le saunda holdings ltd.
萊爾斯丹控股有限公司

annual report 2017

(Stock Code : 0738)

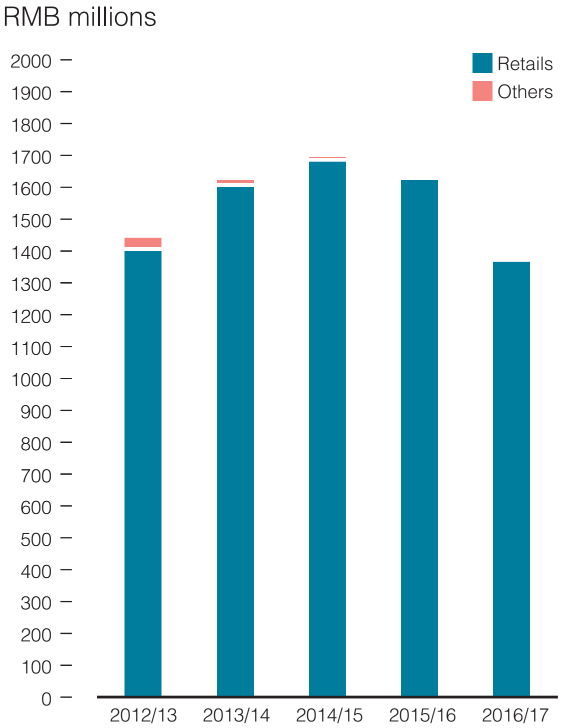
CONTENT

Financial Highlights

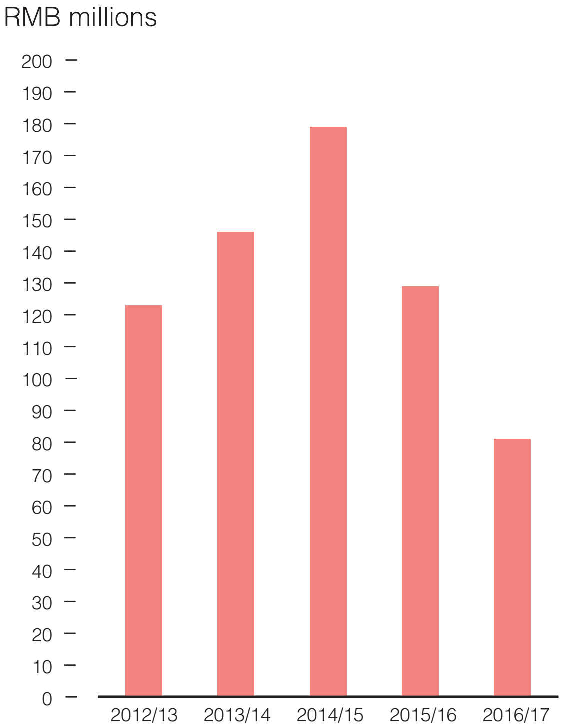
	Year ended 28 February 2017 RMB million	Year ended 29 February 2016 RMB million	Change
Profit and Loss Highlights			
Revenue	**1,365.5**	1,621.4	–15.8%
Consolidated Profit Attributable to Owners of the Company	**75.0**	122.1	–38.6%
Underlying Profit Attributable to Owners of the Company	**81.3**	129.0	–37.0%
Basic Earnings per Share (RMB Cents)	**10.62**	17.28	–38.5%
Balance Sheet Highlights			
Total Equity	**1,320.5**	1,312.5	+0.6%
Net Cash Balances	**645.3**	541.1	+19.2%
Net Assets Value per Share (RMB)	**1.87**	1.86	+0.6%
Net Cash per Share (RMB)	**0.91**	0.77	+19.2%
Other Key Ratios			
Stock Turnover (Days)	**298**	257	
Quick Ratio (Times)	**4.2**	3.3	
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 and foreign exchange 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
Cheng Wang, Gary *(Chief Executive Officer)*
(appointed with effect from 1 September 2016)
Chu Tsui Lan *(Chief Operating Officer)*
Chui Kwan Ho, Jacky
(appointed with effect from 8 April 2016)
Lau Shun Wai *(Chief Executive Officer)*
(resigned with effect from 31 August 2016)
Wong Sau Han
(resigned with effect from 1 February 2017)

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

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)
Conyers Corporate Services (Bermuda) 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

2016/17 Interim Results Announcement	27 October 2016
Payments of 2016/17 Interim Dividend and Interim Special Dividend	24 November 2016
2016/17 Annual Results Announcement	25 May 2017
Closure of Register of Members for Annual General Meeting (both days inclusive)	5–10 July 2017
Annual General Meeting	10 July 2017
Closure of Register of Members for Proposed 2016/17 Final Dividend and Final Special Dividend (both days inclusive)	17–18 July 2017
Payments of Proposed 2016/17 Final Dividend and Final Special Dividend	27 July 2017

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

MAY 2016

le saunda was honored “Manpower Developer 2012-2018” Award by the “ERB Manpower Developer Award Scheme” launched by Employees Retraining Board to acknowledge le saunda’s outstanding accomplishment in manpower training and development.

AUGUST 2016

le saunda x LINEA ROSA co-operated with iLady, the most popular ladies’ magazine in China, to host a “Outdoor Cinema Party” at K11 Shopping Artistic Centre in Shanghai. The guests also enjoyed le saunda and LINEA ROSA 2016 Autumn/ Winter Collection show performed by “O21 Beautiful Girl” from Korea.

SEPTEMBER 2016

The Group organized “LINEA ROSA 5th Anniversary Show” supplemented with a fashion show for 2016 Autumn/Winter Collection at Chongqing from 8 to 11 September. Mr. Han Huo Huo, a well-known fashion icon, was invited to the ceremony.

NOVEMBER 2016

Ms. Maggie Tsui, our Senior Associate, with her swift response, sincere service and positive attitude, won the championship at the 31st “2016 Service & Courtesy Award – Footwear Category (Frontline Level)” issued by the Hong Kong Retail Management Association.

le saunda was honored to be the Pink Sponsor of “The 6th Race with Pink Heels” held in November 2016 at Stanley Main Street in Hong Kong, which was organized by “The Hong Kong Hereditary Breast Cancer Family Registry”. During the event, le saunda had a booth to sell the “MONSTER/BOTTY Tote Bag”, and all income was donated to Hong Kong Hereditary Breast Cancer Family Registry.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report on the results of Le Saunda Holdings Limited ("Le Saunda" or the "Company") and its subsidiaries (the "Group") for the financial year ended 28 February 2017 (the "year under review").

In 2016, the global economic growth decelerated to 2.4%, hitting its lowest level in seven years. China's gross domestic product ("GDP") growth also continued to slow down, dampening consumer confidence. After two decades of rapid growth, the retail sector now finds itself facing structural impact and operational challenges brought by changes such as consumption upgrade and emergence of e-commerce. Under the background of consumption upgrade, consumers in China have inclined to more personalised and diversified products. They become more rational on spending and demand higher value for money. All these have required retailers to have better understanding of the market and to respond more rapidly in capturing the changes of consumer preference.

There are enormous changes on the retail channels as well. As an alternative channel, e-commerce has made great strides to progressively develop a "new retail" model which integrates online and offline channels. The deployment of the new retail model presents opportunities as well as challenges to retailers. In recent years, operating costs of online sales have been rising. More and more online retail brands are establishing their physical presence due to the growing importance of online and offline integration. As a pioneer of online channel expansion, the Group will study how to utilise the digital platform more effectively to drive revenue growth by enhancing its efficiency of transformation of online traffic into sales.

During the year under review, in response to consumer demand for customised products, the Group enhanced its design capability and boosted the development of casual products and handbags to enrich its product portfolio. Furthermore, the Group endeavoured to capture the market of younger generation with more trendy and fashionable designs that bring new elements to its brands. Given a weak retail environment and rapidly evolving consumption patterns, the Group, upholding its principles on continuous improvement of product quality and provision of excellent customer service, employed more marketing strategies that enhanced interaction between online and offline channels to increase its sales, as well as exercised stringent cost controls to maintain its profitability. During the year, the Group made a massive clearance of off-season products that had contributed to a significant increase in our cash on hand, and provided a solid support for our sustainable development. In addition, in the era of the "female economy", increase in female professionals and consumption upgrade have steered consumption demand towards quality and aesthetic. As a result, mid-to-high end brands are expected to have ample room of development in the future.

Looking forward, the Group will step up its effort on internal restructuring to slash various operational expenses and improve efficiency. In light of the structural issues faced by the ladies' footwear industry, with its strong cash position the Group will actively pursue opportunities in other areas with the aim to boost synergy with its existing business segments and increase the return on capital.

This year marks the 40th anniversary of the Group and we will take on challenges ahead with a positive and prudent mindset. Through maintaining strict control over product and service quality and strengthening brand positioning, with a practical development strategy made in line with the new opportunities emerged, the board is looking forward to open a new chapter for the Group. 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 in seizing opportunities and making innovative moves in the fast-changing retail market, with the aim of delivering solid sustainable returns to shareholders.

James Ngai
Chairman

Hong Kong, 25 May 2017

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 fashionable 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 2016/17, total revenue of the Group decreased by 15.8% year-on-year to Renminbi ("RMB") 1,365,500,000 (2015/16: RMB1,621,400,000). Consolidated gross profit dropped by 15.1% year-on-year to RMB908,000,000 (2015/16: RMB1,069,800,000). The Group recorded an overall gross profit margin of 66.5%, representing a slightly increase of 0.5 percentage point as compared to last year. Consolidated profit attributable to owners of the Company decreased by 38.6% to RMB75,000,000 (2015/16: RMB122,100,000) as 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 37.0% year-on-year to RMB81,300,000 (2015/16: RMB129,000,000).

RMB (million)	**2016/17**	2015/16	Change
Revenue	**1,365.5**	1,621.4	(15.8%)
Gross profit	**908.0**	1,069.8	(15.1%)
Gross profit margin	**66.5%**	66.0%	0.5 percentage point
Underlying profit attributable to owners	**81.3**	129.0	(37.0%)
Consolidated profit attributable to owners	**75.0**	122.1	(38.6%)
Final dividend (HK cents)	**4.3**	7.0	(38.6%)
Final special dividend (HK cents)	**5.7**	3.0	90.0%
Annual dividend pay-out ratio	**127.4%**	73.8%	53.6 percentage points

FINANCIAL REVIEW

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis

During the year under review, the retail markets of Mainland China, Hong Kong and Macau remained sluggish with no signs of any imminent recovery. The Group's total sales and same-store sales both recorded negative growth. The Group recorded a gross profit of RMB908,000,000 (2015/16: RMB1,069,800,000), representing a year-on-year decline of 15.1%. Though greater effort was made in clearing up the inventory, the gross profit margin remained at 66.5%, representing a slightly increase of 0.5 percentage point as compared to last year.

The Group strictly controlled the selling and distribution expenses and the expenses for the year decreased by 15.3% to RMB618,600,000 (2015/16: RMB730,100,000). As the decrease in sales was greater than that of expenses, the ratio of selling and distribution expenses to total revenue still grew to 45.3% (2015/16: 45.0%), representing an increase of 0.3 percentage point. During the year under review, advertising and promotional expenses accounted for 2.5% of total revenue, representing a year-on-year decrease of 1.1 percentage points. Concessionaire fee and rents accounted for 24.7% of total revenue, representing a year-on-year decrease of 0.6 percentage point. Store staff's wages were about the market average, but as a percentage of total revenue still increased year-on-year by 1.8 percentage points to 12.8% since the same-store sales continued to decline.

General and administrative expenses were cut by 3.5% to RMB191,200,000 (2015/16: RMB198,200,000) as compared to last year. During the year under review, the Group had adopted measures to control the spending of relevant cost items. However, as most general and administrative expenses are fixed costs, this item as a percentage of total revenue still increased by 1.8 percentage points to 14.0% (2015/16: 12.2%).

