le saunda holdings ltd.
萊爾斯丹控股有限公司
(Stock Code : 0738)

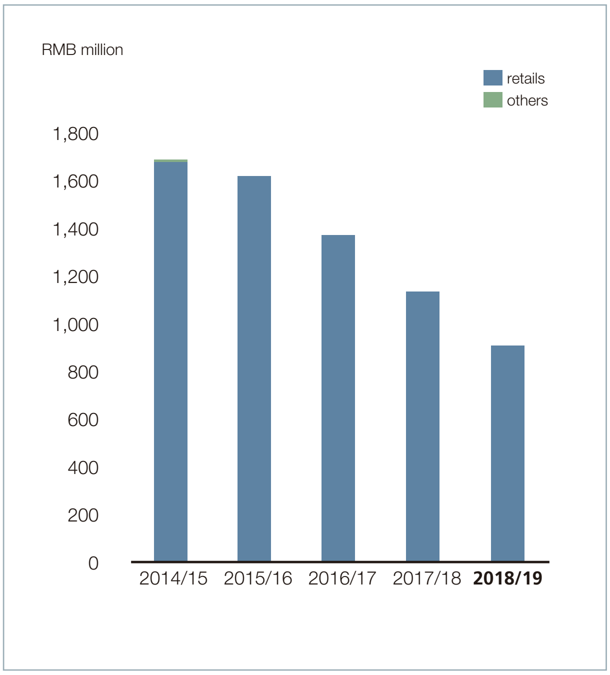
annual report 2019

CONTENT

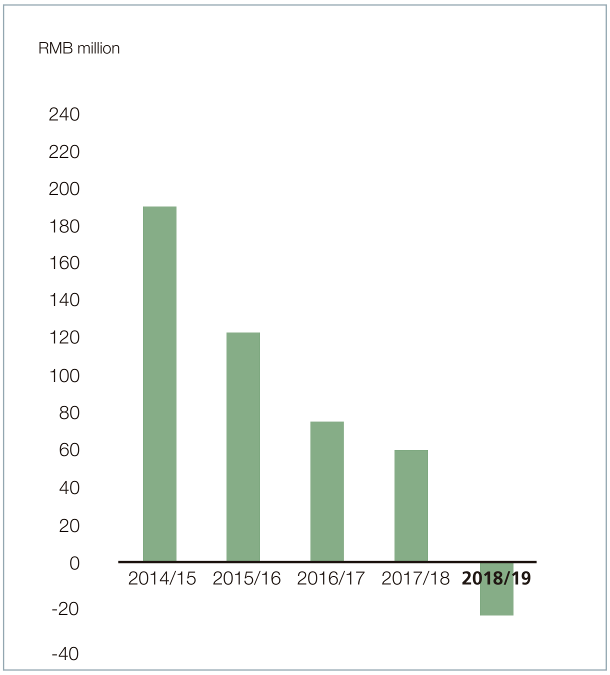
FINANCIAL HIGHLIGHTS

	Year ended 28 February 2019 RMB million	Year ended 28 February 2018 RMB million	Change
Profit and Loss Highlights			
Revenue	**908.8**	1,130.6	(19.6%)
Consolidated (Loss)/Profit Attributable to Owners of the Company	**(28.0)**	59.7	
Basic (Losses)/Earnings per Share (RMB cents)	**(3.97)**	8.45	
Balance Sheet Highlights			
Total Equity	**1,186.2**	1,242.8	(4.6%)
Net Cash Balances	**590.6**	603.1	(2.1%)
Net Assets Value per Share (RMB)	**1.68**	1.76	(4.5%)
Net Cash per Share (RMB)	**0.84**	0.85	(1.2%)
Other Key Ratios			
Stock Turnover (Days)	**326**	305	
Quick Ratio (Times)	**5.9**	5.5	
Gearing Ratio (%)	**–**	–	

Revenue



Consolidated (Loss)/Profit Attributable to Owners of the Company



CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Cheng Wang, Gary *(Chief Executive Officer)*
Chui Kwan Ho, Jacky
Liao Jian Yu
(appointed with effect from 16 March 2018)

NON-EXECUTIVE DIRECTORS
James Ngai *(Chairman)*
Lee Tze Bun, Marces

INDEPENDENT NON-EXECUTIVE DIRECTORS
Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan

AUDIT COMMITTEE
Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan

REMUNERATION COMMITTEE
Lam Siu Lun, Simon *(Chairman)*
Leung Wai Ki, George
Hui Chi Kwan
James Ngai

NOMINATION COMMITTEE
Hui Chi Kwan *(Chairman)*
Lam Siu Lun, Simon
Leung Wai Ki, George
James Ngai

COMPANY SECRETARY
Yuen Chee Wing
(appointed with effect from 1 January 2019)
Lo Tik Man, Ophelia
(resigned with effect from 1 January 2019)

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
Suites 1104–1106, 11th 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

2018/19 Interim Results Announcement	29 October 2018
Payments of 2018/19 Interim Dividend	N/A
2018/19 Annual Results Announcement	21 May 2019
Closure of Register of Members for Annual General Meeting (both days inclusive)	3 – 8 July 2019
Annual General Meeting	8 July 2019
Closure of Register of Members for Proposed 2018/19 Final Special Dividend (both days inclusive)	15 – 16 July 2019
Payments of Proposed 2018/19 Final Special Dividend	25 July 2019

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
Suites 1104–1106
11th Floor
1063 King's Road
Quarry Bay, Hong Kong

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

KEY MILESTONES

MAR 2018

The Group was honored to be awarded the “10 Years Plus Caring Company Logo” this year. Through participating in charitable activities and environmental protection initiatives, offering youth internship programmes and participating in youth training projects, the Group partnered with different social service organizations to promote corporate social responsibilities and to build a sustainable society.

MAY 2018

The Jurassic movie series has been very popular in the market. “The Jurassic World 2: Fallen Kingdom” finished third in the global box office in 2018 and became one of the hot topics globally. To capture this market opportunity, le saunda launched a crossover collection, **“le saunda X Jurassic World Collection”** when the movie was newly released: shoes and handbags with dinosaur patterns, including high heels, flat shoes and men’s and women’s casual shoes, which were very attractive to the dinosaur lovers.

JUN 2018

le saunda launched its official e-shop in Hong Kong on 20 June 2018, extending offer of the fashionable and comfortable shoes and quality services from offline to online.

In the “ERB Manpower Developer Award Scheme”, launched by the Employees Retraining Board of Hong Kong, le saunda was honored to be awarded “Manpower Developer 2012-2020” to acknowledge le saunda’s outstanding accomplishment in manpower training and development.

KEY MILESTONES

SEP 2018

le saunda Media Preview Day was held at the two top-class art hotels, namely, Bvlgari Hotel Shanghai and Hotel Éclat Beijing. Fashion media editors, publishers, styling directors, fashion bloggers and key opinion leaders attended the event to look at le saunda and LINEA ROSA's 2018 Fall Winter styles and listened to the stories and inspiration behind the design.

LINEA ROSA and New York's popular fashion doll artist Andrew Yang launched a crossover collection of "the Circus". The creative design concept was inspired by combining art and fashion and was presented in this collection.

OCT 2018

Ms. Lao Ka Chi, a Senior Service Associate, Mr. Chau Ka Chun a Service Associate and Ms. Lam Ka Yee Chloe, a Service Associate, of Hong Kong and Macau with their sincere service to customers, responsiveness and positive attitude, were awarded the 2018 Service & Courtesy Award — "Retail Ambassadors" in the "2018 Service & Courtesy Award" by the Hong Kong Retail Management Association. In addition, Ms. Lao Ka Chi, with two rounds of full scores in the Mystery Shopper Assessment, won the "Excellent Service Star" award.

In October 2018, LINEA ROSA established a showroom in Milan, the capital of fashion, which was located at Via Bonaventura Cavalieri, bringing LINEA ROSA's shoe-making craftsmanship and fashion aesthetics to Italy.

NOV 2018

This year was the 10th anniversary of the establishment of the Qualifications Framework. le saunda was awarded "the Certificate of Commendation" by the Retail Industry Training Advisory Committee to recognize the Group's continuous support to its staff in applying for the "Recognition of Prior Learning" in the retail industry and to obtain an industry-recognized qualification certificate to recognize the staff's past working experience and skills.

DEC 2018

In December 2018, le saunda and LINEA ROSA 2019 Spring and Summer Media Preview Day was held in the Hotel Éclat Beijing and Waldorf Astoria Shanghai Hotel. Almost 60 VIP members, fashion media editors, publishers, stylists, bloggers and key opinion leaders attended the event.

JAN 2019

le saunda is very active in promoting industry growth and nurturing the young generation. Organized by the Federation of Hong Kong Footwear Ltd., the "18th Hong Kong Footwear Design Competition" aims at enhancing the creativity and design quality of the Hong Kong footwear industry and scouting for designers with high potential. Being one of the supporting organizations for this competition, le saunda helped to create shoe samples based on the design of the young designers and the footwear models demonstrated the shoe samples to the audience.

HAPPY 開心企業 COMPANY 2019

le saunda is committed to creating a pleasant working environment, fostering employees' sense of belonging and team spirit and inheriting the corporate culture of working with heart. This year, le saunda participated in the "Happiness-at-Work Promotion Scheme 2019" and the Group was awarded as a "Happy Company" again. We hope our staff like their jobs, able to develop their strengths and gain happiness and job satisfaction at le saunda.

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 (collectively the “Group”) for the financial year ended 28 February 2019 (the “year under review”).

As “New Retail” model emerges from the rapid development of e-commerce, consumption patterns have significantly changed and transformation to online retailing is inevitable. Furthermore, affected by negative factors including the Sino-US trade war and slowdown in global economic growth, retailers are facing severe difficulties. During the year under review, the Group had devoted continuous efforts to optimize its physical store network by decisively closing down stores with low efficiency, improving logistics and warehouse operations and enhancing overall efficiency and cost-effectiveness, in order to accomplish effective cost control and overcome market challenges.

With over four decades of extensive experience in manufacturing and selling shoes, the Group has full understanding of the preferences of its target customers, enabling it to launch products with high price-performance ratio amid vigorous competition and severe challenges in the retail market. Coupled with excellent product distribution network and highly flexible delivery services to target customers, our brands are able to stand out with competitive edge in the industry and increase customer flow.

More resources will be deployed to develop our e-commerce business and to expand our customer base. Targeting the younger generation of consumers, the Group seeks to work more closely with fashion bloggers and key opinion leaders and increase the use of social media platforms. The Group has further streamlined its management structure and realigned its operation strategies for successful cost control, improved operational efficiency, as well as increase in market share. In addition, upon the successful integration of our online and offline omni channel and through our quality physical store network, our customers can enjoy better services and shopping experiences, thereby enhancing our brand recognition and stimulating sales.

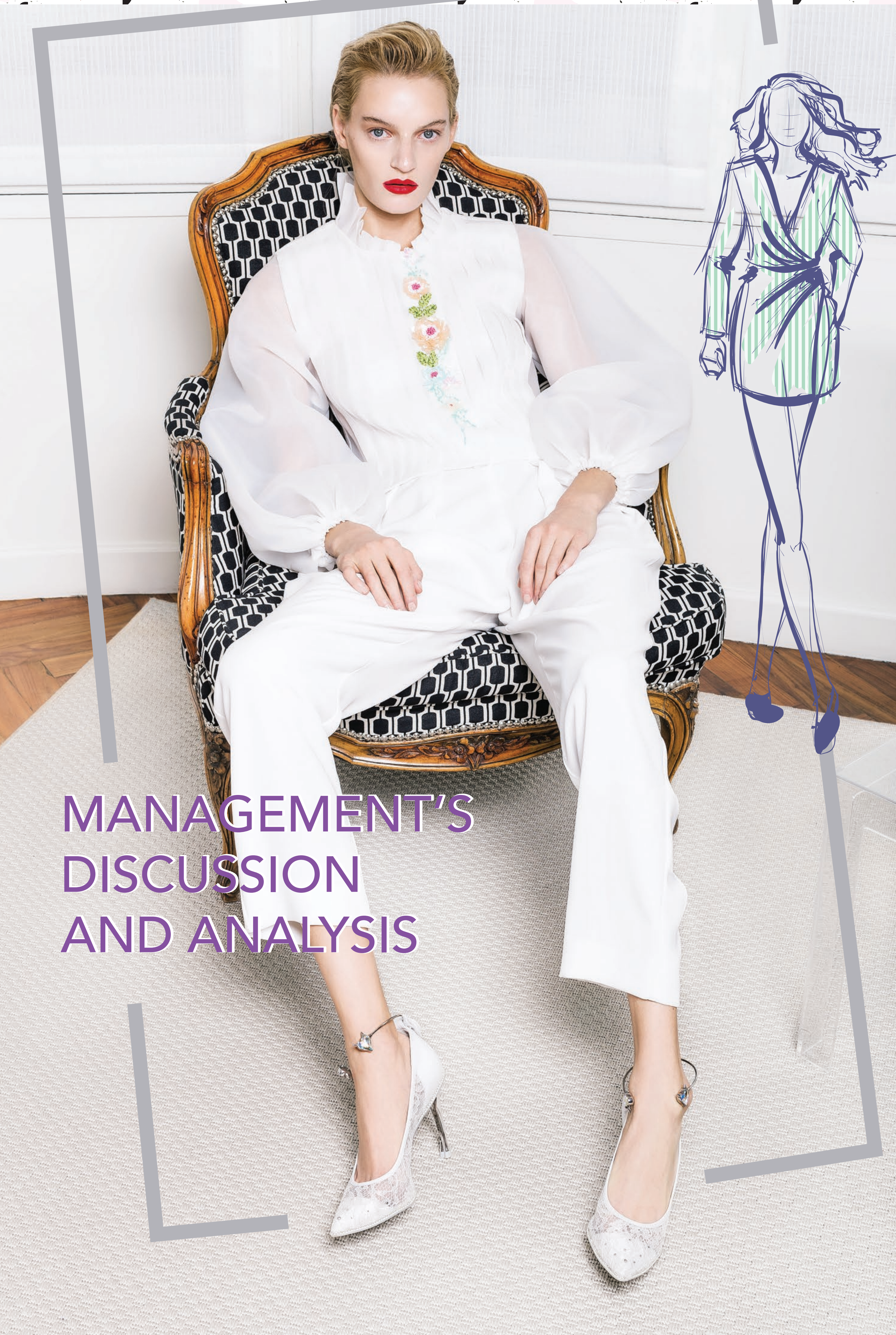
Franchise, wholesale and outlet businesses play key roles in the long-term development of the Group. In the future, we will focus on the operation of our self-owned stores at certain key strategic regions. For other regions with advantageous market condition and high economic growth potentials, the Group will work with the right strategic partners for business development by way of franchise, wholesale and outlet.

Albeit uncertainties in the business environment still lingering in 2019, the Group will seek to overcome difficulties and to achieve stable and promising results with concerted effort from all of our staff. On behalf of the Board, I would like to express my sincere gratitude to all shareholders and customers for their longstanding support, and to all of our staff for their dedicated 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 sustainable value and stable returns to shareholders.

James Ngai
Chairman

Hong Kong, 21 May 2019

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, PITTI DONNA and CNE, which aim to appeal to diversified target customer groups with their distinctive product lines.

