**	33,913	**10,141**	10,899	**(8,635)**	(8,109)	**(27,137)**	(22,184)	**–**	–	**21,107**	14,519
Credited/(charged) to consolidated income statement	**6,806**	12,777	**2,360**	(923)	**(38)**	(307)	**(4,428)**	(4,953)	**3,244**	–	**7,944**	6,594
Credited to reserve	**–**	–	**–**	–	**(3,689)**	–	**–**	–	**–**	–	**(3,689)**	–
Exchange realignment	**160**	48	**258**	165	**(448)**	(219)	**–**	–	**106**	–	**76**	(6)
At end of year	**53,704**	46,738	**12,759**	10,141	**(12,810)**	(8,635)	**(31,565)**	(27,137)	**3,350**	–	**25,438**	21,107

(a) Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. All dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax. As at 29 February 2016, the Group did not accrue withholding income tax for a portion of the earnings of RMB300,650,000 (2015: RMB300,650,000) of its PRC subsidiaries because the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at 29 February 2016, the Group had unrecognised tax losses of approximately RMB31,410,000 (2015: RMB35,022,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	2016	2015
	RMB'000	RMB'000
Tax losses without expiry date	**31,410**	26,230
Tax losses expiring in 5 years	**–**	8,792
	31,410	35,022

22 INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**23,522**	30,484
Work in progress	**19,338**	15,054
Finished goods	**417,152**	376,538
	460,012	422,076
Less: Provision for impairment of inventories	**(18,193)**	(6,914)
	441,819	415,162

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB430,237,000 (2015: RMB443,876,000) (Note 7).

23 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**161,603**	187,119
Provision for impairment	**(1,898)**	(2,687)
	159,705	184,432
Other receivables	**2,988**	3,049
	162,693	187,481

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

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 29 February 2016 and 28 February 2015, the ageing analysis of the trade receivables based on invoice date is as follows:

	2016 **RMB'000**	2015 RMB'000
Current to 30 days	**140,012**	167,627
31 to 60 days	**11,503**	12,358
61 to 90 days	**2,997**	2,446
Over 90 days	**5,193**	2,001
	159,705	184,432

Trade receivables are denominated in the following currencies:

	2016 **RMB'000**	2015 RMB'000
HK$	**152**	408
RMB	**159,544**	183,931
Other currencies	**9**	93
	159,705	184,432

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 29 February 2016, trade receivables of RMB4,909,000 (2015: RMB1,346,000) 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:

	2016 **RMB'000**	2015 RMB'000
61 to 90 days	**2,239**	910
Over 90 days	**2,670**	436
	4,909	1,346

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

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**2,687**	–
(Written back of impairment)/provision for impairment	**(789)**	2,687
At end of year	**1,898**	2,687

The impairment loss recognised on trade receivables is mainly for customers who have financial difficulties. At 29 February 2016, trade receivables of RMB1,898,000 (2015: RMB2,687,000) 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 CASH AND BANK BALANCES

	2016 **RMB'000**	2015 RMB'000
Cash at bank and on hand	**268,932**	206,710
Short-term bank deposits (Note (a))	**246,200**	229,499
Cash and cash equivalents	**515,132**	436,209
Term deposits with initial term over three months (Note (a))	**26,000**	78,147
Pledged bank deposits (Note (b))	**2,334**	2,831
	543,466	517,187

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

	2016 **RMB'000**	2015 RMB'000
HK$	**160,703**	17,036
RMB	**376,230**	486,816
US$	**5,026**	9,913
Other currencies	**1,507**	3,422
	543,466	517,187

Note:

(a) The effective interest rate on short-term bank deposits and term deposits was 1.2% (2015: 2.8%) per annum; these deposits have a maturity ranging from 7 to 366 days (2015: 7 to 365 days).

(b) Bank deposits of RMB2,334,000 (2015: RMB2,831,000) have been pledged as rental deposits for subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 1.05% per annum (2015: 1.31%).

(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.