Other income, mainly grants from local government, decreased by 5.0% year-on-year to RMB36,900,000 (2015/16: RMB38,800,000).

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis (Continued)

Other losses mainly included the losses brought by change in exchange rates and losses on revaluation of investment properties. During the year, RMB exchange rate still fluctuated, the Group recorded an exchange losses of RMB8,300,000 (2015/16: RMB10,500,000), a decrease of RMB2,200,000 as compared to last year.

Consolidated profit attributable to owners of the Company decreased by 38.6% to RMB75,000,000 (2015/16: RMB122,100,000) as compared to last year. Basic earnings per share decreased by 38.5% year-on-year to RMB10.62 cents (2015/16: RMB17.28 cents). In return for the shareholders' longstanding support, the Board recommended a final dividend of HK4.3 cents per ordinary share and a final special dividend of HK5.7 cents per ordinary share (2015/16: final dividend of HK7.0 cents and a final special dividend of HK3.0 cents). Together with the interim dividend of HK4.3 cents and the interim special dividend of HK1.4 cents, the total dividend for this fiscal year was HK15.7 cents per ordinary share, representing a high dividend payout ratio of 127.4% (2015/16: 73.8%).

Income Tax Expense

During the year under review, income tax expenses amounted to approximately RMB52,100,000 (2015/16: RMB55,000,000), representing a decrease of 5.2% 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 China, a withholding income tax of 5% to 10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the losses not subject to taxation, expenses not deductible for tax purpose and reversal of deferred income tax assets on tax losses recognised in previous years, the effective tax rate of the Group for the year was 31.5% (2015/16: 29.0%).

FINANCIAL REVIEW (CONTINUED)

Inventory Management

As at 28 February 2017, the Group's inventory balance was RMB380,200,000, representing a decrease of 14.0% as compared to RMB441,800,000 for last year.

A breakdown of inventory balance was as follows:

RMB (million)	**As at 28 February 2017**	As at 29 February 2016	Changes in value	Changes in %
Raw materials and work-in-progress	**35.8**	37.9	(2.1)	(5.5%)
Finished goods	**344.4**	403.9	(59.5)	(14.7%)
Total	**380.2**	441.8	(61.6)	(14.0%)

During the year under review, the inventory of raw materials and work-in-progress decreased by 5.5% year-on-year, mainly due to the contraction of production scale. The 14.7% year-on-year decrease in the inventory of finished goods was attributable to the Group's enhanced efforts in clearing up off-season products which led to a significant drop in inventory amount and a significant increase in cash on hand at the year end date. Since the decline in sales outweighed the inventory reduction, the inventory turnover days of finished goods increased by 41 days to 298 days (29 February 2016: 257 days). To cope with the weak sentiment and uncertainties in the retail market, the Group will adjust its merchandising plan and optimize its supply chain with a view to bring its inventory to a more reasonable and healthy level.

Liquidity and Financial Resources

The Group's financial position remained very strong and healthy. As at 28 February 2017, the Group's cash and bank balances amounted to RMB645,300,000 (29 February 2016: RMB541,100,000), representing an increase of 19.2% year-on-year. The quick ratio was 4.2 times (29 February 2016: 3.3 times). During the year, the Group had not borrowed any bank loan and had no outstanding bank loan as at the fiscal year-end date (29 February 2016: Nil). Where necessary, forward contracts might be used 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. When necessary, working capital requirements for business operations in Mainland China will be financed by RMB loans advanced from local banks.

During the year ended 28 February 2017, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and RMB respectively and were deposited in leading banks with maturity of less than one year.

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

BUSINESS REVIEW

Overview

The gross domestic product (GDP) growth of China further slowed down to 6.7% in 2016, hitting the lowest level for the past 26 years. Impacted by the low consumption sentiment and the traffic diversion by e-commerce in recent years, the retail sector has undergone a prolonged period of correction. Consumer demand has shifted from merely satisfying daily needs to pursuit of quality, and from product-oriented to focus on both product and service. In this context, the challenge for retailers was how they would capitalise the consumption upgrade. During the year, in response to the adversities in the market, the Group actively adjusted its strategies to increase its supply of customised and casual products and to continuously improve the quality of its products and services with a view to seize opportunities presented by this consumption upgrade.

Retail Business

For the year under review, the total retail revenue of the Group decreased by 15.8% year-on-year to RMB1,365,500,000 (2015/16: RMB1,621,400,000). Same-store sales decreased by 12.0% (2015/16: decreased by 8%) due to the low market sentiment and diminishing consumption power brought by: 1) the ongoing slackened economic growth in Mainland China; 2) the surging Mainland property prices in 2016 directing considerable amount of domestic expenditure into the property market; 3) the increasing number of Mainland outbound tourists. As the signs of rejuvenation and stratification of consumers become more apparent, the Group will strengthen its analysis and study of popular trends and patterns of consumer behaviour and the development of product lines in the future in a bid to enhance consumers' shopping experience and thereby improve same-store sales.

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 796 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 100 stores compared to the end of the prior year. The number of self-owned stores dropped by 73, while the number of franchised stores decreased by 27 during the year.

As at the year-end date, there were 563 core brand le saunda stores and 52 le saunda MEN stores, representing net reductions of 96 and 13 stores, respectively, as compared to that at the end of last year. LINEA ROSA, the high-end fashionable brand, kept a moderate pace in new-store opening amid adverse market conditions with a net addition of 6 stores to bring the total number of stores to 74. The number of CNE stores decreased by 3 to 22.

BUSINESS REVIEW (CONTINUED)

Retail Business (Continued)

Retail Network (Continued)

As at 28 February 2017, 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	705	(-73)	79	(-27)	784	(-100)
• Northern, Northeastern & Northwestern Regions	166	(-23)	71	(-18)	237	(-41)
• Eastern Region	220	(-16)	1	(+1)	221	(-15)
• Central and Southwestern Regions	158	(-17)	7	(-7)	165	(-24)
• Southern Region	161	(-17)	0	(-3)	161	(-20)
Hong Kong and Macau	12	(0)	—	—	12	(0)
Total	717	(-73)	79	(-27)	796	(-100)

Mainland China

The total retail sales of consumer goods in Mainland China recorded a nominal increase of 10.4% in 2016, continuing the downward trend of growth rate in last year. The total retail revenue of the Group in Mainland China decreased by 14.5% year-on-year to RMB1,291,700,000 (2015/16: RMB1,510,700,000) mainly attributed to 1) the ongoing weakness in overall retail market; 2) the negative growth in the same-store sales and our speeding up in closing down of underperforming stores; 3) the consumer demand being restrained by a surging and frenetic Mainland China property market in 2016. In response, the Group attempted to stimulate sales by launching more casual products and handbags.

Hong Kong and Macau

According to statistics announced by the Hong Kong government, the Hong Kong's retail sales for 2016 decreased by 8.1% year-on-year, representing the largest setback since the Asian financial crisis in 1998. As a result of the continuous depreciation of RMB against HKD and more convenient for outbound travel, Mainland China tourists preferred regions with more favourable exchange rates, which inevitably affected the retail consumption in Hong Kong. The Group's sales in Hong Kong and Macau decreased by 33.2% year-on-year to RMB73,900,000 (2015/16: RMB110,700,000), enlarging the operating loss in Hong Kong and Macau. For the year under review, the number of outlets in Hong Kong and Macau remained unchanged at 12. Given the high shop rental in Hong Kong is still undergoing correction, the Group will consider to open new stores in Hong Kong and Macau when the rental has further adjusted.

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 26.2% in 2016, which significantly slowed down by 7.1 percentage points as compared to the previous year, which also hinted a quick decline in growth momentum of e-commerce. The Group was vigorously unifying the style of its physical stores and online stores as well as online and offline marketing activities. Leveraging the increase in ratio of online shopping via mobile terminals, our e-commerce team also focused on mobile shopping and launched targeted marketing promotions. For the year under review, the Group's revenue from e-commerce dropped by approximately 32.4% year-on-year due to the continuous increase in cost of securing online customers. In the future, with the support of data analysis, the e-commerce team will further refine its operation and reduce its costs in a bid to increase the output ratio.

Marketing activities with innovative ideas

The booming of crossover marketing in recent years has changed the monotonous old marketing programs. The companies from different industries complement each other to achieve a win-win outcome: increasing corporate exposure and brand awareness across industries at lower cost and from a new perspective. During the year under review, the Group continued to enhance brand building by organizing a number of mega branding campaigns. These included collaboration with GRAZIA, the high-end ladies' fashion magazine in China, to hold roadshows in a total of 20 office buildings in four cities, namely Shanghai, Beijing, Guangzhou and Wuhan, to present the youthful and playful attributes of le saunda brand to the white-collars. Together with iLady, the high-end ladies' fashion and lifestyle magazine in China, le saunda and LINEA ROSA held "Outdoor Cinema Party", to celebrate the 5th anniversary of LINEA ROSA. The Group also held a number of VIP sharing sessions in different cities to increase the interaction with VIP members.

The Group always emphasizes on serving its customers with quality services and put every effort on providing a variety of trainings to its frontline staff. During the year under review, a senior associate of the Group has been awarded the first prize of "2016 Service & Courtesy Award – Footwear Category (Junior Frontline Level)" by the Hong Kong Retail Management Association. Besides, the Group has also won the "2016 Service Retailers of the Year – Footwear Category" in "Mystery Shoppers Programme", exemplifying the quality of customer services by its frontline sales personnel.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

In 2016, the economic growth was under substantial pressure arising from the impact of global economic uncertainties, such as the emergence of trade protectionism, the Brexit and the United States entering into the cycle of interest rates hike. The retail market further deteriorated in the past few years due to the growth rate of household income and consumer expectations being affected by a continued sluggish economy in Mainland China, as well as the market share of physical consumption being seized up by e-commerce.

Consumption upgrade and experiential shopping are the new trends in the market. Consumers' pursuit of quality shifts the market to medium-to high-end brands. The Group is always focused on product quality, which coincides with the concept of consumption upgrade. As a result of the RMB depreciation, the price difference between domestic and foreign markets for fashionable and luxury items has been narrowed, hence driving the return of overseas consumption and benefiting domestic consumption. While the offline retailing has been squeezed by the rapid development of online retailing in recent years, online brands are actively expanding into offline operation under the increasing pressure from online traffic, suggesting that retail enterprises are returning to offline channels. Guided by the concept of "New Retail", online and offline operations are merging towards integration. The close combination of online traffic and physical stores is a major trend for future consumption development. The Group is of the view that, following the past few years' consolidation, there are new development opportunities awaiting retail enterprises. As the Group is one of first retail enterprises that focus on dual development of online and offline businesses and concerned with the trend of consumption upgrade and experiential shopping, it is expected that the Group will act in a prompt response to opportunities for an accelerated development.

Although the ladies' footwear industry has faced enormous challenges in recent years, the Group believes that by adhering to its core competitiveness and consistently concentrating on offering premium formal and casual footwear to the consumers in mid to high-end market, there is still room for development. In the future, the Group will seek to gain further understanding on consumers' preferences, spending habits and behaviors, so as to target refined customer segments with specific marketing programs and provide products that may meet the various tastes among consumers. On the other hand, the Group will enhance its efforts in internal restructuring by transforming the mode of operation that will significantly slash expenses and improve efficiency. In addition, the Group will actively dispose its inventory and optimize its supply chain and retail networks by closing down the stores that are underperformed and opening up new ones in locations with potential, especially in shopping malls.

Though troubled by structural issues, the ladies' footwear sector has been actively seeking breakthroughs in recent years. With no exception, the Group has attempted to supply more casual footwear and handbags, and the results are still under review. The Group will seek opportunities at a macro level in the future that will generate synergy with its existing businesses and improve the cash utilization rate.