During 2018/19 financial year, owing to retail shops consolidation and decline in same-store sales, total revenue of the Group decreased by 19.6% to RMB908,800,000 (2017/18: RMB1,130,600,000). At the same period, in response to the unhealthy market sentiment, the Group changed its pricing strategies, resulting in a decrease of overall gross profit margin by 3.1 percentage points to 62.7% as compared with last year, and the consolidated gross profits decreased by 23.3% to RMB570,200,000 (2017/18: RMB743,500,000). Also, non-core gains decreased significantly during the year as the Group had recorded a net gain of RMB33,100,000 on the disposal of an available-for-sale financial asset in the corresponding period of last year. As a result, the consolidated loss attributable to owners of the Company amounted to RMB28,000,000 (2017/18: profit of RMB59,700,000).

RMB (million)	2018/19	2017/18	Change
Revenue	908.8	1,130.6	(19.6%)
Gross profit	570.2	743.5	(23.3%)
Gross profit margin	62.7%	65.8%	(3.1 percentage points)
Consolidated (loss)/profit attributable to owners	(28.0)	59.7	
Final dividend (HK cents)	–	3.6	
Final special dividend (HK cents)	35.0	4.4	
Annual dividend pay-out ratio	N/A	131.7%	

FINANCIAL REVIEW

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis

During the year under review, the retail market of department stores in Mainland China remained feeble. The Group’s total sales and same-store sales both recorded negative growth. The Group recorded a gross profit of RMB570,200,000 (2017/18: RMB743,500,000), representing a year-on-year decline of 23.3% and the gross profit margin decreased to 62.7%, representing a decrease of 3.1 percentage points as compared to last year.

In response to the drop in sales, the Group controlled the selling and distribution expenses to cut it by 20.4% year-on-year to RMB436,700,000 (2017/18: RMB548,500,000). The ratio of selling and distribution expenses to total revenue thus improved by 0.4 percentage point to 48.1% (2017/18: 48.5%).

General and administrative expenses were cut by 9.6% to RMB161,000,000 (2017/18: RMB178,100,000) as compared to last year. During the year, the Group proactively adopted measures to control the relevant cost items and the effects had gradually realised. However, as most of the general and administrative expenses are fixed in nature, this cost item as a percentage of total revenue still increased by 1.9 percentage points to 17.7% (2017/18: 15.8%).

Other income decreased by 41.3% year-on-year to RMB15,200,000 (2017/18: RMB26,000,000). This item mainly represented by the incentives from local government.

Other loss and gain mainly represented by the foreign exchange difference and the contribution from non-core businesses. During the year, due to the depreciation in Renminbi, the Group recorded foreign exchange loss of RMB4,500,000 (2017/18: gain of RMB7,800,000), representing a year-on-year unfavorable variance of RMB12,300,000. The significant decrease in non-core gain was mainly attributable to the transfer of equity interests in an available-for-sale financial asset, which brought an one-off gain of RMB33,100,000 in last year.

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis (Continued)

Consolidated loss attributable to owners of the Company was RMB28,000,000 (2017/18: profit of RMB59,700,000). Basic losses per share was RMB3.97 cents (2017/18: earnings of RMB8.45 cents). After reviewing the Group's existing liquidity position and financial needs of its future expansion plans, the Board recommended to declare a final special dividend of HK35.0 cents (2017/18: final dividend of HK3.6 cents per ordinary share and final special dividend of HK4.4 cents per ordinary share, together with interim dividend HK3.3 cents per ordinary share and interim special dividend of HK1.7 cents per ordinary share, total HK13.0 cents per ordinary share) per ordinary share to distribute the anticipated idle cash to the shareholders.

Income Tax Expense

During the year under review, income tax expenses amounted to approximately RMB13,900,000 (2017/18: RMB33,600,000), representing a decrease of 58.7% 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.

Inventory Management

As at 28 February 2019, the Group's inventory balance was RMB325,400,000, representing a decrease of 1.8% as compared to last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 28 February 2019	As at 28 February 2018	Changes in value	Changes in %
Raw materials and work-in-progress	22.8	29.6	(6.8)	(23.0%)
Finished goods	302.6	301.8	0.8	0.3%
Total	325.4	331.4	(6.0)	(1.8%)

Following the change in operation scale, the inventory of raw materials and work-in-progress decreased by 23.0% year-on-year. On the other hand, the inventory of finished goods slightly increased by 0.3% year-on-year and the items of current season and next season (both have stock age less than 1 year) accounted for 78.0% of this ending inventory (28 February 2018: 71.6%). This reflected, after the intensive program in clearing up off-season items, the Group had timely replenished new products to maintain a healthy product mix. Also, in light of the reduction in number of shops, the amount of new products kept per shop will increase, which is expected to have a positive impact on the same-store sales. Since the decline in sales outweighed the change in inventory, the inventory turnover days of finished goods increased by 21 days to 326 days (28 February 2018: 305 days).

FINANCIAL REVIEW (CONTINUED)

Liquidity and Financial Resources

The Group’s financial position remained very strong and healthy. As at 28 February 2019, the Group’s cash and bank balances amounted to RMB590,600,000 (28 February 2018: RMB603,100,000), representing a decrease of 2.1% year-on-year. The quick ratio was 5.9 times (28 February 2018: 5.5 times). During the year, the Group had not borrowed any bank loan (2017/2018: RMB20,000,000) and had no outstanding bank loan as at the fiscal year-end date (28 February 2018: Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the year. In addition, working capital requirements for our business operations in Mainland China will be financed by RMB loans advanced from local banks when necessary.

During the financial year ended 28 February 2019, the Group’s cash and bank balances were held in Hong Kong dollars, US dollars 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) of China achieved a growth rate of 6.6% in 2018, down 0.2 percentage point as compared to the corresponding period of last year, which was the lowest rate ever over the last 28 years. The growth of total retail sales of consumer goods was 9.0%, representing a decline of 1.2 percentage points as compared to the corresponding period of last year; disposable income per capita, net of price factor, achieved actual growth of 6.5%, representing a decrease of 0.8 percentage point as compared to the corresponding period of last year. All these data reflected a sign of slowdown in the Mainland’s economic growth. The performance of the retail sector varied from industry to industry, among which the ladies’ fashion footwear industry had been suffered from the one of the greatest hits. Under such unfavorable environment, retail revenue of the Group decreased by 19.6% to RMB908,800,000 as compared to last year (2017/18: RMB1,130,600,000), and the same-store sales dropped by 13.2% (2017/18: decrease by 11.3%).

Facing challenges from the economic environment of the Mainland and the industry, retailers of the traditional ladies’ fashion footwear sought for transformation and adopted the “New Retail” concept. Keeping abreast of the latest trend, the Group actively realigned its operating strategies, continued to close down physical stores of low efficiency and increased its resources on e-commerce business, so as to create a new online and offline shopping experience through the collaboration of our quality physical stores and e-shops. The Group also invested more resources in developing its franchise and wholesale business, as well as in improving product quality and shopping experience, in order to cope with the challenging market environment.

BUSINESS REVIEW (CONTINUED)

Retail Network

Mainland China is the key market of the Group's retail business. As at the year under review, the Group had a retail network comprised of 526 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 161 stores compared to the corresponding period of last year. The number of self-owned stores dropped by 152, while the number of franchised stores decreased by 9 during the year.

As at 28 February 2019, there were 380 core brand le saunda stores, representing net reductions of 126, as compared to the end of last year. There were 67 LINEA ROSA stores, the Group's high-end fashionable brand, representing a net decrease of 5 stores as compared to the end of last year.

As at 28 February 2019, 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	453	(-151)	62	(-9)	515	(-160)
• Northern, Northeastern & Northwestern Regions	85	(-52)	52	(-9)	137	(-61)
• Eastern Region	161	(-36)	2	(0)	163	(-36)
• Central and Southwestern Regions	93	(-33)	8	(0)	101	(-33)
• Southern Region	114	(-30)	0	(0)	114	(-30)
Hong Kong and Macau	11	(-1)	–	–	11	(-1)
Total	464	(-152)	62	(-9)	526	(-161)

Mainland China

Since 2014, the national retail sales of goods has shown a growing trend, maintaining a steady double-digit annual growth rate until 2017. However, the growth rate has been slowing down and dropped to single-digit by the end of October 2018. Furthermore, the change of consumer sentiment and the growing trend of online retailing have made it more difficult for the ladies' fashion footwear industry to overcome the bottleneck in the current business environment.

The Group's sales in Mainland China decreased by 20.4% to RMB850,900,000 (2017/18: RMB1,068,700,000), which was brought about by the following reasons: (1) the continued closing down of low-profit stores, as the Group sought to restructure its physical store network, resulting in a year-on-year decrease in sales; (2) the unfavourable business environment of the industry, due to the continued increase of online retailing in China as well as the establishment of physical retail experience stores by e-commerce operators to compete for market share; and (3) the reduction in disposable income, as a result of the continued increase in domestic real estate spending, making consumers more rational towards other types of spending.

Under the challenges brought about by the uncertainties of the market environment, the Group will continue to optimize its physical store network, integrate online and offline business and offer consumers a unique shopping experience to maintain customers' confidence in our brand and bring new opportunities to the Group.

BUSINESS REVIEW (CONTINUED)

Retail Network (Continued)

Hong Kong and Macau

Hong Kong's real economic growth dropped from 4.1% in the first half of 2018 to 2.1% in the second half of the year, reaching a new low since the first quarter of 2016. The Hong Kong economy was adversely affected by external factors, including the Sino-US trade dispute, economic slowdown in Mainland China, rising interest rates and strengthening of US dollar. Although the number of visitors to Hong Kong increased significantly in 2018, the average time spent in Hong Kong by overnight visitors reduced. Furthermore, the average per-capita spending of overnight visitors for the third quarter of 2018 decreased by 1.7% year-on-year, showing that the increase of visitors has a relatively low contribution to retail sales. During the year under review, the Group's sales in Hong Kong and Macau decreased by 6.5% year-on-year to RMB57,800,000 (2017/18: RMB61,800,000) under the influence of various unfavourable economic factors. As at the end of the year under review, the Group's number of stores in Hong Kong and Macau reduced by 1 store to 11 stores. The Group will continue to improve its store efficiency, close down low-efficiency stores and open new stores at desirable locations.

E-commerce Business

In 2018, China's online retail sales exceeded RMB9 trillion with an annual growth rate of 23.9%, accounting for 23.6% of the total retail sales of consumer goods, indicating an increasing proportion of online retail sales against total retail sales of consumer goods. Even though the growth rate was slightly lower than that in 2017, the e-commerce market still represents good opportunities. However, in the past two to three years, many competitors had entered the e-commerce market and the competition among e-commerce platforms had become more intense. As a result, the e-commerce market became more diversified, offering more choices to consumers. Such a diversified market effectively lowered customers' switching cost, leading to a significant cost increase for e-commerce operators to attract new customers and retain loyal customers. During the year under review, the Group has improved the integration of its online and offline business, improved supply chain efficiency and actively explored new sales channels on e-commerce platforms and social media. The Group saw a stable growth in e-commerce business and its revenue from e-commerce business increased by 8.1% year-on-year.

Brand Building

"le saunda" has been a popular brand among Hong Kong and Mainland China consumers for over 40 years since its establishment. Incorporating fashionable designs and state-of-the-art craftmanship, the Group is devoted to offer the best quality products to customers. Striving for better results, the Group collaborated with its partners to launch a number of new initiatives in 2018, including the launch of the topical crossover collection "le saunda X Jurassic World", the establishment of the Hong Kong official le saunda e-Shop, as well as organizing the Media Preview Day and a national college design competition.

The Jurassic movie series has been very popular in the market. "The Jurassic World 2: Fallen Kingdom" finished third in the global box office in 2018 and became one of the hot topics of the world. To capture this market opportunity, le saunda launched a crossover collection, the "le saunda X Jurassic World". The said collection received broad coverage across different media in Mainland China and Hong Kong. Many fashion key opinion leaders (KOLs) were attracted by this collection and shared their fresh look in this easily-mixed-and-matched collection.

The fast-growing trend of e-commerce is expected to continue. To cope with this trend, the Hong Kong official e-Shop of le saunda was officially opened on 20 June 2018, extending offer of the fashionable and comfortable shoes as well as quality services from offline to online. The first promotion made available on the Hong Kong official e-shop was the "le saunda X Jurassic World" collection.

BUSINESS REVIEW (CONTINUED)

Brand Building (Continued)

During the year under review, the Group held the 2018 Fall/Winter and 2019 Spring/Summer Media Preview Day for le saunda and LINEA ROSA at two top-class art hotels, namely Bulgari Hotel Shanghai and Hotel Éclat Beijing, and invited a number of fashion media editors, publishers, styling directors, fashion bloggers and KOLs to attend the events.

Utilizing le saunda MEN's shoes collection and collaborating with NYLON, a fashion magazine targeting young people, the Group organized a design competition for selected colleges across China, attracting over 370,000 netizens on Weibo. This event enabled college students to recognize le saunda as one of the premium brands, thus gradually cultivating the next generation of potential customers.

Apart from marketing and promotion, the Group also fulfilled its corporate social responsibilities in collaboration with social service organizations by, among others, taking part in charitable activities and environmental protection initiatives, offering youth internship programmes and participating in youth training projects. During the year under review, the Group was honoured to be awarded the "10 Years Plus Caring Company Logo", recognized as one of the "Manpower Developers 2012-2020" and was granted the award for supporting "Recognition of Prior Learning" and the "Happy Company" award. In addition, Ms. Lao Ka Chi, a Senior Service Associate, Mr. Chau Ka Chun, a Service Associate and Ms. Lam Ka Yee Chloe, a Service Associate of Hong Kong and Macau were awarded the 2018 Service & Courtesy Award – "Retail Ambassador". In particular, Ms. Lao Ka Chi also achieved two rounds of full score at Mystery Shopper Assessment and was therefore awarded the "Excellent Service Star" award. The Group will continue to strive for impressive results in the future!

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

Given many uncertainties arising from the expected volatile status of Sino-US trading relationship and slowdown in global economic growth, the Group will adopt a progressive yet stable approach to overcome the unfavorable external condition.

Our top priority short term goal would be to set same-store sales growth back on track so as to improve overall performance. After years of shops consolidation in the market, the Group believes that its physical store network has resumed to a relatively healthy level. The management team will continue to monitor closely the operating performances and timely eliminate low-efficient stores so that we can concentrate our resources in developing new stores with greater growth potentials. The Group will focus on opening new flagship stores in landmark shopping malls located in first and second tier cities in Mainland China. These flagship stores not only can promote our brand image, product quality and excellent service, but also can stimulate sales growth in strategic regions. Moreover, a high quality and efficient physical store network is vital to the integration of our online and offline omni channel, which is one of the Group's key initiatives.

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

It is our long-term strategy to provide high quality fashionable products to the market. With over four decades of extensive experience in manufacturing and selling shoes, the Group possesses large volume of valuable data from targeted customers base. With a newly optimized CRM system and data analysis tools, the development team can design more personalized products tailored to the customers' needs, with an aim to alleviate the impact on sales caused by product similarity. In addition, after reforms in the Group's production base at Shunde, its production efficiency and cost control are improving, and the production base has gradually transformed into a boutique production line with high development capability. Coping with the increasingly mature procurement team, the Group builds itself a long term solid base to continuously launch products with high price–performance ratio to the market. It is critical for a retailer to be able to place the right product at the right place and at the right time. To this end, the Group will persistently enhance its logistic distribution efficiency by integrating regional warehouses to shorten the delivery lead time and by adopting new system for goods replenishment between online and offline channels to deliver better services to the customers.