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

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

	2016 **RMB'000**	2015 RMB'000
Cash flow from operating activities		
Profit before income tax	**178,726**	258,447
Adjustment for:		
Exchange difference	**5,494**	3,041
Share of profit of a joint venture	**(376)**	(5,761)
Fair value losses/(gains) on investment properties	**359**	(2,588)
Depreciation of property, plant and equipment	**40,978**	43,033
Loss on disposal of property, plant and equipment	**2,553**	1,175
Amortisation of land use rights	**558**	597
Gain on the disposal of a property	**–**	(4,494)
(Written back)/provision for impairment of trade receivables	**(789)**	2,687
Provision for impairment losses on inventories	**10,678**	109
Net finance income	**(8,858)**	(8,546)
Share based payment	**3,697**	8,214
	233,020	295,914
Changes in working capital:		
— Inventories	**(37,335)**	(32,595)
— Trade and other receivables	**25,577**	(32,922)
— Deposits and prepayments	**3,038**	(8,255)
— Amount due to a joint venture	**4,000**	2,000
— Trade payables and accruals	**(4,436)**	(33,707)
Net cash generated from operations	**223,864**	190,435

26 TRADE PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Trade payables	**54,174**	40,858
Accruals	**115,912**	133,657
	170,086	174,515

The credit periods granted by suppliers are generally ranged from 7 to 60 days. As at 29 February 2016 and 28 February 2015, the ageing analysis of the trade payables based on invoice date was as follows:

	2016 RMB'000	2015 RMB'000
Current to 30 days	**43,263**	34,284
31 to 60 days	**8,037**	5,255
61 to 90 days	**435**	641
91 to 120 days	**856**	234
Over 120 days	**1,583**	444
	54,174	40,858

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

	2016 RMB'000	2015 RMB'000
HK$	**84**	390
RMB	**52,123**	36,635
US$	**1,967**	3,833
	54,174	40,858

27 SHARE CAPITAL

	Note	2016 Number of ordinary shares	2016 Share capital HK$'000	2015 Number of ordinary shares	2015 Share capital HK$'000
Ordinary shares of HK$0.10					
Authorised:					
At beginning of year		**800,000,000**	**80,000**	800,000,000	80,000
Increase on 13 July 2015	i	**200,000,000**	**20,000**	—	—
At end of year		**1,000,000,000**	**100,000**	800,000,000	80,000

	Note	2016 Number of ordinary shares	2016 Share capital RMB'000	2015 Number of ordinary shares	2015 Share capital RMB'000
Issued and fully paid:					
At beginning of year		**641,972,600**	**54,754**	639,313,600	54,542
Exercise of share options (Note 28)		**1,372,000**	**112**	2,659,000	212
Bonus issue	ii	**64,318,460**	**5,258**	—	—
Share repurchase	iii	**(1,768,000)**	**(145)**	—	—
At end of year		**705,895,060**	**59,979**	641,972,600	54,754

Note:

(i) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 13 July 2015, the authorised share capital of the Company was increased from HK$80,000,000 (divided into 800,000,000 ordinary shares of HK$0.1 each) to HK$100,000,000 (divided into 1,000,000,000 ordinary shares of HK$0.1 each) by the creation of an additional 200,000,000 ordinary shares of HK$0.1 each of the Company.

(ii) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 13 July 2015, the Company issued one bonus share for every ten shares held. The issued share capital of the Company was therefore increased from 643,184,600 shares of HK$0.1 each to 707,503,060 shares of HK$0.1 each accordingly. On 30 July 2015, the Company completed the bonus issue, in which, the share premium account for the period ended 31 August 2015 was reduced by approximately RMB5,258,000 and the same amount was credited to share capital account.

(iii) During the year, the Company repurchased its 1,768,000 ordinary shares at prices ranging from HK$1.99 to HK$2.10 per share at a total consideration of approximately RMB2,985,000. 1,768,000 repurchased ordinary shares were cancelled during the year. Details of the repurchases are disclosed under the heading of "Purchase, redemption or sale of the Company's listed securities" in the Report of the Directors. The premium of approximately RMB2,840,000 paid on the repurchase of these shares was debited to the share premium account and an amount of RMB145,000 was transferred from retained earnings of the Company to the capital redemption reserve, as set out in note 30 to the consolidated financial statements.