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

In 2017, the Chinese government will facilitate adjustment on industry structure, de-stocking and expansion of domestic demand. It is also a crucial year for the retail industry to boost its business by capturing the new consumption era induced by the post-1990s and post-2000s generations. To celebrate its 40th anniversary, le saunda will launch a series of cross-discipline innovative marketing activities to bring its customers a "changing le saunda but unchanged companion". Being the exclusive shoe brand for the global IP "Minions", le saunda together with the "Minions" will release a shoe series "le saunda X Minions," which is a special edition for the Asian market. The shoe series will be sold both online and offline and will feature youthful designs that are cutie and funny so as to attract the eyeballs of the young generation.

Overall offline retail sales began to show signs of recovery in the fourth quarter of 2016, which was the first time since 2013 and suggesting a fundamental bottoming out of offline retail market. Notwithstanding the current slowdown in economic growth of Mainland China, the effect of economic structural changes in recent years has been emerged, as evidenced by the greater contribution from private consumption to the GDP growth year by year, which has become a major force in contributing to the growth of China's economy. As China's economy is on its way to shift from an investment-driven model towards a consumption-driven model, there should be ample room for growth for the retail sector. The Group will make efforts to seize opportunities and embrace the era of New Retail by leveraging on its strong brand awareness and high quality products, and generate stable return for its shareholders in the long run.

PLEDGE OF ASSETS

As at 28 February 2017, bank deposits of RMB1,300,000 (29 February 2016: RMB2,300,000) 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 RMB220,900,000 (29 February 2016: RMB210,800,000), of which RMB3,200,000 (29 February 2016: RMB3,600,000) was utilised as at 28 February 2017.

DIVIDEND

The Board has recommended to declare a final dividend of HK4.3 cents (the "Final Dividend") per ordinary share and a final special dividend of HK5.7 cents (the "Final Special Dividend") per ordinary share for the year ended 28 February 2017 (29 February 2016: a final dividend of HK7.0 cents and a final special dividend of HK3.0 cents) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 18 July 2017. The proposed Final Dividend and the Final 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 the Final Special Dividend are expected to be paid on or around Thursday, 27 July 2017, 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 HK4.3 cents (2015/2016: HK5.7 cents) per ordinary share and an interim special dividend of HK1.4 cents (2015/2016: Nil) per ordinary share for the six months ended 31 August 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2017, the Group had a staff force of 4,652 people (29 February 2016: 5,286 people). Of this number, 120 were based in Hong Kong and Macau and 4,532 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 employee benefit expenses for the twelve months ended 28 February 2017, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB369,300,000 (2015/2016: RMB392,900,000). 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.

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Cheng Wang, Gary, aged 45, joined the Group in March 2016. He is an Executive Director and the Chief Executive Officer of the Company and acts as a director of certain subsidiaries of the Company. Mr. Cheng is responsible for the Group's e-commerce business operations, marketing, information technologies, human resources and administration functions and formulating corporate development strategy. 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 16 years of experience in providing consulting services of corporate strategic planning, process improvement, cost control and financial management.

Chu Tsui Lan, aged 47, 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 operations and franchise business operations and development in Mainland China. In addition, she is responsible for business development in Mainland China, Hong Kong and Macau, co-ordination of all regional operations, and managing warehouse and logistics functions, and staff training of the Group. Ms. Chu has over 25 years of retail experience in Mainland China and Hong Kong.

Chui Kwan Ho, Jacky, aged 53, 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 the Group's manufacturing management of production facilities in Mainland China, product design and development. She has over 31 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 Mainland China and was responsible for footwear products development, manufacturing management and retail operations.

NON-EXECUTIVE DIRECTORS

James Ngai, aged 54, 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").

NON-EXECUTIVE DIRECTORS (CONTINUED)

Lee Tze Bun, Marces, aged 83, is the founder of the Group. He is a Non-Executive Director of the Company and acts as a director of a subsidiary of the Company. Mr. Lee has over 38 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 68, 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 27 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 59, 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 29 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.

Hui Chi Kwan, aged 68, 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 51, 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 22 years of experience in audit and accounting. Prior to joining the Group, he was the financial controller of a machinery manufacturer listed on the Stock Exchange.

Li Jing Bo, aged 47, 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 25 years of experience in business development and retail management in Mainland China.

Li Wing Yeung, Peter, aged 58, 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 11 years of experience in factory's production management. He is the son of Mr. Lee Tze Bun, Marces, a Non-Executive Director of the Company.

Li Ying Ying, aged 48, 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 20 years of retail experience in Mainland China.

Xiao Kun Min, aged 42, 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 21 years of retail experience in Mainland China.

Yang Xiao Hui, aged 39, 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 18 years of experience in online brand development and e-commerce business management.

Weng Hsiang Jung, aged 41, first joined the Group in March 2011 and left the Group in March 2014. She re-joined the Group in January 2015. She is Deputy Brand Director of the Group. Ms. Weng is responsible for the Group's marketing and brand image. She graduated from University of California, Irvine and majored in humanities and film studies. Prior to re-joining the group, Ms. Weng has over 10 years of experience in international trading, product development and merchandising.

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. Lau Shun Wai, an Executive Director as she then was (who resigned with effect from 31 August 2016), and Mr. Lee Tze Bun, Marces, a Non-Executive Director, were unable to attend the annual general meeting of the Company held on 11 July 2016.

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 three 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 28 February 2017 and up to the date of this report, the Board comprises the following members:

Executive Directors:
Mr. Cheng Wang, Gary *(Chief Executive Officer)*
(appointed with effect from 1 September 2016)
Ms. Chu Tsui Lan *(Chief Operating Officer)*
Ms. Chui Kwan Ho, Jacky
(appointed with effect from 8 April 2016)
Ms. Lau Shun Wai *(Chief Executive Officer)*
(resigned with effect from 31 August 2016)
Ms. Wong Sau Han
(resigned with effect from 1 February 2017)

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

There is no relationship (including financial, business, family or other material relationship) among members of the Board, except that:

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

(b) Both Mr. Lee Tze Bun, Marces and Mr. James 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 Tze Bun, Marces was the founder and an eligible beneficiary thereunder. Mr. Lee Tze Bun, Marces was also the sole director of Stable Profit; and

(c) Ms. Chui Kwan Ho, Jacky is a trustee of The Lee Keung Charitable Foundation, of which Mr. Lee Tze Bun Marces is the founder.

The biographical details of each Director are set out in the section headed "Board of Directors and Senior Management" on pages 24 to 25 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 operational 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 meetings, 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, the Board held 7 physical meetings and 5 written resolutions for separate matters signed by all Directors were passed. The attendance records of each Director at the Board meetings are set out on page 35 of this report.

Responsibilities and Delegation

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

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

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:	
Mr. Cheng Wang, Gary *(appointed with effect from 1 September 2016)*	A, B
Ms. Chu Tsui Lan	A, B
Ms. Chui Kwan Ho, Jacky *(appointed with effect from 8 April 2016)*	A, B
Ms. Lau Shun Wai *(resigned with effect from 31 August 2016)*	A, B
Ms. Wong Sau Han *(resigned with effect from 1 February 2017)*	A, B
Non-Executive Directors:	
Mr. James Ngai	A, B
Mr. Lee Tze Bun, Marces	A, 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

BOARD OF DIRECTORS (CONTINUED)

Directors' and Officers' Liability Insurance

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

Appointment and Re-election of Directors

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

According to 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. James 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. Mr. Cheng Wang, Gary, 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 written resolutions passed at the board committees are kept by the Company Secretary.

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Audit Committee was established with written terms of reference (as amended) since 1999. As at 28 February 2017 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, the Audit Committee held 5 physical meetings together with the external auditors and/or internal auditors. The Chairman of the Board, the Chief Executive Officer, certain Executive Directors and the Chief Financial Officer were invited to attend the meetings. The attendance records of each member are set out on page 35 of this report. A summary of work performed by the Audit Committee during the year was as follows:

(i) review of the audit plan, terms of engagement, independence and qualification 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;

(v) review of the effectiveness of the risk management and internal control systems of the Group; and

(vi) review of the internal audit reports prepared by the internal auditor in respect of the effectiveness of the financial, operational and compliance controls and risk management of the Group twice a year.

Remuneration Committee

The Remuneration Committee was established with written terms of reference (as amended) since 2005. As at 28 February 2017 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. James 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, the Remuneration Committee held 1 physical meeting and 3 written resolutions for separate matters signed by all members were passed. The attendance records of each member are set out on page 35 of this report. In the meeting, the Remuneration Committee (i) reviewed the remuneration of the Executive Directors and senior management of the Company; (ii) approved performance-based remuneration with reference to the corporate goals and objective resolved by the Board and/or the senior management from time to time; and (iii) ensured that no Director or senior management or any of his/her associates was involved in deciding his/her own remuneration. Details of the emoluments for Directors, chief executive and five highest paid individuals, and senior management remuneration by band during the year are set out in note 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 28 February 2017 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. James 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, the Nomination Committee held 1 physical meeting and 3 written resolutions for separate matters signed by all members were passed. The attendance records of each member are set out on page 35 of this report. In the meeting, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; (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.

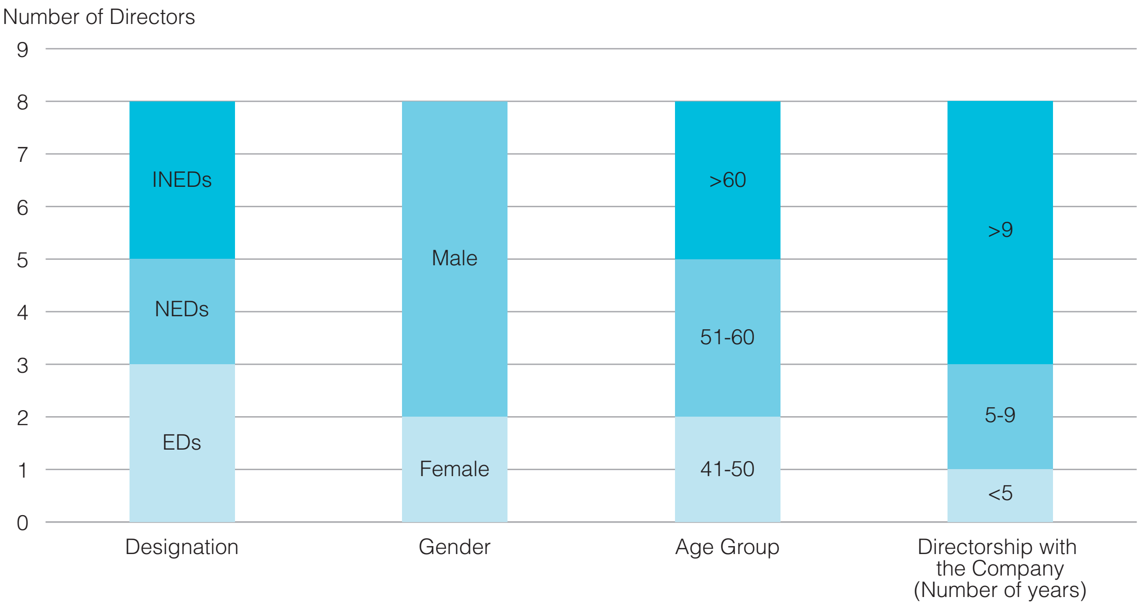
BOARD COMMITTEES (CONTINUED)

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 24 to 25 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:

EDs — Executive Directors
NEDs — Non-Executive Directors
INEDs — Independent Non-Executive Directors

BOARD COMMITTEES (CONTINUED)

Attendance Records

The individual attendance records of each Director at the physical meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and annual general meeting during the year ended 28 February 2017 are set out below:

		Number of physical meetings attended/held during his/her tenure				
	Note	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**2016 AGM**
Executive Directors:						
Mr. Cheng Wang, Gary *(appointed with effect from 1 September 2016)*	*1*	4/4	1/1	N/A	N/A	N/A
Ms. Chu Tsui Lan	*2*	7/7	2/2	N/A	N/A	1/1
Ms. Chui Kwan Ho, Jacky *(appointed with effect from 8 April 2016)*		5/6	N/A	N/A	N/A	1/1
Ms. Lau Shun Wai *(resigned with effect from 31 August 2016)*	*3*	3/3	2/2	N/A	N/A	0/1
Ms. Wong Sau Han *(resigned with effect from 1 February 2017)*	*4*	6/6	2/2	1/1	N/A	1/1
Non-Executive Directors:						
Mr. James Ngai	*5*	7/7	5/5	1/1	1/1	1/1
Mr. Lee Tze Bun, Marces		1/7	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:						
Mr. Lam Siu Lun, Simon		7/7	5/5	1/1	1/1	1/1
Mr. Leung Wai Ki, George		7/7	5/5	1/1	1/1	1/1
Mr. Hui Chi Kwan		7/7	5/5	1/1	1/1	1/1

Notes:

1. Mr. Cheng Wang, Gary attended the Audit Committee meeting as an invitee.
2. Ms. Chu Tsui Lan attended the Audit Committee meetings as an invitee.
3. Ms. Lau Shun Wai attended the Audit Committee meetings as an invitee.
4. Ms. Wong Sau Han attended the Audit Committee meetings and Remuneration Committee meeting as an invitee.
5. Mr. James Ngai attended the Audit Committee meetings as an invitee.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements of the Group for the year ended 28 February 2017, 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 65 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.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Auditor's Remuneration

For the year ended 28 February 2017, 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 (2015/16: HK$2,020,000) and HK$237,000 (2015/16: HK$295,000) respectively. The Audit Committee was of the view that the non-audit services provided by the external auditor of the Company did not impair its independence and objectivity.