Data shows that the e-commerce market still has great growth potentials. Therefore, the Group will continue to deploy resources for the development of e-commerce business. Targeting the younger generations, the Group will increase the use of social media platforms for promotion, and will work more closely with fashion bloggers and KOLs to explore new source of customers and retain loyal customers. With a more competitive environment, many small-scale e-commerce operators had been eliminated over the past two to three years. To maintain our competitiveness, the Group will exercise strict cost control to ensure a stable long-term growth of our e-commerce business.

In the face of challenges arising from the New Retail concept, the Group keeps abreast of the latest trend to actively facilitate online and offline business integration. Through cooperation with various omni channel department stores and e-commerce platforms, we can extend our reach to customers and further understand their needs and preferences so that we can deliver better and more convenient shopping experiences, thereby expanding our target customer base as well as enhancing operational efficiency and market penetration.

In respect of business expansion, the Group will focus on the stores at the first and second tier cities in Mainland China. For other regions with high growth potentials, the Group will work with the right strategic partners by ways of franchise or wholesale so as to obtain the most advantageous balance for the Group in terms of resources input, risks and returns. Meanwhile, the Group will also actively consider extending our reach to nearby overseas markets.

The Group has proactively streamlined our sales and management structure, and successfully controlled our cost over the past few years. The Group will continue to enhance these relevant policies so as to maintain a highly efficient and flexible operating structure. Under the New Retail market environment, the Group will adopt more advanced data analytic technologies to upgrade our corporate informationalizaton level, in order to provide excellent products and services to our customers.

The Group believes that the implementation of the said policies and measures will strengthen our core competitiveness, which will help to turnaround our performance and provide stable return to our shareholders.

PLEDGE OF ASSETS

As at 28 February 2019, bank deposit of RMB700,000 (28 February 2018: RMB600,000) has been pledged as rental deposit for a subsidiary of the Company.

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 RMB212,900,000 (28 February 2018: RMB202,400,000), of which RMB2,400,000 (28 February 2018: RMB3,500,000) was utilised as at 28 February 2019.

DIVIDEND

The Board has recommended a final special dividend of HK35.0 cents (the "Final Special Dividend") per ordinary share for the year ended 28 February 2019 (28 February 2018: a final dividend of HK3.6 cents per ordinary share and a final special dividend of HK4.4 cents per ordinary share) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 16 July 2019. The proposed Final Special Dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company. If approved, the Final Special Dividend is expected to be paid on or around Thursday, 25 July 2019, while a circular containing further details of notice of the AGM will be despatched to the Shareholders as soon as practicable.

No interim dividend or interim special dividend was paid for the six months ended 31 August 2018 (six months ended 31 August 2017: interim dividend of HK3.3 cents per ordinary share and interim special dividend of HK1.7 cents per ordinary share).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2019, the Group had a staff force of 2,958 people (28 February 2018: 3,653 people). Of this number, 77 were based in Hong Kong and Macau and 2,881 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 2019, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB301,300,000 (2017/2018: RMB332,900,000). 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.

EXECUTIVE DIRECTORS

Cheng Wang, Gary, aged 47, 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 internal audit, information technologies and investor relations, 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 South 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 had over 18 years of experience in providing consulting services of corporate strategic planning, process improvement, cost control and financial management.

Chui Kwan Ho, Jacky, aged 55, first joined the Group in 1981 and was appointed as an Executive Director of the Company 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 certain subsidiaries of the Company. Ms. Chui is responsible for the Group's manufacturing management of production facilities in Mainland China, product design and development, e-commerce business operations, marketing, human resources and administration functions. She has over 33 years of experience in retail and production management. Prior to re-joining the Group, she was the chief executive officer in a renowned handbag company in Mainland China and was responsible for footwear products development, manufacturing management and retail operations.

Liao Jian Yu, aged 49, joined the Group in March 2010 as the general manager of 信蝶商業(杭州)有限公司 ("Xindie"), which is and was at the material times a 66.7% owned subsidiary of the Group, and was mainly responsible for business development and retail operation in Zhejiang and Anhui provinces in Mainland China. The remaining 33.3% of the equity interest in Xindie, of which her spouse is a director and legal representative, is and was at the material times owned by a company owned by Ms. Liao and her spouse. She was appointed as an Executive Director of the Company in March 2018 and is responsible for retail and franchise operation and business development of the Group in Mainland China. Prior to joining the Group, she was a franchisee of the Group which operated in Zhejiang province. Ms. Liao has over 21 years of experience in business development and retail management in Mainland China and was given the award "巾幗創業帶頭人" at Hangzhou Xiacheng District in February 2018.

NON-EXECUTIVE DIRECTORS

James Ngai, aged 56, 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 30 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"). He is also an independent non-executive director of Max Sight Group Holdings Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Lee Tze Bun, Marces, aged 85, is the founder of the Group and a Non-Executive Director of the Company. Mr. Lee has over 40 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 69, joined the Group in January 2006. He is an Independent Non-Executive Director of the Company, the chairman of the 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 29 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, the shares of which are listed on the Stock Exchange. He was previously an independent non-executive director of Sansheng Holdings (Group) Co. Ltd. (formerly known as Lifestyle Properties Development Limited), the shares of which are listed on the Stock Exchange.

Leung Wai Ki, George, aged 61, 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 31 years of experience in accounting, financial management, auditing and receivership. He is a director and financial controller of a real estate development company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Hui Chi Kwan, aged 70, 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. Mr. Hui is also an independent non-executive director of Max Sight Group Holdings Limited, the shares of which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Yuen Chee Wing, aged 53, joined the Group in August 2010. He is the Chief Financial Officer and Company Secretary of the Company and is responsible for the Group's financial control and accounting, treasury, tax, legal and company secretarial matters. 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 24 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 Wing Yeung, Peter, aged 60, joined the Group in January 2000. He is the 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 13 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 50, joined the Group in September 1997. She is the General Manager (Southern China) of the Group and is responsible for the Group's retail business operations in the southern region of Mainland China. Ms. Li has over 22 years of retail experience in Mainland China.

Xiao Kun Min, aged 44, joined the Group in March 2004. She is the General Manager (Southwestern China) of the Group and is responsible for the Group's retail business operations in southwestern region of Mainland China. Ms. Xiao has over 23 years of retail experience in Mainland China.

Yang Xiao Hui, aged 41, joined the Group in February 2012. He is the General Manager of e-Commerce of the Group and is responsible for the e-commerce business operation and development of the Group in Mainland China. Mr. Yang has over 20 years of experience in online brand development and e-commerce business management.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of, and applied the principles in, 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 generally independent non-executive Directors and other non-executive Directors should also attend general meetings. Due to other business engagement, Mr. Lee Tze Bun, Marces, a Non-Executive Director and Mr. Leung Wai Ki, George, an Independent Non-Executive Director were unable to attend the annual general meeting of the Company held on 16 July 2018.

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

During the year ended 28 February 2019, the Board comprised three executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has established three Board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "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 elsewhere in this report.

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

During the year ended 28 February 2019 and up to the date of this report, the Board comprises the following members:

Executive Directors
Mr. Cheng Wang, Gary *(Chief Executive Officer)*
Ms. Chui Kwan Ho, Jacky
Ms. Liao Jian Yu
(appointed with effect from 16 March 2018)

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;

(c) Ms. Chui Kwan Ho, Jacky was a trustee of The Lee Keung Charitable Foundation ("Charitable Foundation"), of which Mr. Lee Tze Bun, Marces is the founder. On 24 September 2018, she ceased to be the trustee of the Charitable Foundation; and

(d) Both Mr. James Ngai and Mr. Hui Chi Kwan are independent non-executive directors of Max Sight Group Holdings Limited (stock code: 8483).

The biographical details of each Director are set out in the section headed "Board of Directors and Senior Management" on pages 21 to 23 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. Whilst Mr. James Ngai and Mr. Hui Chi Kwan are directors of both the Company and Max Sight Group Holdings Limited (stock code: 8483) and thus hold cross-directorships, the Board determines that Mr. Hui is nevertheless independent with respect to his directorship at the Company since Mr. Ngai and Mr. Hui hold only non-executive roles at both companies and have no interest in both companies as disclosed under Part XV of the Securities and Futures Ordinance.

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 8 physical meetings and 2 written resolutions were signed and passed by all Directors. 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	A, B
Ms. Chui Kwan Ho, Jacky	A, B
Ms. Liao Jian Yu *(appointed with effect from 16 March 2018)*	A, B
Non-Executive Directors:	
Mr. James Ngai	A, B
Mr. Lee Tze Bun, Marces	B
Independent Non-Executive Directors:	
Mr. Lam Siu Lun, Simon	A, B
Mr. Leung Wai Ki, George	A, B
Mr. Hui Chi Kwan	A, B

Remarks:

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

Directors' and Officers' Liability Insurance

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

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

The Board is responsible for selecting and appointing individuals with integrity, experience and caliber to act as Directors. The Board reviews the profiles of the candidates and seeks recommendations from the Nomination Committee 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 2019 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 6 physical meetings with the external auditor, internal auditor and independent consultants and 1 written resolution was signed and passed by all members of the Audit Committee. The Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer were invited to attend the meetings. The attendance records of each member of the Audit Committee 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 an independent consulting firm 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 2019 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 1 written resolution was signed and passed by all members of the Remuneration Committee. The attendance records of each member of the Remuneration Committee 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's emoluments by band during the year are set out in notes 10 and 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 2019 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 1 written resolution was signed and passed by all members of the Nomination Committee. The attendance records of each member of the Nomination Committee 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)

Board Diversity Policy

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 21 to 23 of this report. In implementing the board diversity policy, the Board aims to have a balanced composition in each of the relevant areas, but recognizing at the same time that all Board appointments must be based on meritocracy having regard to the best interests of the Company and the Shareholders.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy

On 10 December 2018, the Board adopted a nomination policy (the “Nomination Policy”) with the aim to set out the criteria and procedures for the Nomination Committee considering candidates to be appointed or re-appointed as the Directors.

(1) The factors listed below will be considered in assessing the suitability of a candidate:

- age, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;
- effect on the Board’s composition and diversity;
- commitment of the candidate to devote sufficient time to effectively discharge his/her duties as a member of the Board and/or Board committee(s) of the Company. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- scrutinizing the Company’s performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- independence of the candidate in accordance with Rule 3.13 of the Listing Rules subject to its amendments from time to time;
- potential/actual conflicts of interest that may arise if the candidate is selected;
- in the case of a proposed re-appointment of an independent non-executive Director, the number of years he/she has already served;
- conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate; and
- other factors considered to be relevant by the Nomination Committee on a case by case basis.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

Nomination Policy (Continued)

(2) Process of appointment of a new director:

(a) the Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agents, and should, upon receipt of the proposal on appointment of a new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. If an independent non-executive Director is to be appointed, the Nomination Committee and/or the Board will also assess and consider whether the candidate can satisfy the independence requirements as set out in the Listing Rules;

(b) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(c) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable; and

(d) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(3) Re-election of Director at General Meeting:

(a) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and his/her level of participation and performance on the Board;

(b) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above. If an independent non-executive Director is subject to the re-election, the Nomination Committee and/or the Board will also assess and consider whether the independent non-executive Director will continue to satisfy the independence requirements as set out in the Listing Rules; and

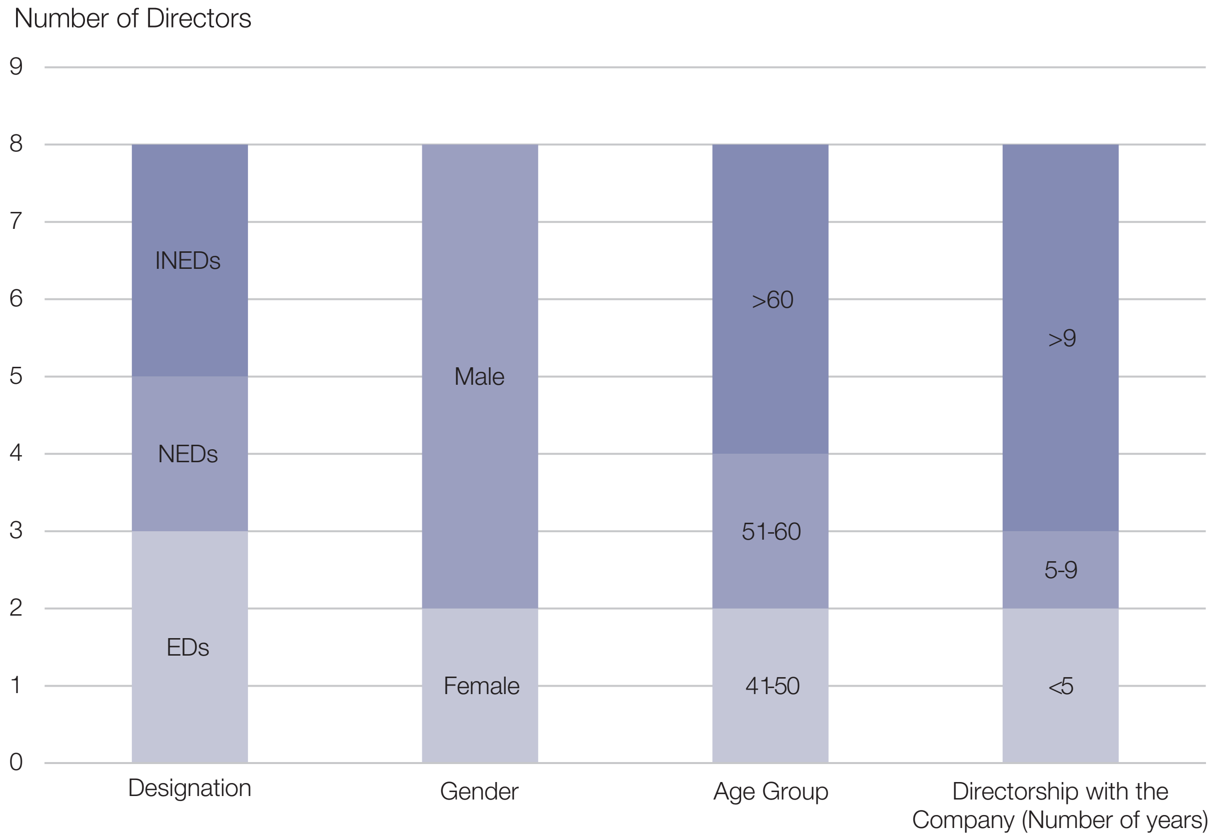
(c) The Nomination Committee and/or the Board should then make recommendation to shareholders of the Company in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders of the Company and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The following graph provides an analysis on the composition of the Board as at the date of this report:



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 and Nomination Committee and the annual general meeting of the Company ("2018 AGM") during the year ended 28 February 2019 are set out below:

		Number of physical meetings attended/held during his/her tenure				
	Note	Board	Audit Committee	Remuneration Committee	Nomination Committee	2018 AGM
Executive Directors:						
Mr. Cheng Wang, Gary	1	8/8	5/5	N/A	N/A	1/1
Ms. Chui Kwan Ho, Jacky	2	8/8	N/A	1/1	N/A	1/1
Ms. Liao Jian Yu *(appointed with effect from 16 March 2018)*		7/7	N/A	N/A	N/A	1/1
Non-Executive Directors:						
Mr. James Ngai	3	8/8	6/6	1/1	1/1	1/1
Mr. Lee Tze Bun, Marces		0/8	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:						
Mr. Lam Siu Lun, Simon		7/8	6/6	1/1	1/1	1/1
Mr. Leung Wai Ki, George		8/8	6/6	1/1	1/1	0/1
Mr. Hui Chi Kwan		8/8	6/6	1/1	1/1	1/1

Notes:

1. Mr. Cheng Wang, Gary attended the Audit Committee meetings as an invitee.

2. Ms. Chui Kwan Ho, Jacky attended the Remuneration Committee meeting as an invitee.

3. 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 ensuring the application of the principles in the CG Code and introducing and proposing other 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 further disclosed and explained elsewhere in this 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 2019, 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 in the course of preparing and reviewing the financial statements for the year under review.