28 SHARE OPTIONS

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

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

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

	2016		2015	
	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	**3.573**	**26,864**	3.464	30,940
Exercised	**2.404**	**(1,212)**	2.404	(2,659)
Exercised	**2.185**	**(160)**	—	—
Lapsed	**2.404**	**(939)**	2.404	(817)
Lapsed	**2.185**	**(863)**	—	—
Lapsed	**4.300**	**(1,650)**	4.730	(600)
Adjustment for bonus issue	**—**	**2,471**	—	—
At end of year	**3.223**	**24,511**	3.573	26,864

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 29 February 2016, 939,000 shares at an exercise price of HK$2.404, 863,000 shares at an adjusted exercise price of HK$2.185, 1,650,000 shares at an adjusted exercise price of HK$4.3 were lapsed.

28 SHARE OPTIONS (CONTINUED)

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

	(Adjusted) Exercise price per price (HK$)	**Number of share as at 29 February 2016 (thousands)**	Exercise price per share (HK$)	Number of share as at 28 February 2015 (thousands)
Expiry date at:				
26 June 2021 (Note a)	**4.300**	**13,200**	4.730	13,500
9 July 2022 (Note b)	**2.185**	**11,311**	2.404	13,364

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 29 February 2016, a total share option expense of HK$4,522,000 (equivalent to RMB3,697,000) (2015: HK$10,290,000 (equivalent to RMB8,214,000)) was recognised and included in "employee benefit expenses".

29 RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined benefit pension plan in Hong Kong based on employee pensionable remuneration and length of service.

The amounts recognised in the balance sheet are determined as follows:

	2016 RMB'000	2015 RMB'000
Present value of defined benefit obligations	**485**	469
Liability in the consolidated balance sheet	**485**	469

29 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movement in the present value of defined benefit obligations over the year is as follows:

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**469**	901
Interest cost	**7**	8
Current service cost	**14**	13
Actuarial gains	**(22)**	(469)
Exchange difference	**17**	16
At end of year	**485**	469

The amounts recognised in the consolidated income statement are as follows:

	2016 **RMB'000**	2015 RMB'000
Interest cost	**7**	8
Total, included in staff costs	**7**	8

The principal actuarial assumptions used were as follows:

	2016	2015
Discount rate	**1.56%**	1.66%
Future salary increase rate	**3.00%**	5.00%

30 RESERVES

	Share premium RMB'000 (Note (b))	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000 (Note (a))	Contributed surplus RMB'000	Retained earnings RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Employee Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000
At 1 March 2015	421,506	–	(57,653)	47,145	–	750,837	4,812	–	32,472	439	1,199,558
Comprehensive income											
Profit for the year	–	–	–	–	–	122,073	–	–	–	–	122,073
Other comprehensive income											
Currency translation differences	–	–	15,108	–	–	–	–	–	–	–	15,108
Retirement benefit obligation	–	–	–	–	–	–	–	–	–	22	22
Revaluation gain on investment property transferred from land and buildings	–	–	–	–	–	–	–	11,070	–	–	11,070
Transaction with owners											
Share option scheme											
– value of service provide	–	–	–	–	–	–	–	–	3,697	–	3,697
– share option lapsed	–	–	–	–	–	3,333	–	–	(3,333)	–	–
– exercise of share options	2,556	–	–	–	–	–	–	–	–	–	2,556
Bonus issue (Note 27(ii))	(5,258)	–	–	–	–	–	–	–	–	–	(5,258)
Share repurchase (Note 27(iii))	(2,840)	145	–	–	–	(145)	–	–	–	–	(2,840)
Dividends	–	–	–	–	–	(105,167)	–	–	–	–	(105,167)
Share premium reduction and transfer (Note (b))	(326,982)	–	–	–	326,982	–	–	–	–	–	–
At 29 February 2016	88,982	145	(42,545)	47,145	326,982	770,931	4,812	11,070	32,836	461	1,240,819
Representing:											
2016 proposed dividend											57,704
Others											1,183,115
											1,240,819