COMPANY SECRETARY

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 of Conduct, 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 the Directors, all Directors have confirmed that they have complied with the Code of Conduct and the required standard set out in the Model Code during the year ended 28 February 2017 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining adequate and effective risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group. It reviews and evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Risk Management and Internal Control Systems

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, of failure to achieve the business objectives of the Company, and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives. A risk matrix is adopted to determine risk rating (L = low risk, M = medium risk, H = high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of attention of the management and the effort of risk treatment required.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, each of the risk owners of departments and major subsidiaries is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration the risk response, such as control measures in place to mitigate the risk, the residual risk of each inherent risk is evaluated again. The risk register with the risk responses and residual risks is reported to the Audit Committee. The Audit Committee evaluates the effectiveness of the systems and reports to the Board. The highest category of residual risks is subject to the Board's oversight.

Process used to review the effectiveness of the Risk Management and Internal Control Systems and to resolve material internal control defects

In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has engaged with an independent consulting firm (the "Internal Control Auditor") to execute the internal audit function. The Internal Control Auditor has conducted a review of the effectiveness of the Group's risk management and internal control systems for the period from 1 March 2016 to 28 February 2017 in accordance with the requirements under Code Provision C.2 of the CG Code, according to the scope of review agreed and approved by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Process used to review the effectiveness of the Risk Management and Internal Control Systems and to resolve material internal control defects (Continued)

The Internal Control Auditor reported to the Audit Committee and the Audit Committee was satisfied that there had been no major deficiency noted in the areas of the Group's risk management and internal control systems being reviewed after implementation of the recommendations on the internal control defects reported by the Internal Control Auditor. The Audit Committee reviews annually the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures and has access to information necessary to fulfil its duties and responsibilities with respect to risk assessment and risk management. Accordingly, the Audit Committee and the Board considered the risk management and internal control systems to be effective and have been implemented with adequate resources during the year.

Procedures and internal controls for the handling and dissemination of inside information

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every member of the senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer, who will notify the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide, the course of actions for rectifying the problem and avoiding recurrence.

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 respective 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, the Shareholders and medias via regular one-on-one meetings, luncheons, factory visits, press conferences and road shows to keep them informed of the Group's business performance and developments.

Constitutional Documents

There was no change in the Memorandum of Association and the Bye-Laws of the Company during the year ended 28 February 2017.

Report of the Directors

The board of directors (the "Board") of Le Saunda Holdings Limited (the "Company") has pleasure in presenting to the shareholders of the Company (the "Shareholders") its report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 28 February 2017.

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 footwear.

Details of the analysis of the Group's performance for the year ended 28 February 2017 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 23 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 and sustainable development. It is committed to comply with the relevant environmental legislations and standards related to its business operations as set by the authorities in the People's Republic of China ("PRC") and Hong Kong where we operated.

The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to production plant, retail shops, warehouses and offices. In purchase processes, the Group will consider eco-friendly materials in the first priority and also manage the environmental performance of its supply chain. During manufacturing, the Group deals with air emission by active carbon treatment. In daily 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.

The environmental, social and governance report of the Company will be published as a separate report on the respective websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company within 3 months after the publication of this report.

BUSINESS REVIEW (CONTINUED)

(II) Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and the 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 28 February 2017.

(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 conducts internal and external market surveys to interact with consumers and to gain more market insights and feedback.

(c) Suppliers

The Group has established long business 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 28 February 2017 are set out in the consolidated income statements on page 66 of this report.

The Board declared an interim dividend of HK4.3 cents (2015/16: interim dividend of HK5.7 cents) per ordinary share and an interim special dividend of HK1.4 cents (2015/16: Nil) per ordinary share for the year ended 28 February 2017, totaling approximately RMB34,034,000, which was paid on 24 November 2016.

The Board recommends the payments of a final dividend of HK4.3 cents and a final special dividend of HK5.7 cents per ordinary share (29 February 2016: a final dividend of HK7.0 cents and a final special dividend of HK3.0 cents per ordinary share), totaling approximately RMB61,460,000 in respect of the year ended 28 February 2017 (2015/16: a final dividend of RMB40,393,000 and a final special dividend of RMB17,311,000).

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on pages 138 to 139 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 RMB89,000 during the year (2015/16: RMB82,000).

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:
Mr. Cheng Wang, Gary *(Chief Executive Officer)*
(appointed with effect from 1 September 2016)
Ms. Chu Tsui Lan *(Chief Operating Officer)*
Ms. Chui Kwan Ho, Jacky
(appointed with effect from 8 April 2016)
Ms. Lau Shun Wai *(Chief Executive Officer)*
(resigned with effect from 31 August 2016)
Ms. Wong Sau Han
(resigned with effect from 1 February 2017)

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 24 to 26 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Bye-Laws, Ms. Chu Tsui Lan, Mr. Lam Siu Lun, Simon and Mr. Hui Chi Kwan shall retire from office by rotation at the forthcoming annual general meeting (the "AGM") of the Company and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Pursuant to Bye-Law 86(2) of the Bye-Laws, Mr. Cheng Wang, Gary, who has been appointed as an Executive Director, will hold office only until the forthcoming AGM and, being eligible, will offer himself for re-election at the forthcoming AGM.

INDEPENDENCE CONFIRMATION

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of their respective independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company considers that all of them are independent.

DIRECTORS' SERVICE CONTRACTS

Other than statutory compensation, none of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation. During the year, the service contracts of Mr. Lee Tze Bun, Marces and Mr. James Ngai, both acted as Non-Executive Directors, were renewed for 2 years' fixed term with the Company with effect from 1 June 2016 and 25 March 2017 respectively. Ms. Chui Kwan Ho, Jacky and Mr. Cheng Wang, Gary ("Mr. Cheng"), both being appointed as Executive Directors, had entered into a service contract with the Company with effect from 8 April 2016 and 1 September 2016 respectively. In addition, Mr. Cheng had entered into a new service contract with the Company, being appointed as Chief Executive Officer with effect from 1 December 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 connected transaction and 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 connected transaction and 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 29 February 2016 are set out below:

Name of Directors	Details of change
Executive Directors:	
Mr. Cheng Wang, Gary	• Appointed as Executive Director with effect from 1 September 2016 and appointed as Chief Executive Officer with effect from 1 December 2016
	• Entered into a service contract with the Company without fixed term commencing on 1 September 2016
	• Entered into a new service contract with the Company without fixed term commencing on 1 December 2016
Ms. Chui Kwan Ho, Jacky	• Appointed as Executive Director with effect from 8 April 2016
	• Entered into a service contract with the Company without fixed term commencing on 8 April 2016
Ms. Lau Shun Wai	• Resigned as Executive Director and Chief Executive Officer with effect from 31 August 2016
Ms. Wong Sau Han	• Resigned as Executive Director with effect from 1 February 2017
Non-Executive Directors:	
Mr. Lee Tze Bun, Marces	• Renewed service contract with the Company with 2-years' fixed term commencing on 1 June 2016 and ending on 31 May 2018
Mr. James Ngai	• Renewed service contract with the Company with 2-years' fixed term commencing on 25 March 2017 and ending on 24 March 2019

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

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

As at 28 February 2017, 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")	51,841,000	—	36,600,000 *(Notes 1 & 2)*	280,500,000 *(Notes 3 & 4)*	368,941,000	52.26%
Ms. Chu Tsui Lan ("Ms. Chu")	8,470,000	—	—	—	8,470,000 *(Note 5)*	1.19%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	2,027,000	—	—	55,000,000	57,027,000 *(Note 6)*	8.07%
Mr. Leung Wai Ki, George ("Mr. Leung")	—	—	—	1,700,000	1,700,000 *(Note 7)*	0.24%

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. Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited, which held 3,600,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.

3. 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. Therefore, Mr. Lee was deemed to be interested in these Shares.

4. The Lee Keung Charitable Foundation (the "Charitable Foundation"), of which Mr. Lee was a 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 these Shares.

5. 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.

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)

6. Ms. Chui personally held 2,027,000 Shares and was deemed to be interested in 55,000,000 Shares jointly held with Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee") and Ms. Tsui Oi Kuen ("Ms. Tsui") as trustees of the Charitable Foundation.

7. Mr. Leung was a governor of Xin Chuan Middle School Foundation Limited, which held 1,700,000 Shares. Therefore, Mr. Leung was deemed to be interested in these Shares.

(b) Associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	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 in L. S. Retailing Limited 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 2016**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 28 February 2017**	**Adjusted exercise price per Share** *(Note 3)* HK$	**Exercise period**
Ms. Chu	27 June 2011	1,100,000	—	—	—	—	1,100,000	4.300	27 June 2014 – 26 June 2021
	27 June 2011	1,100,000	—	—	—	—	1,100,000	4.300	27 June 2015 – 26 June 2021
	27 June 2011	1,100,000	—	—	—	—	1,100,000	4.300	27 June 2016 – 26 June 2021
	10 July 2012	880,000	—	—	—	—	880,000	2.185	10 July 2014 – 9 July 2022
	10 July 2012	880,000	—	—	—	—	880,000	2.185	10 July 2015 – 9 July 2022
	10 July 2012	880,000	—	—	—	—	880,000	2.185	10 July 2016 – 9 July 2022
Ms. Lau Shun Wai	27 June 2011	1,832,600	—	—	—	(1,832,600)	—	4.300	27 June 2014 – 26 June 2021
(resigned with	27 June 2011	1,832,600	—	—	—	(1,832,600)	—	4.300	27 June 2015 – 26 June 2021
effect from	27 June 2011	1,834,800	—	—	—	(1,834,800)	—	4.300	27 June 2016 – 26 June 2021
31 August 2016)	10 July 2012	842,600	—	—	—	(842,600)	—	2.185	10 July 2014 – 9 July 2022
	10 July 2012	1,282,600	—	—	—	(1,282,600)	—	2.185	10 July 2015 – 9 July 2022
	10 July 2012	1,284,800	—	—	—	(1,284,800)	—	2.185	10 July 2016 – 9 July 2022
Ms. Wong Sau Han	27 June 2011	1,100,000	—	—	—	(1,100,000)	—	4.300	27 June 2014 – 26 June 2021
(resigned with	27 June 2011	1,100,000	—	—	—	(1,100,000)	—	4.300	27 June 2015 – 26 June 2021
effect from	27 June 2011	1,100,000	—	—	—	(1,100,000)	—	4.300	27 June 2016 – 26 June 2021
1 February 2017)	10 July 2012	512,600	—	—	—	(512,600)	—	2.185	10 July 2014 – 9 July 2022
	10 July 2012	512,600	—	—	—	(512,600)	—	2.185	10 July 2015 – 9 July 2022
	10 July 2012	514,800	—	—	—	(514,800)	—	2.185	10 July 2016 – 9 July 2022
Total		19,690,000	—	—	—	(13,750,000)	5,940,000		

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.