The reporting responsibilities of the external auditor of the Company, PricewaterhouseCoopers, on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 57 to 61 of this report.

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

ACCOUNTABILITY AND AUDIT (CONTINUED)

Auditor's Remuneration

For the year ended 28 February 2019, the fees in respect of audit and non-audit services (the non-audit services comprised of agreed upon procedures and tax advisory services only) provided to the Group by the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$2,250,000 (2017/18: HK$2,050,000) and HK$488,000 (2017/18: HK$329,000) 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 resigned and Mr. Yuen Chee Wing ("Mr. Yuen") was appointed as the Company Secretary on 1 January 2019. In his capacity as the Company Secretary, Mr. Yuen reports to the Board and is responsible for advising the Board on corporate governance matters. In compliance with Rule 3.29 of the Listing Rules, Mr. Yuen took not less than 15 hours of relevant professional training during the year. Mr. Yuen's biographical detail is set out in the section headed "Board of Directors and Senior Management" on page 23 of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors since 4 October 2005. The terms of the Code of Conduct are no less exacting than the required standard in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code 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 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 2019 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 said systems at least annually (and has done so during the year) 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 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.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

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 of 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, the Group set up an internal audit department (the "Internal Auditor") in August 2017 with an aim to continuously improve the effectiveness of risk management and internal control of the Group. The Internal Auditor is required to prepare a risk oriented annual audit plan, and on the basis of risk assessment results, determine the work focus of internal audit that is in line with the organization objective. The annual audit plan should be subject to approval by the Audit Committee.

Further, the Board has engaged an independent consulting firm (the "Consultant") to conduct a thorough review of the effectiveness of the Group's risk management and internal control systems for the period from 1 March 2018 to 28 February 2019 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.

After conducting a review of the effectiveness of the risk management and internal control systems of the Group during the year, the Internal Auditor and the Consultant reported to the Audit Committee and the Audit Committee was satisfied that there had been no major deficiency noted in the Group's risk management and internal control systems after implementation of the recommendations of the Internal Auditor and the Consultant with regard to internal control defects. The Audit Committee reviews annually, and has reviewed during the year, 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. Based on the foregoing review, the Audit Committee and the Board considered the risk management and internal control systems to be effective and adequate during the year.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

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

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulates 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, on a course of actions for rectifying the problem and avoiding recurrence.

DIVIDEND POLICY

The Company intends to create long term value for the Shareholders through maintaining a balance between dividend distribution, preserving adequate liquidity and reserve to meet its working capital requirements and capturing future growth opportunities. The Board has sole discretion to declare and distribute dividends to the Shareholders subject to any restrictions under the Companies Act 1981 of Bermuda (as amended), the Memorandum of Association and the Bye-Laws of the Company and any other applicable laws, rules and regulations.

During the year, the Board adopted a dividend policy (the "Dividend Policy") to provide guidance on whether to propose a dividend and to guide the Board to consider, *inter alia*, the following factors in determining the dividend amount:

- the Group's actual earnings performance;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- the Group's liquidity position;
- general economic conditions, business cycle of the Group's business and internal or external factors that may have an impact on the business, financial results and position of the Company; and
- other factors that the Board may deem appropriate and relevant.

The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period. The Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

The Company treats all Shareholders equally and ensures that the Shareholders' rights are protected and every convenience is provided to them where practicable to enable the exercise of their rights.

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 Suites 1104–1106, 11th 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 Suites 1104–1106, 11th 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.

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: Suites 1104–1106, 11th Floor, 1063 King's Road, Quarry Bay, Hong Kong
   Facsimile: (852) 2554 9304

   Shareholders may also make enquiries with the Board at 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 media outlets via regular one-on-one meetings, factory visits 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 2019.

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 2019.

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 is principally engaged in manufacturing and sale of footwear.

Details of the analysis of the Group's performance for the year ended 28 February 2019 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 9 of this report and Management's Discussion and Analysis on pages 10 to 20 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 complying 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 it operates.

The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to production plants, retail shops, warehouses and offices. The Group will prioritize the purchase of eco-friendly materials 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 the equipment necessary for different kinds of meetings including 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 2019.

(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 packages and developing a harmonious workplace. To enhance the capabilities and productivity of its employees, the Group provides a comprehensive training program to instill them with quality service skills, product knowledge and language and interpersonal skills. In addition, the Group organizes regular retail staff gatherings to promote team spirit and awards 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 with business dealings with the Group.

(d) Shareholders and Investors

The Board believes effective communication and the disclosure of accurate and timely information build the confidence of Shareholders and investors, and also facilitate 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 2019 are set out in the consolidated income statement on page 62 of this report.

No interim dividend or interim special dividend was paid (2017/18: interim dividend of HK3.3 cents per ordinary share and interim special dividend of HK1.7 cents per ordinary share, totalling approximately RMB30,879,000) for the year ended 28 February 2019.

The Board has resolved to recommend the payment of a final special dividend of HK35.0 cents per ordinary share (the "Final Special Dividend") (2017/18: a final dividend of HK3.6 cents per ordinary share and a final special dividend of HK4.4 cents per ordinary share), totaling approximately RMB210,428,000 in respect of the year ended 28 February 2019 (2017/18: a final dividend of RMB21,464,000 and a final special dividend of RMB26,234,000). Subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 8 July 2019 (the "AGM"), the proposed Final Special Dividend will be payable on 25 July 2019 to the Shareholders whose names appear on the register of members of the Company on 16 July 2019.

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on page 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 available for distribution to the Shareholders are set out in note 30 to the consolidated financial statements.

DONATIONS

The Group did not make any charitable donation during the year (2017/18: NIL).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-Laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the principal investment properties held by the Group are set out in note 15 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Details of principal subsidiaries and joint ventures of the Group are set out in notes 18 and 19 to the consolidated financial statements respectively.

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)*
Ms. Chui Kwan Ho, Jacky
Ms. Liao Jian Yu
(appointed with effect from 16 March 2018)

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 21 to 23 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Bye-Laws, Mr. Lee Tze Bun, Marces, Mr. Lam Siu Lun, Simon and Mr. Hui Chi Kwan shall retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

INDEPENDENCE CONFIRMATION

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of their respective independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers that all Independent Non-Executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the guidelines. Whilst Mr. James Ngai and Mr. Hui Chi Kwan are both directors of the Company and Max Sight Group Holdings Limited (stock code: 8483) and thus hold cross-directorships, the Board determines that Mr. Hui is nevertheless independent with respect to his directorship at the Company since Mr. Ngai and Mr. Hui hold only non-executive roles at both companies and have no interest in both companies as disclosed under Part XV of the Securities and Futures Ordinance.

DIRECTORS' SERVICE CONTRACTS

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 (other than statutory 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 a fixed term of 2 years with the Company with effect from 1 June 2018 and 25 March 2019 respectively. In addition, Ms. Liao Jian Yu, who was appointed as an Executive Director on 16 March 2018, entered into a service contract with an indirect wholly-owned subsidiary of the Company with effect from 16 March 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the 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

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 Directors of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, subsequent to the publication of the annual report of the Company for the year ended 28 February 2018 are set out below:

Name of Directors	Details of change
Executive Director:	
Ms. Liao Jian Yu	• Appointed as an Executive Director with effect from 16 March 2018 • Entered into a service contract with an indirect wholly-owned subsidiary without a fixed term commencing on 16 March 2018
Non-Executive Directors:	
Mr. Lee Tze Bun, Marces	• Renewed service contract with the Company with a fixed term of 2 years commencing on 1 June 2018 and ending on 31 May 2020
Mr. James Ngai	• Renewed service contract with the Company with a fixed term of 2 years commencing on 25 March 2019 and ending on 24 March 2021

Saved as disclosed above, there is no other information required to be disclosed herein 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 2019, 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")	54,561,000	–	36,600,000 *(Notes 1 & 2)*	280,500,000 *(Notes 3 & 4)*	371,661,000	52.65%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	5,027,000	–	–	–	5,027,000	0.71%
Ms. Liao Jian Yu ("Ms. Liao")	299,200	–	–	–	299,200 *(Note 5)*	0.04%
Mr. Leung Wai Ki, George ("Mr. Leung")	–	–	–	1,700,000	1,700,000 *(Note 6)*	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.

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)

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 (as defined in section 308 of the SFO) 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 the founder (as defined in section 308 of the SFO), 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. Liao personally held 114,400 Shares and was entitled to 184,800 share options granted by the Company, the underlying Shares of which she was taken to have an interest.

6. 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

		Adjusted number of Shares *(Note 3)*								
Name of Director	Date of share options granted *(Notes 1 & 2)*	Balance as at 1 March 2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Adjustment during the year *(Note 4)*	Total outstanding as at 28 February 2019	Adjusted exercise price per Share *(Note 3)* HK$	Exercise period
Ms. Liao	10 July 2012	–	–	–	–	–	184,800	184,800	2.185	10 July 2016 – 9 July 2022
Total		–	–	–	–	–	184,800	184,800		

Notes:

1. The vesting period of the above share options is from their date of grant until the commencement of their exercise period.

2. The closing price of the Shares immediately before 10 July 2012 on which the share options were granted was HK$2.41 per Share.

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 attached 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 10 July 2012 was HK$2.404. For details, please refer to the announcement of the Company dated 29 July 2015.

4. Ms. Liao had been entitled to 184,800 share options granted by the Company immediately before and after her appointment as a Director of the Company with effect from 16 March 2018.

Save as disclosed above, as at 28 February 2019, none of the Directors or chief executive (including their spouse and children under 18 years of age) of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS 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 2019, (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 2019, 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 Directors 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 (as defined in section 308 of the SFC) 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**	**Spouse interests**	**Other interests**	**Total**	**Approximate percentage of the issued Share capital of the Company**
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	1	6,985,000	–	55,000,000	61,985,000	8.78%
Mr. Li Wing Yeung Peter ("Mr. Li")	2	6,239,200	11,000	55,000,000	61,250,200	8.67%
Ms. Cheung Man Ching Teresa ("Ms. Cheung")	3	–	2,585,000	55,000,000	57,585,000	8.15%
Ms. Lee, Mr. Li and Ms. Cheung 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 by her, Mr. Li and Ms. Cheung as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.

2. Mr. Li was interested in an aggregate of 61,250,200 Shares (comprising 5,909,200 Shares personally held by him as beneficial owner and 330,000 share options granted to him by the Company, 11,000 Shares held by his spouse as beneficial owner and 55,000,000 Shares jointly held by him, Ms. Lee and Ms. Cheung as trustees of the Charitable Foundation), representing approximately 8.67% of the issued share capital of the Company.

3. Ms. Cheung was interested in an aggregate of 57,585,000 Shares (comprising 2,585,000 Share held by her spouse as beneficial owner and 55,000,000 Shares jointly held by her, Ms. Lee and Mr. Li as trustees of the Charitable Foundation), representing approximately 8.15% of the issued share capital of the Company.

4. Ms. Lee, Mr. Li and Ms. Cheung 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 2019, 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 1,624,700 Shares, representing approximately 0.23% 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 option 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 Shares on 27 June 2011 and 10 July 2012 respectively. Particulars of such share options and their movement during the year ended 28 February 2019 were as follows:

		Adjusted number of share options *(Note 5)*								
Name or Category of Participant	**Date of share options granted** *(Notes 1 & 2)*	**Balance as at 1 March 2018**	**Granted during the year** *(Note 3)*	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Adjustment during the year** *(Note 4)*	**Outstanding as at 28 February 2019**	**Adjusted exercise price per Share** *(Note 5)* HK$	**Exercise period**
Director										
(Note 6)	27 June 2011	–	–	–	–	–	–	–	4.300	27 June 2014 – 26 June 2021
	27 June 2011	–	–	–	–	–	–	–	4.300	27 June 2015 – 26 June 2021
	27 June 2011	–	–	–	–	–	–	–	4.300	27 June 2016 – 26 June 2021
	10 July 2012	–	–	–	–	–	–	–	2.185	10 July 2014 – 9 July 2022
	10 July 2012	–	–	–	–	–	–	–	2.185	10 July 2015 – 9 July 2022
	10 July 2012	–	–	–	–	–	184,800	184,800	2.185	10 July 2016 – 9 July 2022
Sub-total		–	–	–	–	–	184,800	184,800		
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	111,100	–	–	–	–	–	111,100	2.185	10 July 2014 – 9 July 2022
	10 July 2012	590,700	–	–	–	(146,300)	–	444,400	2.185	10 July 2015 – 9 July 2022
	10 July 2012	1,458,600	–	–	–	(389,400)	(184,800)	884,400	2.185	10 July 2016 – 9 July 2022
Sub-total		3,260,400	–	–	–	(1,635,700)	(184,800)	1,439,900		
Total		3,260,400	–	–	–	(1,635,700)	–	1,624,700		

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 the 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. Ms. Liao had been entitled to 184,800 share options granted by the Company immediately before and after her appointment as a Director of the Company with effect from 16 March 2018, so that her share optinos were adjusted from the category of employees to directors.

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

6. For a detailed breakdown of the Director's interest in share options, please refer to page 49 of this report.

CONNECTED TRANSACTIONS

During the year, for the purpose of the Listing Rules, the following connected transactions (including continuing connected transactions) subsisted or were agreed between the Group and the connected person(s) (as defined under the Listing Rules) of the Company:

Pursuant to a purchase framework agreement dated 19 April 2018 (the "2018 Purchase Framework Agreement") entered into between 昶信貿易(天津)有限公司 (Changxin Trading (Tianjin) Limited*) ("Changxin"), an indirect wholly-owned subsidiary of the Company and 信蝶商業(杭州)有限公司 (Xindie Commercial (Hangzhou) Limited*) ("Xindie"), a non-wholly owned subsidiary of the Company, Changxin agreed to sell and Xindie agreed to purchase certain products (including footwear and handbags) of the Group's brands for a term commencing on 19 April 2018 and expiring on 28 February 2019.

The aggregate purchase price payable under the purchase orders/purchase contracts entered into pursuant to the 2018 Purchase Framework Agreement for the period ending 28 February 2019 shall not exceed RMB28,000,000. Details of the 2018 Purchase Framework Agreement were disclosed in the Company's announcement dated 19 April 2018. The aggregate transaction amount under the 2018 Purchase Framework Agreement was approximately RMB25,549,000 for the year ended 28 February 2019.