30 RESERVES (CONTINUED)

	Share premium RMB'000 (Note (b))	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000 (Note (a))	Contributed surplus RMB'000	Retained earnings RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Employee Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000
At 1 March 2014	414,514	–	(66,294)	43,467	–	707,766	4,812	–	27,490	(30)	1,131,725
Comprehensive income											
Profit for the year	–	–	–	–	–	189,282	–	–	–	–	189,282
Other comprehensive income											
Currency translation differences	–	–	8,641	–	–	–	–	–	–	–	8,641
Retirement benefit obligation	–	–	–	–	–	–	–	–	–	469	469
Transactions with owners											
Share option scheme											
– value of service provide	–	–	–	–	–	–	–	–	8,214	–	8,214
– share option lapsed	–	–	–	–	–	1,130	–	–	(1,130)	–	–
– exercise of share options	6,992	–	–	–	–	–	–	–	(2,102)	–	4,890
Transfer	–	–	–	3,678	–	(3,678)	–	–	–	–	–
Dividends	–	–	–	–	–	(143,663)	–	–	–	–	(143,663)
At 28 February 2015	421,506	–	(57,653)	47,145	–	750,837	4,812	–	32,472	439	1,199,558
Representing:											
2015 proposed dividend											71,747
Others											1,127,811
											1,199,558

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) Pursuant to the special resolution passed on 13 July 2015, the Company transferred an amount of HK$400,000,000 (equivalent to RMB326,982,000) from share premium account to contributed surplus account, which increased the distributable reserves of the Company thereby giving the Company a greater flexibility in its dividend policy and making distributions to the shareholders.

31 COMMITMENTS

(a) Capital commitments

	2016 **RMB'000**	2015 RMB'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	**187**	324

(b) Commitments under operating leases

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

	2016 **RMB'000**	2015 RMB'000
Land and buildings:		
Not later than one year	**56,098**	72,219
Later than one year and not later than five years	**41,931**	61,535
	98,029	133,754

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.

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

	2016 **RMB'000**	2015 RMB'000
Land and buildings:		
Not later than one year	**4,014**	3,983
Later than one year and not later than five years	**41**	4,029
	4,055	8,012

32 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 29 February 2016, Stable Gain Holdings Limited held 31.94% (2015: 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:

	2016 **RMB'000**	2015 RMB'000
Rental expenses charged by:		
— a related party (Note (i))	**3,858**	2,759
— a related company (Note (ii))	**794**	755
Amounts due to a related company (Note (iii))	**132**	126

(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"), companies 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

	2016 **RMB'000**	2015 RMB'000
Amount due to a joint venture (Note 19(b))	**33,000**	29,000

(d) Key management compensation

	2016 **RMB'000**	2015 RMB'000
Salaries and other short-term employee benefits	**7,954**	8,933
Employer's contributions to retirement scheme	**76**	79
Share option benefits	**3,156**	6,334
	11,186	15,346

33 BALANCE SHEET AND RESERVE OF THE COMPANY

(a) Balance sheet of the Company

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**489,862**	596,390
Current assets			
Other receivables		**206**	200
Cash and bank balances		**4,672**	2,105
		4,878	2,305
Total assets		**494,740**	598,695
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**59,979**	54,754
Reserve	(b)	**434,094**	543,376
Total equity		**494,073**	598,130
LIABILITIES			
Current liabilities			
Accruals		**667**	565
Total liabilities		**667**	565
Total equity and liabilities		**494,740**	598,695

The balance sheet of the Company was approved by the Board of Director on 18 May 2016 and was signed on its behalf.