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.

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)

Save as disclosed above, as at 28 February 2017, 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 FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above and the paragraph headed "Share Option Scheme" below, during the year ended 28 February 2017, (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.

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

As at 28 February 2017, 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 a 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	*1*	6,985,000	55,000,000	61,985,000	8.78%
Ms. Tsui	*2*	1,287,000	55,000,000	56,287,000	7.97%
Ms. Chui	*3*	2,027,000	55,000,000	57,027,000	8.07%
Ms. Lee, Ms. Tsui and Ms. Chui as trustees of 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. Tsui and Ms. Chui as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.

2. 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.

3. Ms. Chui was interested in an aggregate of 57,027,000 Shares (comprising 2,027,000 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.

4. Ms. Lee, Ms. Tsui and Ms. Chui jointly held 55,000,000 Shares as trustees of the Charitable Foundation, representing approximately 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 28 February 2017, 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 was 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 9,760,300 Shares, representing approximately 1.38% 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 28 February 2017 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 2016**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 28 February 2017**	**Adjusted exercise price per Share** *(Note 4)* HK$	**Exercise period**
Directors	27 June 2011	4,032,600	—	—	—	(2,932,600)	1,100,000	4.300	27 June 2014 – 26 June 2021
(Note 5)	27 June 2011	4,032,600	—	—	—	(2,932,600)	1,100,000	4.300	27 June 2015 – 26 June 2021
	27 June 2011	4,034,800	—	—	—	(2,934,800)	1,100,000	4.300	27 June 2016 – 26 June 2021
	10 July 2012	2,235,200	—	—	—	(1,355,200)	880,000	2.185	10 July 2014 – 9 July 2022
	10 July 2012	2,675,200	—	—	—	(1,795,200)	880,000	2.185	10 July 2015 – 9 July 2022
	10 July 2012	2,679,600	—	—	—	(1,799,600)	880,000	2.185	10 July 2016 – 9 July 2022
Sub-total		19,690,000	—	—	—	(13,750,000)	5,940,000		
Employees	27 June 2011	366,300	—	—	—	—	366,300	4.300	27 June 2014 – 26 June 2021
	27 June 2011	366,300	—	—	—	—	366,300	4.300	27 June 2015 – 26 June 2021
	27 June 2011	367,400	—	—	—	—	367,400	4.300	27 June 2016 – 26 June 2021
	10 July 2012	389,400	—	—	—	(273,900)	115,500	2.185	10 July 2014 – 9 July 2022
	10 July 2012	960,300	—	—	—	(273,900)	686,400	2.185	10 July 2015 – 9 July 2022
	10 July 2012	2,371,600	—	—	—	(299,200)	2,072,400	2.185	10 July 2016 – 9 July 2022
Sub-total		4,821,300	—	—	—	(847,000)	3,974,300		
Total		24,511,300	—	—	—	(14,597,000)	9,914,300		

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. 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.

5. For a detailed breakdown of each of the Directors' interests in share options, please refer to page 50 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 RMB344,664 per month or approximately RMB4,135,970 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 28 February 2017 was HK$3,840,000 (equivalent to approximately RMB3,308,776).

    On 21 March 2017, Mr. Lee as landlord and Le Saunda Calcado as tenant entered into a renewal lease agreement (the "Macau Renewal Lease") in respect of the Macau Premises for a further one-year's term commencing on 1 March 2017 and ending on 28 February 2018. The amount payable by Le Saunda Calcado under the Macau Renewal Lease is HK$248,000 per month or HK$2,976,000 per annum, payable on or before the 5th business day of each month in cash to Mr. Lee. The Macau Premises continues to be used as a "Le Saunda" retail shop of the Group.

(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 Guangzhou 3005–3009 Lease had not been renewed and had expired on 28 February 2017.

    The total amount of rent paid by the Group to Super Billion under the Guangzhou 3005–3009 Lease for the year ended 28 February 2017 was approximately RMB793,776.

* *For identification purpose only*

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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 the 2015 Lease Agreements was approximately RMB4,102,552 for the year ended 28 February 2017.

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.

All Independent Non-Executive Directors have reviewed, during the year ended 28 February 2017, 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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.

CONNECTED TRANSACTION

On 20 February 2017, Blooming On Limited, being an indirect wholly-owned subsidiary of the Company, as a purchaser,entered into a Sale and Purchase Agreement with Freedom Resources Limited, which is a company wholly and beneficially owned by Mr. Lee, as a vendor, and Mr. Lee as the vendor's guarantor, to acquire the entire issued share capital of Super Billion, which solely owns the Guangzhou Premises 3005–3009, at a cash consideration of RMB10,800,000 (the "Acquisition"). The Acquisition was completed on 1 March 2017. Upon the completion of the Acquisition, Super Billion became an indirect wholly-owned subsidiary of the Company and the Group would continue to use the Guangzhou Premises 3005–3009 as office. For details, please refer to the announcement of the Company dated 20 February 2017.

RELATED PARTY TRANSACTIONS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 28 February 2017.

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 1.2% of the total revenue from sales of goods for the year and sales to the largest customer included therein amounted to approximately 0.5% of the total revenue from sales of goods for the year. Purchases from the Group's five largest suppliers accounted for approximately 28.9% of the total purchases for the year and purchases from the largest supplier amounted to approximately 10.8%.

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 27 to 41 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The environmental, social and governance report of the Company will be published as a separate report on the respective websites of the Stock Exchange and the Company within 3 months after the publication 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 28 February 2017 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, 25 May 2017

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of Le Saunda Holdings Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Le Saunda Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 66 to 137, which comprise:

- the consolidated balance sheet as at 28 February 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of deferred income tax assets arising from unused tax losses

- Provision for impairment of inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets arising from unused tax losses Refer to note 4(b) and note 21 to the consolidated financial statements. As at 28 February 2017, the Group had significant unused tax losses from its subsidiaries in Hong Kong and PRC. Total deferred income tax assets on unused tax losses of RMB7.5 million was recorded by these entities as at 28 February 2017. As described in the accounting policies in note 2.15 to the consolidated financial statements, the Group recognised deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the unused tax losses and the deductible temporary differences would be utilised. Management prepared profit forecast to assess the probability of generating sufficient taxable profits in the foreseeable future involving complex assumptions of revenue growth and profit margin. We focused on this area due to the significant value of deferred income tax assets and the critical estimates made by management in the profit forecasts.	Our procedures for assessing the appropriateness of management's judgements applied in the profit forecast included: • Evaluated the management assessment on the recognition of deferred income tax assets in relation to unused tax losses for its subsidiaries. • Assessed management's assumptions of revenue growth and profit margin by comparing them against external economy and industry forecast. • Evaluated management's sensitivity analysis to assess the impact of flexing the key assumptions within a reasonable range on the forecast results. • Compared the management's profit forecast prepared in last year against the actual result for current year. • Tested the mathematical accuracy of the income tax computation prepared by management and agreed to the underlying documents for the amount of unused tax losses. Based on the above audit procedures performed, we found that management's assessments were supported by the evidence that we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories Refer to note 4(c) and note 22 to the consolidated financial statements. At 28 February 2017, the Group's gross inventories and provision for impairment of inventories amounted to RMB393.7 million and RMB13.5 million, respectively. As described in the accounting policies in note 2.10 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. The Group is engaged in the retail business of footwear and is subject to changing consumer demands and fashion trends. Management's judgement is required for assessing the appropriate level of inventory provision in light of the current challenging trading environment. Management determines the appropriate provisions for obsolete or slow-moving inventories based on a detailed ageing analysis of inventories and the Group's plans for inventory for future sale in consideration of fashion trends and estimate of future demand for products. We focused on this area due to the significant value of inventories and the critical estimates made by management on the provision for obsolete or slow-moving inventories.	Our procedures for assessing the appropriateness of management's judgements applied in assessing the provision for impairment of inventories included: • Evaluated management's estimations made in prior years by reference to the level of inventories write-off during the year in relation to stock loss, analysis and assessment made by management with respect to slow-moving inventories. • Performed audit analytics on stock holding and movement data during the year and after year end to identify products with indications of obsolescence. • Compared the net realisable value of inventories sold subsequent to the year end to the cost of inventories. • Tested the mathematical accuracy of management's year end calculation of provision for impairment of inventories. Based on the above audit procedures performed, we found that management's assessments were supported by the evidence that we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang Ho Yin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 May 2017

Consolidated Income Statement

	Note	**Year ended 28 February 2017 RMB'000**	Year ended 29 February 2016 RMB'000
Revenue	5	**1,365,545**	1,621,414
Cost of sales	7	**(457,536)**	(551,614)
Gross profit		**908,009**	1,069,800
Other income	6	**36,863**	38,792
Other losses	6	**(10,989)**	(10,829)
Selling and distribution expenses	7	**(618,566)**	(730,085)
General and administrative expenses	7	**(191,229)**	(198,186)
Operating profit		**124,088**	169,492
Net finance income	8	**4,006**	8,858
Share of profit of a joint venture	19	**423**	376
Profit before income tax		**128,517**	178,726
Income tax expense	12	**(52,113)**	(54,999)
Profit for the year		**76,404**	123,727
Profit for the year attributable to:			
— owners of the Company		**74,977**	122,073
— non-controlling interest		**1,427**	1,654
		76,404	123,727
Earnings per share attributable to the owners of the Company (express in RMB cents)			
— Basic	13	**10.62**	17.28
— Diluted	13	**10.62**	17.25
Dividends	14	**95,494**	90,081

The notes on pages 72 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Year ended 28 February 2017 RMB'000	Year ended 29 February 2016 RMB'000
Profit for the year	**76,404**	123,727
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	**154**	22
— Revaluation on investment properties transferred from land and buildings, net of tax	**—**	11,070
Item that will be reclassified to profit or loss		
— Currency translation differences	**27,409**	14,674
Total comprehensive income for the year	**103,967**	149,493
Total comprehensive income for the year, attributable to:		
— owners of the Company	**103,052**	148,273
— non-controlling interest	**915**	1,220
	103,967	149,493

The notes on pages 72 to 137 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	As at 28 February 2017 RMB'000	As at 29 February 2016 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	**142,404**	141,505
Property, plant and equipment	16	**101,332**	108,372
Land use rights	17	**14,947**	14,880
Long-term deposits and prepayments		**7,105**	8,961
Interest in a joint venture	19	**35,156**	34,733
Interest in and amount due from an available-for-sale financial asset	20	**—**	—
Deferred income tax assets	21	**55,283**	69,813
		356,227	378,264
Current assets			
Inventories	22	**380,183**	441,819
Trade receivables and other receivables	23	**120,816**	162,693
Deposits and prepayments		**34,094**	44,958
Pledged bank deposits	24	**1,313**	2,334
Cash and bank balances	24	**645,264**	541,132
		1,181,670	1,192,936
Total assets		**1,537,897**	1,571,200
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	27	**59,979**	59,979
Reserves			
Proposed dividend	30	**61,460**	57,704
Others	30	**1,187,841**	1,183,115
		1,309,280	1,300,798
Non-controlling interest		**11,175**	11,723
Total equity		**1,320,455**	1,312,521

	Note	As at 28 February 2017 RMB'000	As at 29 February 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	**34,394**	44,375
Current liabilities			
Trade payables and other payables	26	**148,003**	170,086
Amount due to a joint venture	19	**33,000**	33,000
Current income tax liabilities		**2,045**	11,218
		183,048	214,304
Total liabilities		**217,442**	258,679
Total equity and liabilities		**1,537,897**	1,571,200

The consolidated financial statements on pages 66 to 137 were approved by the Board of Directors on 25 May 2017 and were signed on its behalf.