On 25 February 2019, Changxin and Xindie entered into another purchase framework agreement (the "2019 Purchase Framework Agreement") in relation to the renewal of the 2018 Purchase Framework Agreement for a term of one year commencing on 1 March 2019 and expiring on 29 February 2020. The aggregate purchase price payable under the purchase orders/purchase contracts entered into pursuant to the 2019 Purchase Framework Agreement for the period ending 29 February 2020 shall not exceed RMB27,000,000. Details of the 2019 Purchase Framework Agreement were disclosed in the Company's announcement dated 25 February 2019.

The 2018 Purchase Framework Agreement and the 2019 Purchase Framework Agreement are collectively known as "Purchase Framework Agreements".

Xindie is a non wholly-owned subsidiary of the Company which Ms. Liao and her spouse together can control the exercise of 33.3% of the voting power at its general meeting (through a corporate shareholder of Xindie owned by Ms. Liao and her spouse), and is therefore a connected subsidiary of the Company. Xindie is also a 30%-controlled company held indirectly by Ms. Liao and her spouse and is hence an associate of Ms. Liao. Accordingly, Xindie is a connected person of the Company and the transactions contemplated under the Purchase Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the respective transactions contemplated under the Purchase Framework Agreements is more than 0.1% but less than 5%, the respective transactions are subject to the reporting, annual review and announcement requirements but are exempted from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* *For identification purpose only*

CONNECTED TRANSACTIONS (CONTINUED)

All Independent Non-Executive Directors have reviewed, during the year ended 28 February 2019, 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 Purchase Framework Agreements, on terms which are fair and reasonable, and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. According to the Board, the auditor has issued an unqualified letter to the Board, confirming that nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions disclosed in this report (1) have not been approved by the Board; (2) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; or (4) have exceeded the annual cap for the continuing connected transactions. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Save as disclosed above, related party transactions disclosed in note 36 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 2019.

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 existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 1.7% of the total revenue from sales of goods for the year and sales to the largest customer included therein amounted to approximately 0.9% of the total revenue from sales of goods for the year. Purchases from the Group's five largest suppliers accounted for approximately 32.5% of the total purchases for the year and purchases from the largest supplier amounted to approximately 7.4%.

None of the Directors or any of their respective close associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Shares) had any 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 24 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 2019 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming AGM.

By Order of the Board

James Ngai
Chairman

Hong Kong, 21 May 2019

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 62 to 138, which comprise:

- the consolidated balance sheet as at 28 February 2019;
- 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 2019, 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.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 the matter.

Key audit matter identified in our audit is as follows:

- Provision for impairment of inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories Refer to Note 4(d) and Note 22 to the consolidated financial statements. At 28 February 2019, the Group's gross inventories and provision for impairment of inventories amounted to RMB346,911,000 and RMB21,467,000, respectively. As described in the accounting policies in Note 2.13 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.	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. • Evaluated 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories (Continued) 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 future sale of inventory 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.	• Tested the mathematical accuracy of management's year end calculation of provision for impairment of inventories. • Evaluated the future sales plans with reference to historical sales performance of similar products through different sales channels, external market data and the Group's business strategies identified through enquiries with management. 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 the information included in Financial Highlights, Corporate Information, Shareholder Information, Key Milestones, Chairman's Statement, Management's Discussion and Analysis, Board of Directors and Senior Management, Corporate Governance Report, Report of the Directors, Five-Year Financial Summary and Investment Properties (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Environmental, Social and Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE 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, matter 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 is 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 matter, 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 matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matter communicated with the Audit Committee, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter 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 Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 May 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 28 February 2019

	Note	**Year ended 28 February 2019 RMB'000**	Year ended 28 February 2018 RMB'000
Revenue	5	**908,784**	1,130,560
Cost of sales	7	**(338,568)**	(387,065)
Gross profit		**570,216**	743,495
Other income	6	**15,244**	25,958
Other (losses)/gains, net	6	**(7,226)**	42,682
Impairment losses on trade receivables	7	**(5,454)**	–
Selling and distribution expenses	7	**(436,745)**	(548,478)
General and administrative expenses	7	**(160,982)**	(178,127)
Operating (loss)/profit		**(24,947)**	85,530
Finance income, net	8	**11,508**	8,239
Share of profit of a joint venture	19	**–**	74
(Loss)/profit before income tax		**(13,439)**	93,843
Income tax expense	12	**(13,889)**	(33,600)
(Loss)/profit for the year		**(27,328)**	60,243
(Loss)/profit for the year attributable to:			
– owners of the Company		**(28,032)**	59,676
– non-controlling interest		**704**	567
		(27,328)	60,243
(Losses)/earnings per share attributable to the owners of the Company (express in RMB cents)			
– Basic	13	**(3.97)**	8.45
– Diluted	13	**(3.97)**	8.45
Dividends	14	**210,428**	78,577

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 28 February 2019

	Note	**Year ended 28 February 2019 RMB'000**	Year ended 28 February 2018 RMB'000
(Loss)/profit for the year		**(27,328)**	60,243
Other comprehensive income for the year, net of tax			
Item that will not be reclassified to consolidated income statement			
– Actuarial (losses)/gains on retirement benefit obligation	29	**(524)**	24
Items that will be reclassified to consolidated income statement			
– Currency translation differences		**19,918**	(45,985)
– Reversal of impairment of interest in an available-for-sale financial asset		**–**	2,500
– Disposal of an available-for-sale financial asset		**–**	(2,500)
Total comprehensive (loss)/income for the year		**(7,934)**	14,282
Total comprehensive (loss)/income for the year, attributable to:			
– owners of the Company		**(8,638)**	13,715
– non-controlling interest		**704**	567
		(7,934)	14,282

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 28 February 2019

	Note	As at 28 February 2019 RMB'000	As at 28 February 2018 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	56,360	128,594
Property, plant and equipment	16	153,306	94,391
Land use rights	17	20,442	21,239
Long-term deposits and prepayments	23	4,632	5,898
Deferred income tax assets	21	54,302	53,538
		289,042	303,660
Current assets			
Inventories	22	325,444	331,355
Trade and other receivables	23	74,940	116,705
Deposits and prepayments	23	45,471	49,705
Pledged bank deposit	24	665	624
Cash and bank balances	24	590,596	603,123
		1,037,116	1,101,512
Total assets		1,326,158	1,405,172
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	27	59,979	59,979
Reserves			
Proposed dividends	30	210,428	47,698
Others	30	905,309	1,124,653
		1,175,716	1,232,330
Non-controlling interest		10,450	10,451
Total equity		1,186,166	1,242,781

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

	Note	As at 28 February 2019 RMB'000	As at 28 February 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	27,869	30,086
Current liabilities			
Trade payables, other payables and contract liabilities	26	106,378	127,173
Current income tax liabilities		5,745	5,132
		112,123	132,305
Total liabilities		139,992	162,391
Total equity and liabilities		1,326,158	1,405,172

The consolidated financial statements on pages 62 to 138 were approved by the Board of Directors on 21 May 2019 and were signed on its behalf.

James Ngai
Chairman

Cheng Wang, Gary
Director

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 28 February 2019

	Attributable to owners of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 March 2017	59,979	1,249,301	1,309,280	11,175	1,320,455
Comprehensive income					
Profit for the year	–	59,676	59,676	567	60,243
Other comprehensive income					
Currency translation differences	–	(45,985)	(45,985)	–	(45,985)
Actuarial gains on retirement benefit obligation	–	24	24	–	24
Reversal of impairment of interest in an available-for-sale financial asset	–	2,500	2,500	–	2,500
Disposal of an available-for-sale financial asset	–	(2,500)	(2,500)	–	(2,500)
Total comprehensive income for the year	–	13,715	13,715	567	14,282
Transactions with owners					
Dividends	–	(90,665)	(90,665)	(1,291)	(91,956)
Balance at 28 February 2018	59,979	1,172,351	1,232,330	10,451	1,242,781
Balance at 1 March 2018	**59,979**	**1,172,351**	**1,232,330**	**10,451**	**1,242,781**
Comprehensive income					
(Loss)/profit for the year	**–**	**(28,032)**	**(28,032)**	**704**	**(27,328)**
Other comprehensive income					
Currency translation differences	**–**	**19,918**	**19,918**	**–**	**19,918**
Actuarial losses on retirement benefit obligation	**–**	**(524)**	**(524)**	**–**	**(524)**
Total comprehensive (loss)/income for the year	**–**	**(8,638)**	**(8,638)**	**704**	**(7,934)**
Transactions with owners					
Dividends	**–**	**(47,976)**	**(47,976)**	**(705)**	**(48,681)**
Balance at 28 February 2019	**59,979**	**1,115,737**	**1,175,716**	**10,450**	**1,186,166**

The notes on pages 68 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 28 February 2019

	Note	Year ended 28 February 2019 RMB'000	Year ended 28 February 2018 RMB'000
Operating activities			
Net cash generated from operations	25(a)	47,937	74,725
Hong Kong and overseas taxation paid		(15,961)	(33,086)
Net cash generated from operating activities		31,976	41,639
Investing activities			
Interest income on bank deposits		8,308	7,039
Other finance income		3,200	1,229
Purchases of property, plant and equipment		(26,068)	(29,433)
Net cash outflow arising on acquisition of assets	33	–	(10,800)
Net proceeds from the disposal of an available-for-sale financial asset	34	–	35,676
Dividend received from available-for-sale financial asset		–	6,797
Dividend received from a joint venture		–	18,004
Decrease in amount due to joint venture		–	(1,000)
(Increase)/decrease in bank deposits with initial term over three months		(35,000)	20,000
Purchases of equity instrument		–	(11,428)
Proceeds from disposal of property, plant and equipment and land use right	25(b)	6,000	–
Proceeds from disposal of equity instrument		–	13,101
(Increase)/decrease in pledged deposit		(41)	689
Net cash (used in)/generated from investing activities		(43,601)	49,874
Financing activities			
Interest expense on short-term bank loan		–	(29)
Proceeds from short-term bank loan		–	17,802
Repayment of short-term bank loan		–	(17,802)
Dividends paid		(49,032)	(89,575)
Dividends paid to non-controlling interest		(705)	(1,291)
Net cash used in financing activities		(49,737)	(90,895)
Net (decrease)/increase in cash and cash equivalents		(61,362)	618
Effect of foreign exchange rate changes, net		13,835	(22,759)
Cash and cash equivalents at beginning of year		603,123	625,264
Cash and cash equivalents at end of year	24	555,596	603,123

The notes on pages 68 to 138 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 Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and the 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, 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 and interpretation adopted by the Group*

The Group has adopted the following new and amended standards and interpretation that have been issued and effective for the Group's financial year beginning on or after 1 March 2018:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 1 (Amendment)	First Time Adoption of HKFRS
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

Detailed impacts of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 2.2 below. The adoption of the other amended standards and interpretation has no material impact on the results and financial of the Group.

(b) *New and amended standards and interpretations not yet adopted*

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the financial year ended 28 February 2019 and have not been early adopted by the Group. The Group's assessment of the impact of these new and amended standards and interpretations is set out below.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle(1)
Conceptual framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting(2)
HKAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement(1)
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures(1)
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation(1)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(4)
HKFRS 16	Leases(1)
HKFRS 17	Insurance Contracts(3)
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments(1)

(1) Effective for the accounting period beginning on or after 1 March 2019
(2) Effective for the accounting period beginning on or after 1 March 2020
(3) Effective for the accounting period beginning on or after 1 March 2021
(4) Effective date to be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted (Continued)

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. In the consolidated income statement, rental expenses are not recognised while amortisation arising from the right-of-use assets and interest expense on the lease liabilities are recognised. The only exceptions are short-term and low value leases.

Impact

HKFRS 16 will primarily affect the accounting for the Group's operating leases. The Group applies the modified retrospective approach permitted by HKFRS 16. As at 28 February 2019, the Group had non-cancellable operating lease commitments of RMB69,735,000, see Note 31. The Group expects to recognise right-of-use assets of approximately RMB43,427,000 on 1 March 2019, lease liabilities of RMB46,414,000 (after adjustments for prepayments and accrued lease payments recognised as at 28 February 2019) with a corresponding adjustment of RMB2,987,000 to the opening balance of retained earnings.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 March 2019. The Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 28 February 2018, but are recognised in the opening consolidated balance sheet on 1 March 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	28 February 2018 as originally presented RMB'000	Effects of the adoption of HKFRS 9 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	1 March 2018 as restated RMB'000
Consolidated balances sheet (extract)				
Current liabilities				
Other payables, included in trade payables, other payables and contract liabilities	127,173	–	(7,272)	119,901
Contract liabilities, included in trade payables, other payables and contract liabilities	–	–	7,272	7,272

(a) *HKFRS 9 "Financial Instruments" – Impact of adoption*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) Classification and measurement

On 1 March 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories. There were no changes to the classification and measurement of financial instruments. All financial assets and liabilities were at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(ii) Impairment of financial asset

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Trade receivables; and
- Other financial assets carried at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While other receivables, deposits, pledged bank deposits, short-term bank deposits and cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment losses were immaterial.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on the ageing and shared credit risk characteristics, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Management has closely monitored the credit qualities and the collectability of the trade receivables. The adoption of the simplified expected credit loss approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 March 2018.

Other financial assets carried at amortised cost

For other financial assets carried at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the impairment will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortized cost and considers that the expected credit loss is immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Change in accounting policies (Continued)

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. Under the new standard, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

"Receipt in advance from customers" and "deferred revenue" which were previously included in other payables, amounting to RMB3,699,000 and RMB3,573,000, respectively, as at 1 March 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact when the Group recognises revenue from sales of goods.

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised identifiable assets. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and balance sheet, respectively.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(a) Business combinations (Continued)

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 consolidated income statement.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

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 the consolidated income statement.

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

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

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (Continued)

2.3.1 Consolidation (Continued)

(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 the consolidated income statement. 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 the profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3.2 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.

2.4 Joint arrangement

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined them to be a joint venture. A joint venture is accounted for using the equity method.

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangement (Continued)

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

2.5 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.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency and the Company's functional and 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 generally recognised in the consolidated income statement.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through the profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(c) Group companies

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

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

(ii) 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

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

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

2.7 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 are not occupied by the Group.

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

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment properties (Continued)

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

Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other (losses)/gains, net".

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

2.8 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 when replaced. 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	Over the lease period
Land and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

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 2.10).

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

2.9 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.

2.10 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 of disposal to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investment and other financial assets

(a) Classification

From 1 March 2018, the Group classifies its financial assets in the category of those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassified debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment and other financial assets (Continued)

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in "other (losses)/gains, net" together with foreign exchange gains and losses.

(d) *Impairment of financial assets*

From 1 March 2018, the Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment and other financial assets (Continued)

(e) *Accounting policies applied until 28 February 2018*

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 28 February 2018, the Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "trade and other receivables" and "cash and cash equivalents" (Notes 2.14 and 2.15).

Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Recognition and measurement

Both loans and receivables and available-for sale financial assets are initially recognised at fair value plus directly attributable transaction costs at acquisition. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised in the other comprehensive income.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in the other comprehensive income are reclassified to the consolidated income statement within "other (losses)/gains, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment and other financial assets (Continued)

(e) Accounting policies applied until 28 February 2018 (Continued)

Recognition and measurement (Continued)

Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognised in the consolidated income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. 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 was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could 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 decreased and the decrease could 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 was recognised in the profit or loss.

Impairment testing of trade receivables is described in Note 3.1(b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investment and other financial assets (Continued)

(e) Accounting policies applied until 28 February 2018 (Continued)

Assets classified as available-for-sale

If there was objective evidence of impairment 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 the profit or loss – was removed from equity and recognised in the profit or loss.

Impairment losses on equity instruments that were recognised in the profit or loss were not reversed through the profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss was reversed through the profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group of the counterparty.

2.13 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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.11 for further information about the Group's accounting for trade and other receivables for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other 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.

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

2.18 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income 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 consolidated income statement. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities in relation to investment properties that are measured at fair value are determined assuming the properties will be recovered entirely through sale.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

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

2.19 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 management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is 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.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods 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.

(a) *Sales of goods – retail and concessionaire sales*

Revenue from sales of goods including retail and concessionaire sales is recognised when control of the products has transferred, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) *Sales of goods – internet sales*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Dividend income

Dividends are received from financial assets measured at fair value through other comprehensive income ("FVOCI") (2018: available-for-sale financial assets). Dividends are recognised as other income in the profit or loss when the right to receive payment is established.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 31). 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.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.23 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI (2018: available-for-sale financial assets, and loans and receivables) calculated using the effective interest method is recognised in the consolidated income statement.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 8 below. Any other interest income is included in other income.

2.24 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.

(b) *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 with a ceiling of HK$1,500 per month to the MPF scheme. Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 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).

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 income statement, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share-based payments (Continued)

(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.

2.26 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, and no longer of the discretion of the Company, where appropriate.

2.27 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.

The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(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$, US$ and RMB. The Group is exposed to foreign exchange risk arising mainly from the exposure of HK$ and US$ 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 US$.

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 2019, if HK$ had strengthened/weakened by 3% against the RMB with all other variables held constant, loss for the year would have been approximately RMB1,422,000 lower/higher (2018: profit for the year would have been approximately RMB2,515,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of HK$ denominated deposits in banks, trade receivables and trade payables.

At 28 February 2019, if US$ had strengthened/weakened by 3% against the RMB with all other variables held constant, loss for the year would have been approximately RMB6,660,000 lower/higher (2018: profit for the year would have been approximately RMB4,044,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of US$ denominated deposits in banks and trade payables.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

(b) Credit risk

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

Sales to retail customers are made in cash or via major credit cards. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 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 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.

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.

Impairment of financial assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivable.

To measure the expected credit losses, trade receivables has been grouped based on the ageing and shared credit risk characteristics.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 28 February 2019 and 1 March 2018, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers on, an individual or collective basis, to settle the receivables. As at 28 February 2019 and 1 March 2018, other than disclosed in the table as follows, which is on an individual basis, the loss allowances determined on the collective basis were not material.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Movement in loss allowances for trade receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	980	980
Write off provision for impairment	(980)	–
Increase in loss allowance recognised in the consolidated income statement during the year	5,454	–
At end of year	5,454	980

For other financial assets at amortised cost, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is immaterial.

(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.

	2019 RMB'000	2018 RMB'000
Less than 1 year		
Trade and other payables	82,359	103,313

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.

The table below analyses the Group's capital structure as at 28 February 2019:

	2019 **RMB'000**	2018 RMB'000
Cash and cash equivalents	**555,596**	603,123
Bank deposits with initial term over three months	**35,000**	–
Pledged deposits	**665**	624
Net cash position	**591,261**	603,747
Total equity	**1,186,166**	1,242,781
Total capital	**1,777,427**	1,846,528

As at 28 February 2019, the Group maintained a net cash position of RMB591,261,000 (2018: RMB603,747,000).

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities, including cash and bank balances, pledged bank deposits, trade and other receivables, trade and other payables approximate their fair values, which either due to their short-term maturities.

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 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.

(b) Impairment of non-financial assets

The impairment loss for non-financial assets, comprising property, plant and equipment and land use rights, is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Notes 2.8 to 2.10. 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.

(c) Taxes

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) 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.

(e) 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 (loss)/profit. This measurement basis excludes other income (excluding government incentives), other (losses)/gains, net, finance income, net, share of profit of a joint venture and unallocated expenses.

Segment assets mainly exclude deferred income tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude current income tax liabilities, deferred income tax liabilities and other liabilities that are managed on a central basis.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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.

Sales of goods are recognised at a point in time when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(i) The segment information provided to the executive directors for the reportable segments for the year ended 28 February 2019 is as follows:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	850,949	57,835	–	908,784
Reportable segment loss	(10,551)	(6,891)	–	(17,442)
Other income (excluding government incentives)				78
Other losses, net				(7,226)
Finance income, net				11,508
Share of profit of a joint venture				–
Unallocated expenses				(357)
Loss before income tax				(13,439)
Income tax expense				(13,889)
Loss for the year				(27,328)
Depreciation and amortisation	31,858	1,784	–	33,642
Additions to non-current assets (other than deferred income tax assets)	23,482	2,586	–	26,068

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) The segment information provided to the executive directors for the reportable segments for the year ended 28 February 2018 is as follows:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	1,068,724	61,836	–	1,130,560
Reportable segment profit/(loss)	47,349	(11,436)	–	35,913
Other income (excluding government incentives)				6,961
Other gains, net				42,682
Finance income, net				8,239
Share of profit of a joint venture				74
Unallocated expenses				(26)
Profit before income tax				93,843
Income tax expense				(33,600)
Profit for the year				60,243
Depreciation and amortisation	33,817	1,514	–	35,331
Additions to non-current assets (other than deferred income tax assets)	37,913	2,320	–	40,233

For the years ended 28 February 2019 and 2018, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and CNE.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(iii) An analysis of the Group's assets and liabilities as at 28 February 2019 by reportable segment is set out below:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	929,287	314,366	145	1,243,798
Deferred income tax assets				54,302
Unallocated assets				28,058
Total assets per consolidated balance sheet				1,326,158
Segment liabilities	99,521	6,005	13	105,539
Current income tax liabilities				5,745
Deferred income tax liabilities				27,869
Unallocated liabilities				839
Total liabilities per consolidated balance sheet				139,992

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(iv) An analysis of the Group's assets and liabilities as at 28 February 2018 by reportable segment is set out below:

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	994,979	321,049	140	1,316,168
Deferred income tax assets				53,538
Unallocated assets				35,466
Total assets per consolidated balance sheet				1,405,172
Segment liabilities	116,962	9,364	11	126,337
Current income tax liabilities				5,132
Deferred income tax liabilities				30,086
Unallocated liabilities				836
Total liabilities per consolidated balance sheet				162,391

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

Revenue	**2019 RMB'000**	2018 RMB'000
Mainland China	**850,949**	1,068,724
Hong Kong	**54,550**	56,512
Macau	**3,285**	5,324
Total	**908,784**	1,130,560

For the years ended 28 February 2019 and 2018, 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 segments is as follows:

Non-current assets	2019 RMB'000	2018 RMB'000
Mainland China	**151,262**	167,096
Hong Kong	**13,937**	14,870
Macau	**69,541**	68,156
Total	**234,740**	250,122

6 OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

	2019 RMB'000	2018 RMB'000
Other income		
Gross rental income from investment properties	**78**	164
Government incentives	**15,166**	18,997
Dividend income from an available-for-sale financial asset	**–**	6,797
	15,244	25,958
Other (losses)/gains, net		
Fair value losses on investment properties *(Note 15)*	**(6,909)**	(7,455)
Net exchange (losses)/gains *(Note)*	**(4,531)**	7,833
Write back of impairment on amount due from an available-for-sale financial asset *(Note 20)*	**–**	7,500
Gain on disposal of interest in an available-for-sale financial asset	**–**	33,131
Gain on disposal of equity investment	**–**	1,673
Gain on disposal of property, plant and equipment and land use right *(Note 25(b))*	**4,214**	–
	(7,226)	42,682

Note: Net exchange (losses)/gains 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, impairment losses on trade receivables, selling and distribution expenses and general and administrative expenses are analysed as follows:

	2019 **RMB'000**	2018 RMB'000
Auditors' remuneration		
– Audit services	**1,912**	1,713
– Non-audit services	**228**	707
Amortisation of land use rights *(Note 17)*	**791**	809
Depreciation of property, plant and equipment *(Note 16)*	**32,851**	34,522
Loss on write off of property, plant and equipment	**3,725**	3,073
Cost of sales	**338,568**	387,065
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**52,230**	65,123
– contingent rents	**1,299**	1,929
Freight charges	**8,841**	8,373
Postage and express charges	**3,815**	4,335
Advertising and promotional expenses	**40,536**	40,235
Concessionaire fees	**144,903**	223,395
Employee benefit expenses (including directors' emoluments) *(Note 9)*	**301,325**	332,901
(Write back of impairment)/impairment losses on inventories	**(409)**	8,933
Impairment losses on trade receivables	**5,454**	–
Direct operating expenses arising from investment properties that generated rental income *(Note 15(a))*	**10**	28

8 FINANCE INCOME, NET

	2019 **RMB'000**	2018 RMB'000
Interest income on bank deposits	**8,308**	7,039
Interest expense on short-term bank loan	**–**	(29)
Other finance income	**3,200**	1,229
	11,508	8,239

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 RMB'000	2018 RMB'000
Wages and salaries	**251,586**	279,088
Staff welfare and other benefits	**14,590**	15,626
Pension costs – defined contribution plans *(Note)*	**35,149**	38,187
	301,325	332,901

Note:

Employees of the Group's subsidiaries in Hong Kong participated in a mandatory provident fund scheme ("MPF Scheme") which is a defined contribution 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 RMB35,149,000 (2018: RMB38,187,000) were paid by the Group during the year. Forfeited contributions totalling RMB540,000 (2018: RMB1,158,000) were refunded and credited in the employee benefit expenses 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:

	2019				
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 *(Note)* RMB'000	Total RMB'000
Executive director and chief executive					
Mr. Cheng Wang, Gary	–	1,530	15	–	1,545
Executive directors					
Ms. Chui Kwan Ho, Jacky	–	2,311	15	–	2,326
Ms. Liao Jian Yu *(appointed on 16 March 2018)*	–	1,597	31	–	1,628
Non-executive directors					
Mr. James Ngai	204	–	–	–	204
Mr. Lee Tze Bun, Marces ("Mr. Lee")	–	–	–	–	–
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	204	–	–	–	204
Mr. Leung Wai Ki, George	204	–	–	–	204
Mr. Hui Chi Kwan	204	–	–	–	204
	816	5,438	61	–	6,315

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	2018				
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 *(Note)* RMB'000	Total RMB'000
Executive director and chief executive					
Mr. Cheng Wang, Gary	–	1,927	15	–	1,942
Executive directors					
Ms. Chui Kwan Ho, Jacky	–	2,519	15	–	2,534
Ms. Chu Tsui Lan *(resigned on 1 August 2017)*	–	4,888	7	–	4,895
Non-executive directors					
Mr. James Ngai	206	–	–	–	206
Mr. Lee	–	–	–	–	–
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	206	–	–	–	206
Mr. Leung Wai Ki, George	206	–	–	–	206
Mr. Hui Chi Kwan	206	–	–	–	206
	824	9,334	37	–	10,195

Note:

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).

No other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended 28 February 2019 (2018: Nil).

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

During the year ended 28 February 2019, 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 (2018: Nil).

(c) Directors' termination benefits

During the year ended 28 February 2019, 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 (2018: Nil).

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

During the year ended 28 February 2019, no consideration was provided to or receivable by third parties for making available Directors' services (2018: Nil).

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

During the year ended 28 February 2019, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporates and connected entities (2018: 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 (2018: Nil).

11 SENIOR MANAGEMENT'S EMOLUMENTS

(a) Five highest paid individuals

The directors' emoluments presented above include the emoluments of 3 (2018: 3) highest paid individuals in the Group. The emoluments of the remaining 2 (2018: 2) highest paid individual during the year ended 28 February 2019 were:

	2019 RMB'000	2018 RMB'000
Salaries, bonus, other allowances and benefits in kind	2,045	3,185
Employer's contributions to retirement benefits scheme	40	45
Compensation on loss of office	296	–
	2,381	3,230

Emolument band	Number of individuals 2019	2018
RMB1,000,001 – RMB1,500,000	2	–
RMB1,500,001 – RMB2,000,000	–	2

None of the directors or the five highest paid individuals waived or agreed to waive any emoluments during the year (2018: Nil).

(b) Senior management's emoluments by band

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

Emolument bands	Number of individuals 2019	2018
Nil – RMB500,000	3	2
RMB500,001 – RMB1,000,000	1	2
RMB1,000,001 – RMB1,500,000	1	–
RMB1,500,001 – RMB2,000,000	–	1

12 INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000
Current income tax		
– Hong Kong profits tax	–	–
– People's Republic of China ("the PRC") corporate income tax	16,839	36,173
Deferred income taxation *(Note 21)*	(2,950)	(2,573)
	13,889	33,600

The PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2018: 25%).

The applicable rate of Hong Kong profits tax is 16.5% (2018: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profit arising in Hong Kong during the years ended 28 February 2019 and 2018.

The applicable rate of Macau complementary tax is 12% (2018: 12%). No provision for Macau complementary tax has been made in the financial statement as the Group does not have any assessable profit arising in Macau during the year ended 28 February 2019 and 2018.

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

	2019 RMB'000	2018 RMB'000
(Loss)/profit before income tax and before share of profit of a joint venture	(13,439)	93,769
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	(3,903)	27,630
Income not subject to tax	(623)	(7,155)
Expenses not deductible for tax purposes	6,991	3,136
Tax losses for which no deferred income tax asset was recognised	8,569	4,187
Utilisation of previously unrecognised tax losses	(446)	(327)
Withholding tax	3,301	6,129
Income tax expense	13,889	33,600

There was no tax charge relating to components of other comprehensive income for the year ended 28 February 2019 (2018: Nil).

13 (LOSSES)/EARNINGS PER SHARE

Basic

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

	2019	2018
(Loss)/profit attributable to owners of the Company (RMB'000)	(28,032)	59,676
Weighted average number of ordinary shares in issue ('000)	705,895	705,895
Basic (losses)/earnings per share (RMB cents)	(3.97)	8.45

Diluted

For the years ended 28 February 2019 and 2018, diluted (losses)/earnings per share equals basic (losses)/earnings per share as there was no dilutive potential shares.

14 DIVIDENDS

	2019 RMB'000	2018 RMB'000
No interim dividend (2018: HK3.3 cents per ordinary share)	–	20,380
No interim special dividend (2018: HK1.7 cents per ordinary share)	–	10,499
No final, proposed (2018: HK3.6 cents per ordinary share)	–	21,464
Final special, proposed, of HK35.0 cents (2018: HK4.4 cents) per ordinary share	210,428	26,234
	210,428	78,577

On 21 May 2019, the directors did not propose a final dividend but proposed a final special dividend of HK35.0 cents per ordinary share totalling approximately RMB210,428,000. These proposed dividends are not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of contribution surplus of the Company for the year ending 29 February 2020.