James Ngai
Chairman

Chu Tsui Lan
Director

33 BALANCE SHEET AND RESERVE OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Contributed surplus RMB'000 (Note (a), (b))	Retained earnings RMB'000	Employee share-based compensation reserve RMB'000	Total RMB'000
At 1 March 2015	**421,506**	—	**(29,142)**	**8,773**	**109,767**	**32,472**	**543,376**
Comprehensive income							
Profit for the year	**—**	—	**—**	**—**	**(937)**	**—**	**(937)**
Other comprehensive income	**—**	—	**—**	**—**	**—**	**—**	**—**
Currency translation differences	**—**	—	**(1,333)**	**—**	**—**	**—**	**(1,333)**
Transactions with owners							
Share option scheme							
— value of service provided	**—**	—	**—**	**—**	**—**	**3,697**	**3,697**
— share option lapsed	**—**	—	**—**	**—**	**3,333**	**(3,333)**	**—**
— exercise of share options	**2,556**	—	**—**	**—**	**—**	**—**	**2,556**
Bonus issue (Note 27(ii))	**(5,258)**	—	**—**	**—**	**—**	**—**	**(5,258)**
Share repurchase (Note 27(iii))	**(2,840)**	**145**	**—**	**—**	**(145)**	**—**	**(2,840)**
Dividends	**—**	—	**—**	**—**	**(105,167)**	**—**	**(105,167)**
Share premium reduction and transfer (Note (c))	**(326,982)**	—	**—**	**326,982**	**—**	**—**	**—**
At 29 February 2016	**88,982**	**145**	**(30,475)**	**335,755**	**6,851**	**32,836**	**434,094**
Representing:							
2016 proposed dividend							**57,704**
Others							**376,390**
							434,094
At 1 March 2014	414,514	—	(29,959)	8,773	133,283	27,490	554,101
Comprehensive income							
Profit for the year	—	—	—	—	119,017	—	119,017
Other comprehensive income							
Currency translation differences	—	—	817	—	—	—	817
Transactions with owners							
Share option scheme							
— value of service provided	—	—	—	—	—	8,214	8,214
— share option lapsed	—	—	—	—	1,130	(1,130)	—
— exercise of share options	6,992	—	—	—	—	(2,102)	4,890
Dividends	—	—	—	—	(143,663)	—	(143,663)
At 28 February 2015	421,506	—	(29,142)	8,773	109,767	32,472	543,376
Representing:							
2015 proposed dividend							71,747
Others							471,629
							543,376

33 BALANCE SHEET AND RESERVE OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company (Continued)

Note:

(a) 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.

(b) 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.

(c) Pursuant to the special resolution passed on 13 July 2015, the Company transferred an amount of HK$400,000,000 (equivalent to RMB326,982,000) from share premium account to contributed surplus account, which increased the distributable reserves of the Company thereby giving the Company a greater flexibility in its dividend policy and making distributions to the shareholders.

Five-Year Financial Summary

RESULTS OF THE GROUP

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**1,621,414**	1,683,008	1,609,822	1,429,399	1,275,419
Operating profit	**169,492**	244,140	282,492	189,640	202,219
Net finance income	**8,858**	8,546	6,680	5,067	3,400
Share of profit/(loss) of a Joint Venture	**376**	5,761	447	447	(479)
Profit before income tax	**178,726**	258,447	289,619	195,154	205,140
Income tax expense	**(54,999)**	(67,335)	(61,786)	(50,174)	(44,358)
Profit for the years	**123,727**	191,112	227,833	144,980	160,782
Profit attributable to:					
— Owners of the company	**122,073**	189,282	226,662	145,287	160,312
— Non-controlling interest	**1,654**	1,830	1,171	(307)	470
	123,727	191,112	227,833	144,980	160,782

ASSETS AND LIABILITIES OF THE GROUP

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Investment properties, property, plant and equipment and land use rights	**264,757**	262,051	267,004	288,448	281,630
Interest in Joint Venture	**34,733**	34,357	28,596	28,150	27,702
Long-term deposits and prepayments	**8,961**	13,575	11,983	14,541	13,590
Interest in and amount due from an available-for-sale financial assets	**—**	—	—	—	—
Deferred tax assets	**69,813**	56,879	44,812	41,535	35,362
Net current assets	**978,632**	935,651	875,706	696,655	634,003
	1,356,896	1,302,513	1,228,101	1,069,329	992,287
Total equity	**1,312,521**	1,266,741	1,197,808	1,043,880	970,607
Deferred tax liabilities	**44,375**	35,772	30,293	25,449	21,680
	1,356,896	1,302,513	1,228,101	1,069,329	992,287

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	Privately owned
(c) No.87 Gaofu Road, Hecheng Jiedao, Gaoming District, Foshan City, Guangdong Province, the People's Republic of China	Land and buildings	Medium lease