James Ngai
Chairman

Cheng Wang, Gary
Director

The notes on pages 72 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				
	Share capital RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
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 investment properties 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
Balance at 1 March 2016	**59,979**	**1,240,819**	**1,300,798**	**11,723**	**1,312,521**
Comprehensive income					
Profit for the year	**—**	**74,977**	**74,977**	**1,427**	**76,404**
Other comprehensive income					
Currency translation differences	**—**	**27,921**	**27,921**	**(512)**	**27,409**
Actuarial gains on retirement benefit obligation	**—**	**154**	**154**	**—**	**154**
Total comprehensive income for the year	**—**	**103,052**	**103,052**	**915**	**103,967**
Transactions with owners					
Share option scheme:					
— value of service provided	**—**	**924**	**924**	**—**	**924**
Dividends	**—**	**(95,494)**	**(95,494)**	**(1,463)**	**(96,957)**
Total transactions with owners for the year	**—**	**(94,570)**	**(94,570)**	**(1,463)**	**(96,033)**
Balance at 28 February 2017	**59,979**	**1,249,301**	**1,309,280**	**11,175**	**1,320,455**

The notes on pages 72 to 137 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 28 February 2017 RMB'000	Year ended 29 February 2016 RMB'000
Operating activities			
Net cash generated from operations	25	**276,425**	223,864
Hong Kong and overseas taxation paid		**(56,468)**	(75,843)
Net cash generated from operating activities		**219,957**	148,021
Investing activities			
Net finance income		**4,006**	8,858
Purchases of property, plant and equipment		**(35,149)**	(28,267)
Decrease in fixed deposits (over 3 months)		**6,000**	52,147
Decrease in pledged deposits		**1,021**	497
Net cash (used in)/generated from investing activities		**(24,122)**	33,235
Financing activities			
Proceeds from short-term bank loans		**—**	42,160
Repayment of short-term bank loans		**—**	(42,160)
Proceeds from exercise of share options		**—**	2,668
Payment for repurchases of ordinary shares		**—**	(2,985)
Dividends paid		**(95,447)**	(105,135)
Dividends paid to non-controlling interest		**(1,463)**	(1,926)
Net cash used in financing activities		**(96,910)**	(107,378)
Net increase in cash and cash equivalents		**98,925**	73,878
Effect of foreign exchange rate changes, net		**11,207**	5,045
Cash and cash equivalents at beginning of year		**515,132**	436,209
Cash and cash equivalents at end of year	24	**625,264**	515,132

The notes on pages 72 to 137 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

The Company is listed on the 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 all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards that have been issued and effective for the Group's financial year beginning on or after 1 March 2016:

Annual Improvements Project	Annual Improvement 2012-2014 Cycle
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKAS 28, HKFRS 10 and HKFRS 12 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above new and amended standards has no significant impact on Group's financial results and financial position.

(b) New standards and amendments to existing standards that have been issued but are not yet effective:

HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions(2)
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts(2)
HKFRS 9	Financial Instruments(2)
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(4)
HKFRS 15	Revenue from Contracts with Customers(2)
HKFRS 15 (Amendment)	Clarifications to HKFRS15(2)
HKFRS 16	Leases(3)
HKAS 7 (Amendment)	Statement of Cash Flows - Disclosure Initiative(1)
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses(1)

(1) Effective for the accounting period beginning on or after 1 March 2017
(2) Effective for the accounting period beginning on or after 1 March 2018
(3) Effective for the accounting period beginning on or after 1 March 2019
(4) Effective date to be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to existing standards that have been issued but are not yet effective: (Continued)

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The Group considers that there will be no material adverse change in the credit risks in respect of the Group's future financial assets and the adoption of the new expected credit losses model under HKFRS 9 will not have significant impact on its financial performance and position. HKFRS 9 must be applied for financial years commencing on or after 1 March 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to existing standards that have been issued but are not yet effective: (Continued)

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identity the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principal is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. HKFRS 15 is mandatory for financial years commencing on or after 1 March 2018. The Group does not intend to adopt the standard before its effective date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New standards and amendments to existing standards that have been issued but are not yet effective: (Continued)

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.21 with the Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position set out in Note 31. HKFRS 16 provides a new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the statement of comprehensive income, straight-line depreciation expense on the right-of-use asset and the interest expenses on the lease liability are recognised and no rental expenses will be recognised. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is mandatory for financial years commencing on or after 1 March 2019. The Group does not intend to adopt the standard before its effective date.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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.

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 resognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(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.

(c) Disposal of subsidiaries

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Joint arrangements (Continued)

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (except for goodwill) 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.

(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 receivables and other receivables", and "cash and bank balances" in the consolidated balance sheet.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Group first assesses whether objective evidence of impairment exists.

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

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

(b) Assets classified as available-for-sale financial assets (Continued)

For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

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 recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

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 receivables and other receivables

Trade receivables 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents

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

2.13 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.

2.14 Trade payables and other payables

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

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

2.15 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax (Continued)

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.

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 profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 including concessionaire sales through department store 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 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.

2.20 Share-based payments

(a) *Equity-settled share-based payment transactions*

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

(a) Equity-settled share-based payment transactions (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 performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

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.

If the vested equity instruments are later lapsed and are not exercised, the corresponding amount recognised for services received from an employee is transferred from employees' share-based compensation reserve to retained earnings.

(b) Share-based payment transactions among group entities

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(c) Social security contributions on share options gains

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Foreign currency translation (Continued)

(c) Group companies (Continued)

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.

2.23 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.

2.24 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.

2.25 Government grants

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in HK$ 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 28 February 2017, if HK$ had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately RMB8,884,000 (2016: RMB4,823,000) 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 receivables 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 28 February 2017 and 29 February 2016, 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.

	2017 RMB'000	2016 RMB'000
Less than 1 year		
Trade payables and other payables	**124,122**	136,312
Amount due to a joint venture	**33,000**	33,000
	157,122	169,312

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 income 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 income 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 losses, 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 income 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 income tax liabilities and other liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(i) The segment information provided to the Executive Directors for the reportable segments for the year ended 28 February 2017 is as follows:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	1,291,663	73,882	—	1,365,545
Reportable segment profit/(losses)	146,606	(15,323)	—	131,283
Rental income				4,212
Other losses				(10,989)
Net finance income				4,006
Share of profit of a joint venture				423
Unallocated expenses				(418)
Profit before income tax				128,517
Income tax expense				(52,113)
Profit for the year				76,404
Depreciation and amortisation	40,858	2,517	—	43,375
Additions to non-current assets (Other than deferred income tax assets)	30,611	4,538	—	35,149

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) 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/(losses)	187,305	(10,596)	—	176,709
Rental income				4,005
Other losses				(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 income tax assets)	27,422	845	—	28,267

For the years ended 28 February 2017 and 29 February 2016, 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 28 February 2017 by reportable segment is set out below:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,029,853	408,243	9,253	1,447,349
Interest in a joint venture				35,156
Interest in and amount due from an available-for-sale financial asset				—
Deferred income tax assets				55,283
Unallocated assets				109
Total assets per consolidated balance sheet				1,537,897
Segment liabilities	137,789	9,194	996	147,979
Amount due to a joint venture				33,000
Current income tax liabilities				2,045
Deferred income tax liabilities				34,394
Unallocated liabilities				24
Total liabilities per consolidated balance sheet				217,442

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(iv) 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 income 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 income tax liabilities				44,375
Unallocated liabilities				22
Total liabilities per consolidated balance sheet				258,679

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

Revenue

	2017 RMB'000	2016 RMB'000
Mainland China	**1,291,663**	1,510,736
Hong Kong	**64,615**	94,163
Macau	**9,267**	16,515
Total	**1,365,545**	1,621,414

For the years ended 28 February 2017 and 29 February 2016, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Non-current assets

	2017 **RMB'000**	2016 RMB'000
Mainland China	**207,734**	209,085
Hong Kong	**15,007**	20,536
Macau	**78,203**	78,830
Total	**300,944**	308,451

6 OTHER INCOME AND OTHER LOSSES

	2017 **RMB'000**	2016 RMB'000
Other income		
Gross rental income from investment properties	**4,212**	4,005
Government incentives	**32,651**	34,787
	36,863	38,792
Other losses		
Fair value losses on investment properties	**(2,736)**	(359)
Net exchange losses (Note)	**(8,253)**	(10,470)
	(10,989)	(10,829)

Note: 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.

7 EXPENSES BY NATURE

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

	2017 RMB'000	2016 RMB'000
Auditors' remuneration		
— Audit services	**1,741**	1,651
— Non-audit services	**720**	557
Amortisation of land use rights (Note 17)	**487**	558
Depreciation of property, plant and equipment (Note 16)	**42,888**	40,978
Loss on disposal of property, plant and equipment (Note 16)	**2,746**	2,553
Cost of inventories sold included in cost of sales	**301,754**	430,237
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**85,952**	97,072
— contingent rents	**1,497**	1,437
Freight charges	**8,874**	9,672
Postage and express charges	**5,686**	10,825
Advertising and promotional expenses	**34,216**	57,869
Concessionaire fees	**255,190**	310,088
Direct operating expenses arising from investment properties that generated rental income (Note 15a)	**432**	480
Employee benefit expenses (including directors' emoluments) (Note 9)	**369,275**	392,934
(Write back of impairment)/ impairment losses on inventories	**(5,446)**	10,678
Write back of impairment of trade receivables	**(918)**	(789)

8 NET FINANCE INCOME

	2017 RMB'000	2016 RMB'000
Interest income on bank deposits	**4,006**	8,917
Interest expense on short-term bank loans	**—**	(59)
	4,006	8,858

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 RMB'000	2016 RMB'000
Wages and salaries	**306,702**	322,306
Staff welfare and other benefits	**18,816**	22,759
Pension costs — defined contribution plans (Note)	**42,833**	44,172
Share-based payment expenses	**924**	3,697
	369,275	392,934

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 RMB42,833,000 (2016: RMB44,172,000) 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:

	2017				
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 Directors and Chief Executives					
Mr. Cheng Wang, Gary *(appointed on 1 September 2016)*	—	840	8	—	848
Ms. Lau Shun Wai *(resigned on 31 August 2016)*	—	1,262	8	319	1,589
Executive Directors					
Ms. Chu Tsui Lan	—	2,267	16	199	2,482
Ms. Chui Kwan Ho, Jacky *(appointed on 8 April 2016)*	—	2,265	14	—	2,279
Ms. Wong Sau Han *(resigned on 1 February 2017)*	—	1,727	14	173	1,914
Non-Executive Directors					
Mr. James Ngai	207	—	—	—	207
Mr. Lee Tze Bun, Marces	—	—	—	—	—
Independent Non-Executive Directors					
Mr. Lam Siu Lun, Simon	207	—	—	—	207
Mr. Leung Wai Ki, George	207	—	—	—	207
Mr. Hui Chi Kwan	207	—	—	—	207
	828	8,361	60	691	9,940

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and Chief Executive's emoluments (Continued)

	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

* 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 (2016: 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 (2016: Nil).

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(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 (2016: Nil).

(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 (2016: 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 (2016: Nil).

11 SENIOR MANAGEMENT'S EMOLUMENTS

(a) Five highest paid individuals

The Directors' emoluments presented above include the emoluments of the 4 (2016: 4) highest paid individuals in the Group. The emoluments of the remaining 1 (2016: 1) highest paid individual during the year ended 28 February 2017 was:

	2017	2016
	RMB'000	RMB'000
Salaries, bonus, other allowances and benefits in kind	**1,278**	1,211
Employer's contributions to retirement benefits scheme	**16**	15
Share option benefits	**18**	69
	1,312	1,295

Emolument band	**Number of individuals**	
	2017	2016
RMB1,000,001 - RMB1,500,000	**1**	1

(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.