15 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
At beginning of year	**128,594**	142,404
Fair value losses recognised in the consolidated income statement *(Note 6)*	**(6,909)**	(7,455)
Transfer to property, plant and equipment	**(68,989)**	–
Exchange differences	**3,664**	(6,355)
At end of year	**56,360**	128,594

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2019 and 2018 by independent professional valuers, Ravia Global Appraisal Advisory Limited and Ascent Partners Valuation Service Limited, respectively. The revaluation losses are included in "other (losses)/gains, net" in the consolidated income statement.

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

	2019 RMB'000	2018 RMB'000
Rental income *(Note 6)*	**78**	164
Direct operating expenses from investment properties that generated rental income *(Note 7)*	**(10)**	(28)
	68	136

As at 28 February 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: 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 Ravia Global Appraisal Advisory Limited, an independent professional qualified valuer. 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.

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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.

Fair value hierarchy

	Fair value measurements at 28 February 2019 using		
Description	**Quoted prices in active markets for identical assets (Level 1) RMB'000**	**Significant other observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**
Recurring fair value measurements			
Investment properties:			
The PRC	**–**	**–**	**56,360**

	Fair value measurements at 28 February 2018 using		
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
The PRC	–	–	60,600
Macau	–	–	67,994
	–	–	128,594

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

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 2019 and 2018.

Fair value measurements using significant unobservable inputs (level 3)

	The PRC RMB'000	Macau RMB'000	Total RMB'000
At 1 March 2017	64,630	77,774	142,404
Losses from fair value adjustment	(4,030)	(3,425)	(7,455)
Exchange differences	–	(6,355)	(6,355)
At 28 February 2018	60,600	67,994	128,594
At 1 March 2018	60,600	67,994	128,594
Losses from fair value adjustment	(4,240)	(2,669)	(6,909)
Transfer to property, plant and equipment	–	(68,989)	(68,989)
Exchange differences	–	3,664	3,664
At 28 February 2019	56,360	–	56,360
Total losses for the year included in the consolidated income statement for assets held at the end of the year, under "other (losses)/gains, net"	(4,240)	(2,669)	(6,909)
Change in unrealised losses for the year included in the consolidated income statement for assets held at the end of the year	(4,240)	(2,669)	(6,909)

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Valuation processes of the Group

The Group's investment properties were valued at 28 February 2019 and 2018 by independent professional qualified valuers, Ravia Global Appraisal Advisory Limited and Ascent Partners Valuation Service Limited, respectively, 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.

Valuation techniques

Fair value measurements using significant unobservable inputs (level 3)

The valuations were determined by using the direct 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.

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Valuation techniques (Continued)

Fair value measurements using significant unobservable inputs (level 3) (Continued)

During the year ended 28 February 2019, the valuation technique, for the investment properties - factory building in the PRC, changed from income capitalisation approach to direct comparison approach.

Description	Fair value at 28 February 2019 (RMB'000)	Valuation technique	Unobservable inputs	Range of unobservable input	Relationship of unobservable inputs to fair value
Investment properties – retail shop in the PRC	**2,360**	Direct comparison approach	Comparable's unit selling/ asking price	RMB16,523 per square meter	The higher the unit selling price, the higher the fair value
Investment properties – factory building in the PRC	**54,000**	Direct comparison approach	Comparable's unit selling/ asking price	RMB929 per square meter	The higher the unit selling price, the higher the fair value

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Valuation techniques (Continued)

Fair value measurements using significant unobservable inputs (level 3) (Continued)

Description	Fair value at 28 February 2018 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable input	Relationship of unobservable inputs to fair value
Investment properties — retail shop in the PRC	2,300	Direct comparison approach	Comparable's unit selling/ asking price	RMB16,103 per square meter	The higher the unit selling price, the higher the fair value
Investment properties — factory building in the PRC	58,300	Income capitalisation approach	Market rent	RMB10.78 per square meter per month	The higher the rent, the higher the fair value
			Capitalisation rate	5.60%	The higher the capitalisation rate, the lower the fair value
Investment properties — retail shop in Macau	67,994	Direct comparison approach	Comparable's unit selling/ asking price	RMB925,343 per square meter	The higher the unit selling price, the higher the fair value

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 March 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
Year ended 28 February 2018						
Opening net book amount	39,244	28,166	21,503	11,261	1,158	101,332
Exchange differences	(413)	(304)	–	(35)	(27)	(779)
Additions	–	24,969	1,370	2,427	667	29,433
Acquisition of assets *(Note 33)*	2,000	–	–	–	–	2,000
Write off	–	(1,552)	(1,120)	–	(401)	(3,073)
Depreciation	(1,947)	(24,016)	(3,040)	(5,142)	(377)	(34,522)
Closing net book amount	38,884	27,263	18,713	8,511	1,020	94,391
At 28 February 2018						
Cost	81,915	187,187	105,643	26,967	4,120	405,832
Accumulated depreciation	(43,031)	(159,924)	(86,930)	(18,456)	(3,100)	(311,441)
Net book amount	38,884	27,263	18,713	8,511	1,020	94,391
Year ended 28 February 2019						
Opening net book amount	38,884	27,263	18,713	8,511	1,020	94,391
Exchange differences	100	208	–	112	14	434
Additions	–	22,035	403	2,326	1,304	26,068
Transfer from investment properties *(Note 15)*	68,989	–	–	–	–	68,989
Write off	(339)	(2,246)	(702)	(343)	(95)	(3,725)
Depreciation	(1,942)	(23,411)	(2,598)	(3,849)	(1,051)	(32,851)
Closing net book amount	105,692	23,849	15,816	6,757	1,192	153,306
At 28 February 2019						
Cost	151,325	187,744	103,750	26,357	4,199	473,375
Accumulated depreciation	(45,633)	(163,895)	(87,934)	(19,600)	(3,007)	(320,069)
Net book amount	105,692	23,849	15,816	6,757	1,192	153,306

17 LAND USE RIGHTS

	2019 RMB'000	2018 RMB'000
At beginning of year	21,239	14,947
Acquisition of assets *(Note 33)*	–	8,800
Amortisation	(791)	(809)
Disposal	(956)	–
Exchange differences	950	(1,699)
At end of year	20,442	21,239

18 SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 28 February 2019 which, in the opinion of the directors, principally affect the results or form a substantial portion of the net assets of the Group:

Name of entity	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group
Blooming On Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Property holding/ the PRC	100% (2018: 100%)
Brightly Investment Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Property holding/ the PRC	100% (2018: 100%)
Grandmark Holdings Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	Investment holding/ Hong Kong	100% (2018: 100%)
Great Sino Enterprises Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	Provision of management services and investment holding/ Hong Kong	100% (2018: 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% (2018: 100%)
Le Saunda Calcado, Limitada	Macau, limited liability company	MOP200,000	Retailing of shoes/ Macau	100% (2018: 100%)

18 SUBSIDIARIES (CONTINUED)

Name of entity	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group
Le Saunda China Investment Limited	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	Investment holding/ Hong Kong	100% (2018: 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% (2018: 100%)
Le Saunda Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Provision of management services/ Hong Kong	100% (2018: 100%)
Le Saunda Real Estate Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Investment holding/ Hong Kong	100% (2018: 100%)
L.S. Retailing Limited	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% (2018: 100%)
Maior Limited	Hong Kong, limited liability company	1,000 ordinary shares of HK$2,000 each	Trading of shoes and investment holding/ Hong Kong	100% (2018: 100%)
Master Benefit Limited	Hong Kong, limited liability company	3,000,000 ordinary shares of HK$1 each	Investment holding/ Hong Kong	100% (2018: 100%)

18 SUBSIDIARIES (CONTINUED)

Name of entity	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group
Super Billion Properties Limited *(Note 33)*	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	Property holding/ Hong Kong	100% (2018: 100%)
Trend Door Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Investment holding/ Hong Kong	100% (2018: 100%)
Trend Light Trading Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Property holding/ the PRC	100% (2018: 100%)
昶信貿易(天津)有限公司	The PRC, limited liability company	US$100,000	Wholesales and trading of shoes/ the PRC	100% (2018: 100%)
利信達商業(中國)有限公司	The PRC, limited liability company	HK$53,000,000	Retailing of shoes/ the PRC	100% (2018: 100%)
利信達貿易(深圳)有限公司	The PRC, limited liability company	HK$10,000,000	Retailing of shoes/ the PRC	100% (2018: 100%)
億才商業(上海)有限公司	The PRC, limited liability company	US$6,500,000	Retailing of shoes/ the PRC	100% (2018: 100%)

18 SUBSIDIARIES (CONTINUED)

Name of entity	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group
灝信達商業(北京)有限公司	The PRC, limited liability company	US$2,200,000	Retailing of shoes/ the PRC	100% (2018: 100%)
昶盈貿易(天津)有限公司	The PRC, limited liability company	US$800,000	Retailing of shoes/ the PRC	100% (2018: 100%)
信蝶商業(杭州)有限公司	The PRC, limited liability company	RMB27,000,000	Retailing of shoes/ the PRC	66.67% (2018: 66.67%)
佛山市順德區利信達鞋業有限公司	The PRC, limited liability company	US$3,800,000	Manufacturing and trading of shoes/ the PRC	100% (2018: 100%)
佛山市順德區盈達鞋業有限公司	The PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes/ the PRC	100% (2018: 100%)
佛山市順德區盈毅鞋業有限公司	The PRC, limited liability company	US$1,500,000	Manufacturing and trading of shoes/ the PRC	100% (2018: 100%)
佛山市高明區盈信達鞋業有限公司	The PRC, limited liability company	RMB55,000,000	Property holding/ the PRC	100% (2018: 100%)
佛山市順德區雙強房地產開發有限公司 *(Note 19)*	The PRC, limited liability company	US$200,000	Inactive/the PRC	100% (2018: 100%)

Note:

(a) Le Saunda (B.V.I.) Limited is held directly by the Company. All other subsidiaries are held indirectly.

19 INVESTMENT IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Registered capital at cost, unlisted	–	–
Share of undistributed post-acquisition reserves	–	–
Share of net assets	–	–
At beginning of the year	–	35,156
Share of profit of a joint venture	–	74
Dividends received	–	(18,004)
Disposal of investment in a joint venture on acquisition of control	–	(17,226)
At end of year	–	–

佛山市順德區雙強房地產開發有限公司 ("SSQ") was held indirectly of 50% by the Company as a joint venture as at 28 February 2017.

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.

During the year ended 28 February 2018, the Group acquired the remaining 50% equity interest in SSQ. As such, SSQ ceased to be a joint venture (Note 34).

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

	2019 **RMB'000**	2018 RMB'000
Unlisted shares, at fair value *(Note)*		
At beginning of year	**–**	–
Reversal of impairment of interest in an available-for-sale financial asset	**–**	2,500
Disposal of interest in an available-for-sale financial asset	**–**	(2,500)
At end of year	**–**	–

	2019 **RMB'000**	2018 RMB'000
Amount due from an available-for-sale financial asset *(Note)*		
At beginning of year	**–**	–
Write back on impairment on amount due from an available-for-sale financial asset *(Note 6)*	**–**	7,500
Disposal of interest in an available-for-sale financial asset	**–**	(7,500)
At end of year	**–**	–

Notes:

佛山市順德區陳村鎮碧桂園物業發展有限公司 ("FCCG") was held indirectly of 25% by the Company as an available-for-sale financial asset as at 28 February 2017. The Group's directors did not regard FCCG as an associate of the Group on the grounds that the Group had no participation in decision making of its financial and operating policies. Accordingly, the Group did not have any significant influence over FCCG.

During the year ended 28 February 2018, the Group disposed the 25% equity interest in FCCG. As such, FCCG ceased to be an available-for-sale financial asset (Note 34).

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:

	2019 RMB'000	2018 RMB'000
Deferred income tax assets	54,302	53,538
Deferred income tax liabilities	(27,869)	(30,086)
	26,433	23,452

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.

	2019 RMB'000	2018 RMB'000
At beginning of year	23,452	20,889
Credited to consolidated income statement *(Note 12)*	2,950	2,573
Exchange realignment	31	(10)
At end of year	26,433	23,452

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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
At beginning of year	47,127	46,347	5,150	7,491	(10,656)	(12,979)	(19,430)	(21,415)	1,261	1,445	23,452	20,889
(Charged)/credited to consolidated income statement	(1,171)	1,297	(622)	(1,946)	1,491	1,303	1,278	1,985	1,974	(66)	2,950	2,573
Exchange realignment	291	(517)	225	(395)	(552)	1,020	–	–	67	(118)	31	(10)
At end of year	46,247	47,127	4,753	5,150	(9,717)	(10,656)	(18,152)	(19,430)	3,302	1,261	26,433	23,452

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 2019, the Group did not accrue withholding income tax for a portion of the earnings of RMB300,650,000 (2018: 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 2019, the Group had unrecognised tax losses of approximately RMB121,935,000 (2018: RMB83,859,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	2019	2018
	RMB'000	RMB'000
Tax losses without expiry date	**96,837**	79,335
Tax losses expiring in 5 years	**25,098**	4,524
	121,935	83,859

22 INVENTORIES

	2019	2018
	RMB'000	RMB'000
Raw materials	**18,610**	22,252
Work in progress	**11,055**	14,740
Finished goods	**317,246**	315,155
	346,911	352,147
Less: Provision for impairment of inventories	**(21,467)**	(20,792)
	325,444	331,355

23 TRADE RECEIVABLES AND OTHER RECEIVABLES AND DEPOSITS AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Trade receivables	77,686	113,739
Provision for impairment	(5,454)	(980)
	72,232	112,759
Other receivables	2,708	3,946
	74,940	116,705
Deposits	18,735	23,632
prepayments	31,368	31,971
	125,043	172,308
Presented as non-current assets	4,632	5,898
Presented as current assets	120,411	166,410
	125,043	172,308

The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days. The carrying amounts of trade and other receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

23 TRADE RECEIVABLES AND OTHER RECEIVABLES AND DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	2019	2018
	RMB'000	RMB'000
Current to 30 days	**61,588**	100,491
31 to 60 days	**6,312**	4,947
61 to 90 days	**1,999**	2,849
Over 90 days	**2,333**	4,472
	72,232	112,759

Trade receivables are denominated in the following currencies:

	2019	2018
	RMB'000	RMB'000
RMB	**72,083**	112,648
HK$	**146**	108
MOP	**3**	3
	72,232	112,759

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. As at 28 February 2019 and 1 March 2018, the loss allowances determined on that basis were not material (Note 3.1(b)).

24 CASH AND BANK BALANCES AND PLEDGED BANK DEPOSIT

	2019 RMB'000	2018 RMB'000
Cash at bank and on hand	**280,924**	309,102
Bank deposits with initial term no more than three months *(Note (a))*	**274,672**	294,021
Bank deposits with initial term over three months *(Note (b))*	**35,000**	–
Cash and bank balances	**590,596**	603,123
Pledged bank deposit	**665**	624
	591,261	603,747
Less: Term deposits with initial term over three months *(Note (b))*	**(35,000)**	–
Pledged bank deposit *(Note (c))*	**(665)**	(624)
Cash and cash equivalents	**555,596**	603,123

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

	2019 RMB'000	2018 RMB'000
RMB	**318,039**	328,398
US$	**223,232**	167,971
HK$	**47,298**	103,531
Other currencies	**2,692**	3,847
	591,261	603,747

Notes:

(a) The effective interest rate on short-term bank deposits and term deposits was 1.95% (2018: 1.92%) per annum; these deposits have a maturity ranging from 7 to 90 days (2018: 7 to 90 days).