11 SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(c) Senior management's emoluments by band

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

Emolument bands	Number of individuals	
	2017	2016
RMB0–RMB500,000	**3**	3
RMB500,001–RMB1,000,000	**4**	1
RMB1,000,001–RMB1,500,000	**1**	2

12 INCOME TAX EXPENSE

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

	2017 **RMB'000**	2016 RMB'000
Current income tax		
— Hong Kong profits tax	**—**	—
— People's Republic of China ("PRC") corporate income tax	**47,508**	62,943
Deferred income taxation (Note 21)	**4,605**	(7,944)
	52,113	54,999

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2016: 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:

	2017 RMB'000	2016 RMB'000
Profit before income tax and before share of profit of a joint venture	**128,094**	178,350
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	**37,301**	42,868
Income not subject to tax	**(1,286)**	(1,003)
Expenses not deductible for tax purposes	**6,652**	3,202
Tax losses for which no deferred income tax asset was recognised	**3,742**	—
Recognition of previously unrecognised tax losses	**—**	(2,241)
Utilisation of previously unrecognised tax losses	**(443)**	(289)
Derecognition of previously recognised tax losses	**2,580**	1,197
Withholding tax	**3,567**	11,265
Income tax expense	**52,113**	54,999

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.

	2017	2016
Profit attributable to owners of the Company (RMB'000)	**74,977**	122,073
Weighted average number of ordinary shares in issue ('000)	**705,895**	706,327
Basic earnings per share (RMB cents)	**10.62**	17.28

Diluted

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

For the year ended 28 February 2017, the Company had share options outstanding which were anti-dilutive potential ordinary shares. For the year ended 29 February 2016, 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.

	2017	2016
Profit attributable to owners of the Company (RMB'000)	**74,977**	122,073
Weighted average number of ordinary shares in issue ('000)	**705,895**	706,327
Adjustments for share options ('000)	**—**	1,390
Weighted average number of ordinary shares for diluted earnings per share ('000)	**705,895**	707,717
Diluted earnings per share (RMB cents)	**10.62**	17.25

14 DIVIDENDS

	2017 RMB'000	2016 RMB'000
Interim, paid, of HK4.3 cents (2016: HK5.7 cents) per ordinary share	**25,675**	32,377
Interim special, paid, of HK1.4 cents (2016: Nil) per ordinary share	**8,359**	—
Final, proposed, of HK4.3 cents (2016: HK7.0 cents) per ordinary share	**26,428**	40,393
Final special, proposed, of HK5.7 cents (2016: HK3.0 cents) per ordinary share	**35,032**	17,311
	95,494	90,081

At a meeting held on 25 May 2017, the Directors proposed a final dividend of HK4.3 cents per ordinary share and a final special dividend of HK5.7 cents per ordinary share totalling approximately RMB61,460,000. These proposed dividends are not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 28 February 2018.

15 INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
At beginning of year	**141,505**	77,033
Transfer from property, plant and equipment and land use rights (Note)	**—**	62,000
Fair value losses recognised in the consolidated income statement (Note 6)	**(2,736)**	(359)
Exchange differences	**3,635**	2,831
At end of year	**142,404**	141,505

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2017 and 29 February 2016 by an independent professional valuer, Ascent Partners Valuation Service Limited. The revaluation losses are included in "other losses" in the consolidated income statement.

Note:

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

15 INVESTMENT PROPERTIES (CONTINUED)

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

	2017	2016
	RMB'000	RMB'000
Rental income (Note 6)	**4,212**	4,005
Direct operating expenses from investment properties that generated rental income (Note 7)	**(432)**	(480)
	3,780	3,525

As at 28 February 2017, the Group had no unprovided contractual obligations for future repairs and maintenance (2016: 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	**Fair value measurements at 28 February 2017 using** 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
Recurring fair value measurements			
Investment properties:			
PRC	—	—	**64,630**
Macau	—	—	**77,774**

Description	Fair value measurements at 29 February 2016 using 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
Recurring fair value measurements			
Investment properties:			
PRC	—	—	64,350
Macau	—	—	77,155

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

There were no transfers among Levels 1, 2 and 3 during the years ended 28 February 2017 and 29 February 2016.

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 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
At 1 March 2016	**64,350**	**77,155**	**141,505**
Gains/(losses) from fair value adjustment	**280**	**(3,016)**	**(2,736)**
Exchange differences	**—**	**3,635**	**3,635**
At 28 February 2017	**64,630**	**77,774**	**142,404**
Total gains/(losses) for the year included in profit or loss for assets held at the end of the year, under 'other losses'	**280**	**(3,016)**	**(2,736)**
Change in unrealised gains/(losses) for the year included in profit or loss for assets held at the end of the year	**280**	**(3,016)**	**(2,736)**

Valuation processes of the Group

The Group's investment properties were valued at 28 February 2017 and 29 February 2016 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 28 February 2017 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties — Retail shop in PRC	2,330	Direct comparison approach	Comparable's unit selling/ asking price	RMB16,300 per square meter	The higher the unit selling price, the higher the fair value
Investment properties — Retail shop in Macau	77,774	Direct comparison approach	Comparable's unit selling/ asking price	RMB1,060,539 per square meter	The higher the unit selling price, the higher the fair value
Investment properties — Factory building in PRC	62,300	Income capitalisation approach	Market rent	RMB11.43 per square meter per month	The higher the rent, the higher the fair value.
			Capitalization rate	5.60%	The higher the capitalization rate, the lower the fair value.

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	RMB11.52 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.

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
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
Year ended 28 February 2017						
Opening net book amount	**41,337**	**30,846**	**28,084**	**7,129**	**976**	**108,372**
Exchange differences	**(161)**	**280**	**3,212**	**105**	**9**	**3,445**
Additions	**—**	**25,374**	**368**	**8,757**	**650**	**35,149**
Disposals	**—**	**(2,002)**	**(322)**	**(354)**	**(68)**	**(2,746)**
Depreciation	**(1,932)**	**(26,332)**	**(9,839)**	**(4,376)**	**(409)**	**(42,888)**
Closing net book amount	**39,244**	**28,166**	**21,503**	**11,261**	**1,158**	**101,332**
At 28 February 2017						
Cost	**81,775**	**175,225**	**107,899**	**27,785**	**4,207**	**396,891**
Accumulated depreciation	**(42,531)**	**(147,059)**	**(86,396)**	**(16,524)**	**(3,049)**	**(295,559)**
Net book amount	**39,244**	**28,166**	**21,503**	**11,261**	**1,158**	**101,332**

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 for the year ended 29 February 2016.

17 LAND USE RIGHTS

	2017 RMB'000	2016 RMB'000
At beginning of year	**14,880**	20,929
Amortisation	**(487)**	(558)
Revaluation surplus (Note)	**—**	1,930
Transfer to investment properties (Note)	**—**	(7,850)
Exchange differences	**554**	429
At end of year	**14,947**	14,880

Note:

During the year ended 29 February 2016, a land use right was 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 28 February 2017 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%

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
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%
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	Wholesales and trading 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	RMB53,000,000	Retailing of shoes/PRC	100%
利信達貿易(深圳)有限公司	PRC, limited liability company	RMB10,000,000	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	Property holding/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

	2017 RMB'000	2016 RMB'000
Registered capital at cost, unlisted	**689**	689
Share of undistributed post-acquisition reserves	**34,467**	34,044
Share of net assets	**35,156**	34,733
At beginning of the year	**34,733**	34,357
Share of profit of a joint venture	**423**	376
At end of year	**35,156**	34,733

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

	2017 RMB'000	2016 RMB'000
Current		
Assets	71,119	70,273
Liabilities	(817)	(817)
Total current net assets	70,302	69,456
Non-current		
Assets	10	10
Liabilities	—	—
Total non-current net assets	10	10
Net assets	70,312	69,466

Summarised income statement

	2017 RMB'000	2016 RMB'000
Revenue	—	—
Profit before income tax	1,003	968
Income tax expense	(157)	(216)
Post-tax profit from continuing operations	846	752

There are no commitments and contingent liabilities relating to the Group's interest in the joint venture.

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 approximates its fair value and is denominated in RMB.

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

	2017 RMB'000	2016 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 of the company	**Place of establishment/ operation**	**Principal activities**	**Group's equity interest**
佛山市順德區陳村鎮碧桂園物業發展有限公司 ("陳村鎮碧桂園")	PRC	Property development	25%

The 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 INCOME TAXATION

Deferred income 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:

	2017 **RMB'000**	2016 RMB'000
Deferred income tax assets	**55,283**	69,813
Deferred income tax liabilities	**(34,394)**	(44,375)
	20,889	25,438

Deferred income 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.

	2017 **RMB'000**	2016 RMB'000
At beginning of year	**25,438**	21,107
(Charged)/credited to consolidated income statement (Note 12)	**(4,605)**	7,944
Debited to reserve	**—**	(3,689)
Exchange realignment	**56**	76
At end of year	**20,889**	25,438

The movement on deferred income 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**	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
At beginning of year	**53,704**	46,738	**12,759**	10,141	**(12,810)**	(8,635)	**(31,565)**	(27,137)	**3,350**	—	**25,438**	21,107
(Charged)/credited to consolidated income statement	**(7,635)**	6,806	**(5,539)**	2,360	**435**	(38)	**10,150**	(4,428)	**(2,016)**	3,244	**(4,605)**	7,944
Debited to reserve	**—**	—	**—**	—	**—**	(3,689)	**—**	—	**—**	—	**—**	(3,689)
Exchange realignment	**278**	160	**271**	258	**(604)**	(448)	**—**	—	**111**	106	**56**	76
At end of year	**46,347**	53,704	**7,491**	12,759	**(12,979)**	(12,810)	**(21,415)**	(31,565)	**1,445**	3,350	**20,889**	25,438

21 DEFERRED INCOME TAXATION (CONTINUED)

(a) Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. All dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax. As at 28 February 2017, the Group did not accrue withholding income tax for a portion of the earnings of RMB300,650,000 (2016: 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 28 February 2017, the Group had unrecognised tax losses of approximately RMB67,669,000 (2016: RMB31,410,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	2017 RMB'000	2016 RMB'000
Tax losses without expiry date	**66,419**	31,410
Tax losses expiring in 5 years	**1,250**	—
	67,669	31,410

22 INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**24,750**	23,522
Work in progress	**18,028**	19,338
Finished goods	**350,887**	417,152
	393,665	460,012
Less: Provision for impairment of inventories	**(13,482)**	(18,193)
	380,183	441,819

The cost of inventories recognised as expense and included in "cost of sales" amounted to RMB301,754,000 (2016: RMB430,237,000) (Note 7).

23 TRADE RECEIVABLES AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**112,125**	161,603
Provision for impairment	**(980)**	(1,898)
	111,145	159,705
Other receivables	**9,671**	2,988
	120,816	162,693

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.

At 28 February 2017 and 29 February 2016, the ageing analysis of the trade receivables based on invoice date is as follows:

	2017 RMB'000	2016 RMB'000
Current to 30 days	**100,215**	140,012
31 to 60 days	**6,252**	11,503
61 to 90 days	**2,028**	2,997
Over 90 days	**2,650**	5,193
	111,145	159,705

As at 28 February 2017 and 29 February 2016, the ageing analysis of the past due but not impaired receivables is as follows:

	2017 RMB'000	2016 RMB'000
61 to 90 days	**964**	2,239
Over 90 days	**1,410**	2,670
	2,374	4,909

23 TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are denominated in the following currencies:

	2017 **RMB'000**	2016 RMB'000
HK$	**183**	152
RMB	**110,942**	159,544
Other currencies	**20**	9
	111,145	159,705

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

As at 28 February 2017, trade receivables of RMB2,374,000 (2016: RMB4,909,000) 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:

	2017 **RMB'000**	2016 RMB'000
61 to 90 days	**964**	2,239
Over 90 days	**1,410**	2,670
	2,374	4,909

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

	2017 **RMB'000**	2016 RMB'000
At beginning of year	**1,898**	2,687
Write back of impairment (Note 7)	**(918)**	(789)
At end of year	**980**	1,898

The impairment loss recognised on trade receivables is mainly for customers who have financial difficulties. At 28 February 2017, trade receivables of RMB980,000 (2016: RMB1,898,000) 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 AND PLEDGED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash at bank and cash on hand	376,572	268,932
Short-term bank deposits (Note (a))	268,692	272,200
Cash and Bank balances	645,264	541,132
Pledged bank deposits	1,313	2,334
	646,577	543,466
Less:		
Term deposits with initial term over three months (Note (a))	(20,000)	(26,000)
Pledged bank deposits (Note (b))	(1,313)	(2,334)
Cash and cash equivalents	625,264	515,132

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

	2017 RMB'000	2016 RMB'000
HK$	296,140	160,703
RMB	340,394	376,230
US$	6,933	5,026
Other currencies	3,110	1,507
	646,577	543,466

Note:

(a) The effective interest rate on short-term bank deposits and term deposits was 1.14% (2016: 1.20%) per annum; these deposits have a maturity ranging from 7 to 365 days (2016: 7 to 366 days).

(b) Bank deposits of RMB1,313,000 (2016: RMB2,334,000) have been pledged as rental deposits for subsidiaries of the Group.

The effective interest rate on pledged bank deposits was 0.95% per annum (2016: 1.05%).

(c) The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

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

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

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

	2017 RMB'000	2016 RMB'000
Cash flow from operating activities		
Profit before income tax	128,517	178,726
Adjustments for:		
Exchange difference	8,300	5,494
Share of profit of a joint venture	(423)	(376)
Fair value losses on investment properties	2,736	359
Depreciation of property, plant and equipment	42,888	40,978
Loss on disposal of property, plant and equipment	2,746	2,553
Amortisation of land use rights	487	558
Write back of impairment of trade receivables	(918)	(789)
(Write back of impairment)/impairment losses on inventories	(5,446)	10,678
Net finance income	(4,006)	(8,858)
Share-based payment	924	3,697
	175,805	233,020
Changes in working capital:		
— Inventories	67,081	(37,335)
— Trade receivables and other receivables	42,796	25,577
— Deposits and prepayments	12,720	3,038
— Amount due to a joint venture	—	4,000
— Trade payables and other payables	(21,977)	(4,436)
Net cash generated from operations	276,425	223,864

26 TRADE PAYABLES AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**45,254**	54,174
Other payables	**102,749**	115,912
	148,003	170,086

The credit periods granted by suppliers are generally ranged from 7 to 60 days. As at 28 February 2017 and 29 February 2016, the ageing analysis of the trade payables based on invoice date was as follows:

	2017 RMB'000	2016 RMB'000
Current to 30 days	**29,238**	43,263
31 to 60 days	**12,264**	8,037
61 to 90 days	**1,882**	435
91 to 120 days	**163**	856
Over 120 days	**1,707**	1,583
	45,254	54,174

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

	2017 RMB'000	2016 RMB'000
HK$	**—**	84
RMB	**42,735**	52,123
US$	**2,519**	1,967
	45,254	54,174

27 SHARE CAPITAL

	Note	2017 Number of ordinary shares	2017 Share capital HK$'000	2016 Number of ordinary shares	2016 Share capital HK$'000
Ordinary shares of HK$0.10					
Authorised:					
At beginning of year		**1,000,000,000**	**100,000**	800,000,000	80,000
Increase on 13 July 2015	i	**—**	**—**	200,000,000	20,000
At the end of year		**1,000,000,000**	**100,000**	1,000,000,000	100,000

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

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$0.10 each) to HK$100,000,000 (divided into 1,000,000,000 ordinary shares of HK$0.10 each) by the creation of an additional 200,000,000 ordinary shares of HK$0.10 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$0.10 each to 707,503,060 shares of HK$0.10 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) For the year ended 29 February 2016, 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. 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 profits 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:

	2017		2016	
	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	**3.223**	**24,511**	3.573	26,864
Exercised	**—**	**—**	2.404	(1,212)
Exercised	**—**	**—**	2.185	(160)
Lapsed	**—**	**—**	2.404	(939)
Lapsed	**2.185**	**(5,797)**	2.185	(863)
Lapsed	**4.300**	**(8,800)**	4.300	(1,650)
Adjustment for bonus issue	**—**	**—**	—	2,471
At end of year	**3.124**	**9,914**	3.223	24,511

The Group has no legal or constructive obligation to repurchase or settle the options in cash. 14,100,000 share options at an exercise price of HK$4.73 each and 17,440,000 share options at an exercise price of HK$2.404 were granted on 27 June 2011 and 10 July 2012 respectively. For the year ended 28 February 2017, 5,797,000 shares at an adjusted exercise price of HK$2.185 and 8,800,000 shares at an adjusted exercise price of HK$4.300 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$)	Number of share as at 28 February 2017 (thousands)	(Adjusted) Exercise price per price (HK$)	Number of share as at 29 February 2016 (thousands)
Expiry date at:				
26 June 2021 (Note a)	**4.300**	**4,400**	4.300	13,200
9 July 2022 (Note b)	**2.185**	**5,514**	2.185	11,311

Note:

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

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

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

For the year ended 28 February 2017, a total share option expense of HK$1,072,000 (equivalent to RMB924,000) (2016: HK$4,522,000 (equivalent to RMB3,697,000)) 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:

	2017 RMB'000	2016 RMB'000
Present value of defined benefit obligations	**368**	485
Liability in the consolidated balance sheet	**368**	485

29 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
At beginning of year	485	469
Interest cost	6	7
Current service cost	11	14
Actuarial gains	(154)	(22)
Exchange difference	20	17
At end of year	368	485

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

	2017 RMB'000	2016 RMB'000
Interest cost	6	7
Total, included in staff costs	6	7

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	1.81%	1.56%
Future salary increase rate	3.50%	3.00%

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 2016	88,982	145	(42,545)	47,145	326,982	770,931	4,812	11,070	32,836	461	1,240,819
Comprehensive income											
Profit for the year	—	—	—	—	—	74,977	—	—	—	—	74,977
Other comprehensive income											
Currency translation differences	—	—	27,921	—	—	—	—	—	—	—	27,921
Retirement benefit obligation	—	—	—	—	—	—	—	—	—	154	154
Transaction with owners											
Share option scheme											
— value of service provide	—	—	—	—	—	—	—	—	924	—	924
— share option lapsed	—	—	—	—	—	700	—	—	(700)	—	—
Dividends	—	—	—	—	(61,460)	(34,034)	—	—	—	—	(95,494)
At 28 February 2017	88,982	145	(14,624)	47,145	265,522	812,574	4,812	11,070	33,060	615	1,249,301
Representing:											
2017 proposed dividend											61,460
Others											1,187,841
											1,249,301

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 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 properties 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

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 reserve 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

	2017 RMB'000	2016 RMB'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	**154**	187

(b) Commitments under operating leases

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

	2017 RMB'000	2016 RMB'000
Land and buildings:		
Not later than one year	**54,701**	56,098
Later than one year and not later than five years	**31,824**	41,931
	86,525	98,029

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:

	2017 RMB'000	2016 RMB'000
Land and buildings:		
Not later than one year	**121**	4,014
Later than one year and not later than five years	**—**	41
	121	4,055

32 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2017, Stable Gain Holdings Limited held 31.94% (2016: 31.94%) 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:

	2017 RMB'000	2016 RMB'000
Rental expenses charged by:		
— a related party (Note (i))	**3,309**	3,858
— a related company (Note (ii))	**794**	794
Amounts due to a related company (Note (iii))	**—**	132

(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"), a company controlled by Mr. Lee.

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

(c) Year-end balance with a related party

	2017 RMB'000	2016 RMB'000
Amount due to a joint venture (Note 19(b))	**33,000**	33,000

(d) Key management compensation

	2017 RMB'000	2016 RMB'000
Salaries and other short-term employee benefits	**8,361**	7,954
Employer's contributions to retirement scheme	**60**	76
Share option benefits	**691**	3,156
	9,112	11,186

33 BALANCE SHEET AND RESERVE OF THE COMPANY

(a) Balance sheet of the Company

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**539,485**	489,862
Current assets			
Other receivables		**218**	206
Cash and bank balances		**1,975**	4,672
		2,193	4,878
Total assets		**541,678**	494,740
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**59,979**	59,979
Reserves	(b)	**480,917**	434,094
Total equity		**540,896**	494,073
LIABILITIES			
Current liabilities			
Accruals		**782**	667
Total liabilities		**782**	667
Total equity and liabilities		**541,678**	494,740

The balance sheet of the Company was approved by the Board of Director on 25 May 2017 and was signed on its behalf.

James Ngai
Chairman

Cheng Wang, Gary
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 2016	88,982	145	(30,475)	335,755	6,851	32,836	434,094
Comprehensive income							
Profit for the year	—	—	—	—	141,393	—	141,393
Other comprehensive income							
Currency translation differences	—	—	—	—	—	—	—
Transactions with owners							
Share option scheme							
— value of service provided	—	—	—	—	—	924	924
— share option lapsed	—	—	—	—	700	(700)	—
Dividends	—	—	—	(61,460)	(34,034)	—	(95,494)
At 28 February 2017	88,982	145	(30,475)	274,295	114,910	33,060	480,917
Representing:							
2017 proposed dividend							61,460
Others							419,457
							480,917

	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

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.

34 EVENT AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in these consolidated financial statements, the Group has the following major event occurred after the reporting period:

On 20 February 2017, Blooming On Limited, as a purchaser, entered into a Sale and Purchase Agreement with Freedom Resources Limited, which is a company wholly and beneficially owned by Mr. Lee Tze Bun, Marces ("Mr. Lee"), as a vendor, and Mr. Lee as the vendor's guarantor, to acquire the entire issued share capital of Super Billion Properties Limited, which solely owns a property located at Units 3005-3009 on Level 30, Metro Plaza, 183-187 Tian He North Road, Guangzhou, PRC (the "Property"), for a cash consideration of RMB10,800,000 (the "Acquisition"). The consideration had been determined by reference to the fair value of the Property as at 20 February 2017 of RMB10,800,000 as appraised by an independent professional valuer to the Company. The Acquisition was completed on 1 March 2017. The Group will continue to use the Property as office. The relevant announcement was published on the respective websites of the Stock Exchange and the Company on 20 February 2017.

Five-Year Financial Summary

RESULTS OF THE GROUP

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	**1,365,545**	1,621,414	1,683,008	1,609,822	1,429,399
Operating profit	**124,088**	169,492	244,140	282,492	189,640
Net finance income	**4,006**	8,858	8,546	6,680	5,067
Share of profit of a Joint Venture	**423**	376	5,761	447	447
Profit before income tax	**128,517**	178,726	258,447	289,619	195,154
Income tax expense	**(52,113)**	(54,999)	(67,335)	(61,786)	(50,174)
Profit for the years	**76,404**	123,727	191,112	227,833	144,980
Profit attributable to:					
— Owners of the company	**74,977**	122,073	189,282	226,662	145,287
— Non-controlling interest	**1,427**	1,654	1,830	1,171	(307)
	76,404	123,727	191,112	227,833	144,980

ASSETS AND LIABILITIES OF THE GROUP

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Investment properties, property, plant and equipment and land use rights	**258,683**	264,757	262,051	267,004	288,448
Interest in Joint Venture	**35,156**	34,733	34,357	28,596	28,150
Long-term deposits and prepayments	**7,105**	8,961	13,575	11,983	14,541
Interest in and amount due from an available-for-sale financial assets	**—**	—	—	—	—
Deferred income tax assets	**55,283**	69,813	56,879	44,812	41,535
Net current assets	**998,622**	978,632	935,651	875,706	696,655
	1,354,849	1,356,896	1,302,513	1,228,101	1,069,329
Total equity	**1,320,455**	1,312,521	1,266,741	1,197,808	1,043,880
Deferred income tax liabilities	**34,394**	44,375	35,772	30,293	25,449
	1,354,849	1,356,896	1,302,513	1,228,101	1,069,329

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