(b) The effective interest rate on bank deposits with initial term over three months was 1.88% (2018: Nil) per annum; these deposits have a maturity ranging from 91 to 182 days (2018: Nil).

(c) Bank deposit of RMB665,000 (2018: RMB624,000) has been pledged as rental deposit for a subsidiary of the Company.

The effective interest rate on pledged bank deposit was 2.30% per annum (2018: 1.33%).

(d) 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.

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

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before income tax to net cash generated from operations.

	2019 RMB'000	2018 RMB'000
Cash flow from operating activities		
(Loss)/profit before income tax	(13,439)	93,843
Adjustments for:		
Exchange difference	4,531	(7,833)
Share of profit of a joint venture	–	(74)
Dividend income from interest in an available-for-sale financial asset	–	(6,797)
Fair value losses on investment properties	6,909	7,455
Write back of impairment on amount due from an available-for-sale financial asset	–	(7,500)
Gain on disposal of interest in an available-for-sale financial asset	–	(33,131)
Gain on disposal of equity investment	–	(1,673)
Depreciation of property, plant and equipment	32,851	34,522
Loss on write off of property, plant and equipment	3,725	3,073
Gain on disposal of property, plant and equipment and land use right	(4,214)	–
Amortisation of land use rights	791	809
Impairment losses on trade receivables	5,454	–
(Write back of impairment)/impairment losses on inventories	(409)	8,933
Finance income, net	(11,508)	(8,239)
	24,691	83,388
Changes in working capital:		
– Inventories	7,265	35,368
– Trade and other receivables	30,857	4,111
– Deposits and prepayments	5,883	(16,403)
– Trade and other payables	(20,759)	(31,739)
Net cash generated from operations	47,937	74,725

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of disposal of property, plant and equipment and land use right

	2019 RMB'000	2018 RMB'000
Proceeds from disposal	6,000	–
Net book amount of property, plant and equipment	(339)	–
Net book amount of land use right	(956)	–
Relevant tax expenses	(525)	–
Exchange differences	34	–
Gain on disposal of property, plant and equipment and land use right	4,214	–

26 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Trade payables	19,203	36,429
Other payables	77,360	90,744
Contract liabilities	9,815	–
	106,378	127,173

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

	2019 RMB'000	2018 RMB'000
Current to 30 days	9,637	15,114
31 to 60 days	5,706	17,933
61 to 90 days	1,909	948
91 to 120 days	803	–
Over 120 days	1,148	2,434
	19,203	36,429

26 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
RMB	**17,441**	34,986
US$	**1,224**	1,162
EUR	**499**	225
HK$	**39**	56
	19,203	36,429

27 SHARE CAPITAL

	2019 Number of ordinary shares	**2019 Share capital HK$'000**	2018 Number of ordinary shares	2018 Share capital HK$'000
Ordinary shares of HK$0.10				
Authorised:				
At the beginning of year and at the end of year	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
At the beginning of year and at the end of year	**705,895,060**	**59,979**	705,895,060	59,979

28 SHARE OPTIONS

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

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

28 SHARE OPTIONS (CONTINUED)

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

	2019 Average exercise price per share HK$	2019 Number of share options thousands	2018 Average exercise price per share HK$	2018 Number of share options thousands
At beginning of year	**2.899**	**3,260**	3.124	9,914
Lapsed	**2.185**	**(535)**	2.185	(3,354)
Lapsed	**4.300**	**(1,100)**	4.300	(3,300)
At end of year	**2.185**	**1,625**	2.899	3,260

The Group has no legal or constructive obligation to repurchase or settle the options in cash. For the year ended 28 February 2019, 535,000 (2018: 3,354,000) shares at an adjusted exercise price of HK$2.185, and 1,100,000 (2018: 3,300,000) shares at an adjusted exercise price of HK$4.300 were lapsed.

	(Adjusted) Exercise price per share HK$	**Number of share as at 28 February 2019 thousands**	(Adjusted) Exercise price per share HK$	Number of share as at 28 February 2018 thousands
Expiry date at:				
26 June 2021 *(Note (a))*	**–**	**–**	4.300	1,100
9 July 2022 *(Note (b))*	**2.185**	**1,625**	2.185	2,160

Notes:

(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 of 27 June 2011.

(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 of 10 July 2012.

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

For the year ended 28 February 2019, no amount was recognised and included in "employee benefit expenses" (2018: Nil).

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, included in other payables (Note 26), recognised in the balance sheet are determined as follows:

	2019 RMB'000	2018 RMB'000
Present value of defined benefit obligations	154	232
Liability in the consolidated balance sheet	154	232

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

	2019 RMB'000	2018 RMB'000
At beginning of year	232	368
Interest cost	3	5
Current service cost	5	7
Payment	(622)	(99)
Actuarial losses/(gains)	524	(24)
Exchange difference	12	(25)
At end of year	154	232

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

	2019 RMB'000	2018 RMB'000
Interest cost included in staff costs	3	5

The principal actuarial assumptions used were as follows:

	2019	2018
Discount rate	1.78%	2.03%
Future salary increase rate	4.70%	4.70%

30 RESERVES

	Share premium RMB'000	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 2018	88,982	145	(60,609)	47,145	265,522	792,069	4,812	11,070	22,576	639	1,172,351
Comprehensive income											
Loss for the year	–	–	–	–	–	(28,032)	–	–	–	–	(28,032)
Other comprehensive income											
Currency translation differences	–	–	19,918	–	–	–	–	–	–	–	19,918
Retirement benefit obligation	–	–	–	–	–	–	–	–	–	(524)	(524)
Transaction with owners											
Share option scheme											
– share option lapsed	–	–	–	–	–	2,475	–	–	(2,475)	–	–
Dividends	–	–	–	–	(47,976)	–	–	–	–	–	(47,976)
At 28 February 2019	88,982	145	(40,691)	47,145	217,546	766,512	4,812	11,070	20,101	115	1,115,737

	Total RMB'000
Representing:	
2019 proposed dividend	210,428
Others	905,309
	1,115,737

30 RESERVES (CONTINUED)

	Share premium RMB'000	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 2017	88,982	145	(14,624)	47,145	265,522	812,574	4,812	11,070	33,060	615	1,249,301
Comprehensive income											
Profit for the year	–	–	–	–	–	59,676	–	–	–	–	59,676
Other comprehensive income											
Currency translation differences	–	–	(45,985)	–	–	–	–	–	–	–	(45,985)
Retirement benefit obligation	–	–	–	–	–	–	–	–	–	24	24
Reversal of impairment of interest in an available-for-sale financial asset	–	–	–	–	–	–	–	–	–	2,500	2,500
Disposal of an available-for-sale financial asset	–	–	–	–	–	–	–	–	–	(2,500)	(2,500)
Transaction with owners											
Share option scheme											
– share option lapsed	–	–	–	–	–	10,484	–	–	(10,484)	–	–
Dividends	–	–	–	–	–	(90,665)	–	–	–	–	(90,665)
At 28 February 2018	88,982	145	(60,609)	47,145	265,522	792,069	4,812	11,070	22,576	639	1,172,351
Representing:											
2018 proposed dividend											47,698
Others											1,124,653
											1,172,351

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 the PRC subsidiaries, calculated based on the 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 the 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.

31 COMMITMENTS

(a) Capital commitments

	2019 RMB'000	2018 RMB'000
Contracted but not provided for, in respect of		
– purchase of property, plant and equipment	704	1,553

(b) Commitments under operating leases

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

	2019 RMB'000	2018 RMB'000
Land and buildings:		
Not later than one year	43,179	36,240
Later than one year and not later than five years	24,476	22,202
Over five years	2,080	–
	69,735	58,442

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, as lessor, had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	2019 RMB'000	2018 RMB'000
Land and buildings:		
Not later than one year	81	38
Later than one year and not later than five years	127	–
	208	38

32 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 RMB'000	2018 RMB'000
Financial assets at amortised cost		
Trade and other receivables	**74,940**	116,705
Deposits	**18,735**	23,632
Pledged bank deposits	**665**	624
Cash and bank balances	**590,596**	603,123
	684,936	744,084
Financial liabilities at amortised cost		
Trade and other payables	**82,359**	103,313

33 ACQUISITION OF ASSETS

During the year ended 28 February 2018, the Group completed the acquisition of 100% interests of Super Billion Properties Limited ("Super Billion"), a company principally engagement in investment property holding, from Mr. Lee, a substantial shareholder and non-executive director of the Company for a cash consideration of RMB10,800,000. Super Billion solely owns the premises located at Units 3005-3009 on Level 30, Guangzhou Metro Plaza, the PRC ("Property"). After the acquisition, the Group continues to occupy the Property as office.

The above acquisition was accounted for as acquisition of assets as the entity acquired by the Group does not constitute a business. Details of the assets acquired in the above acquisition was as follows:

	RMB'000
Assets acquired:	
Property, plant and equipment *(Note 16)*	2,000
Land use right *(Note 17)*	8,800
	10,800
Total consideration satisfied by:	
Cash	10,800
Net cash outflow	10,800

34 DISPOSAL OF INTEREST IN AN AVAILABLE-FOR-SALE FINANCIAL ASSET AND ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A JOINT VENTURE

On 8 June 2017, the Group entered into an agreement to acquire the remaining 50% equity interest of a joint venture, SSQ from SHREC with a consideration of RMB847,000. SSQ becomes a wholly-owned subsidiary of the Company upon completion of the acquisition. On the same date, the Group entered into another agreement to dispose its available for sale investment being 25% interest in FCCG to the major shareholder of FCCG for a consideration of RMB24,251,000. Both transactions were completed during the year ended 28 February 2018.

At the time of acquisition, SSQ was inactive and did not carry out any business activities, and therefore, the acquisition of the additional interest in SSQ is not considered as a business combination. The negotiation of the above transactions was carried at the same time with a counterparty who represented both the major shareholder of FCCG and SHREC. The agreements were signed on the same date and considered to be interdependent on each other. Hence, the disposal of interest in an available-for-sale financial asset and acquisition of additional equity interest in a joint venture were treated as one single transaction for the purpose of accounting. The gain arising from the acquisition of additional interest is deemed as part of the consideration received for the disposal of the interest in an available-for-sale financial assets.

35 BANKING FACILITIES AND GUARANTEES

The banking facilities made available to subsidiaries of the Group are as follows:

	2019		2018	
	Available facilities RMB'000	**Facilities utilised RMB'000**	Available facilities RMB'000	Facilities utilised RMB'000
Banking facilities granted to subsidiaries of the Group	**171,000**	**2,421**	162,515	4,159

36 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2019, Stable Gain Holdings Limited held 31.94% (2018: 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:

	2019 **RMB'000**	2018 RMB'000
Rental expenses charged by:		
– a related party *(Note (i))*	**1,166**	2,548
Assets acquired from a related party *(Note (ii))*	**–**	10,800

(i) During the year ended 28 February 2019 and 2018, the Group rented a shop located in Macau from Mr. Lee, a substantial shareholder and non-executive director of the Company, as a retail outlet in Macau.

(ii) During the year ended 28 February 2018, the Group acquired 100% equity interest of Super Billion from Freedom Resources Limited, a company wholly and beneficially owned by Mr. Lee.

(c) Key management compensation

The directors are considered key management of the Group.

	2019 **RMB'000**	2018 RMB'000
Salaries and other short-term employee benefits	**6,254**	10,158
Employer's contributions to retirement scheme	**61**	37
	6,315	10,195

37 BALANCE SHEET AND RESERVE OF THE COMPANY

(a) Balance sheet of the Company

	Note	Year ended 28 February 2019 RMB'000	Year ended 28 February 2018 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		393,873	438,021
Current assets			
Other receivables		215	200
Cash and bank balances		1,716	4,560
		1,931	4,760
Total assets		395,804	442,781
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		59,979	59,979
Reserves	(b)	334,954	381,998
Total equity		394,933	441,977
LIABILITIES			
Current liabilities			
Accruals		871	804
Total liabilities		871	804
Total equity and liabilities		395,804	442,781

The balance sheet of the Company was approved by the Board of director on 21 May 2019 and was signed on its behalf.

James Ngai
Chairman

Cheng Wang, Gary
Director

37 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	Retained earnings RMB'000	Employee share-based compensation reserve RMB'000	Total RMB'000
At 1 March 2018	88,982	145	(30,475)	274,295	26,475	22,576	381,998
Comprehensive income							
Profit for the year	–	–	–	–	932	–	932
Transactions with owners							
Share option scheme – share option lapsed	–	–	–	–	2,475	(2,475)	–
Dividends	–	–	–	(47,976)	–	–	(47,976)
At 28 February 2019	88,982	145	(30,475)	226,319	29,882	20,101	334,954
Representing:							
2019 proposed dividend							210,428
Others							124,526
							334,954

	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Employee share-based compensation reserve RMB'000	Total RMB'000
At 1 March 2017	88,982	145	(30,475)	274,295	114,910	33,060	480,917
Comprehensive income							
Loss for the year	–	–	–	–	(8,254)	–	(8,254)
Transactions with owners							
Share option scheme – share option lapsed	–	–	–	–	10,484	(10,484)	–
Dividends	–	–	–	–	(90,665)	–	(90,665)
At 28 February 2018	88,982	145	(30,475)	274,295	26,475	22,576	381,998
Representing:							
2018 proposed dividend							47,698
Others							334,300
							381,998

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES OF THE GROUP

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Investment properties, property, plant and equipment and land use rights	**230,108**	244,224	258,683	264,757	262,051
Interest in Joint Venture	**–**	–	35,156	34,733	34,357
Long-term deposits and prepayments	**4,632**	5,898	7,105	8,961	13,575
Interest in and amount due from an available-for-sale financial assets	**–**	–	–	–	–
Deferred income tax assets	**54,302**	53,538	55,283	69,813	56,879
Net current assets	**924,993**	969,207	998,622	978,632	935,651
	1,214,035	1,272,867	1,354,849	1,356,896	1,302,513
Total equity	**1,186,166**	1,242,781	1,320,455	1,312,521	1,266,741
Deferred income tax liabilities	**27,869**	30,086	34,394	44,375	35,772
	1,214,035	1,272,867	1,354,849	1,356,896	1,302,513

RESULTS OF THE GROUP

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**908,784**	1,130,560	1,365,545	1,621,414	1,683,008
Operating (loss)/profit	**(24,947)**	85,530	124,088	169,492	244,140
Finance income, net	**11,508**	8,239	4,006	8,858	8,546
Share of profit of a Joint Venture	**–**	74	423	376	5,761
(Loss)/profit before income tax	**(13,439)**	93,843	128,517	178,726	258,447
Income tax expense	**(13,889)**	(33,600)	(52,113)	(54,999)	(67,335)
(Loss)/profit for the years	**(27,328)**	60,243	76,404	123,727	191,112
(Loss)/profit attributable to:					
– owners of the Company	**(28,032)**	59,676	74,977	122,073	189,282
– non-controlling interest	**704**	567	1,427	1,654	1,830
	(27,328)	60,243	76,404	123,727	191,112

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