

The directors of the Company (the “Directors”) present their report together with the audited financial statements for the year ended 28 February 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 19 to the financial statements.

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2006 are set out in the consolidated income statement on page 45.

The Directors declared an interim dividend of HK2.8 cents (2005: HK2.0 cents) per ordinary share in respect of the year ended 28 February 2006, totalling HK\$14,200,000, which was paid on 15 December 2005.

The Directors recommend the payment of a final dividend of HK4.5 cents (2005: HK4.5 cents) per ordinary share, totalling approximately HK\$22,957,000 in respect of the year ended 28 February 2006 (2005: HK\$22,580,000).

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in note 30 to the financial statements.

FINANCIAL SUMMARY

The financial summary of the Group is set out on pages 110 and 111.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 32 to the financial statements.

DIRECTORS

The Directors during the year were:

Executive Directors

Lee Tze Bun, Marces (Chairman)

Wan Tat Wah (Chief Executive Officer)

Chui Kwan Ho, Jacky (Managing Director)

Tsui Oi Kuen

Ven Kam Cheong, Eric (resigned on 1 February 2006)

Independent Non-executive Directors

Lam Siu Lun, Simon (appointed on 16 January 2006)

Law King Wan

Leung Wai Ki, George

Wong Kong Chi (resigned on 16 January 2006)

RE-ELECTION OF DIRECTORS

During the year under review, Mr. Lam Siu Lun, Simon, an independent non-executive Director, was appointed with effect from 16 January 2006. According to Bye-law 86(2) of the Company's Bye-laws, he shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, at the forthcoming annual general meeting, Mr. Lam Siu Lun, Simon will retire and, being eligible, offer himself for re-election.

Also, in accordance with Bye-law 87 of the Company's Bye-laws, at the forthcoming annual general meeting, Mr. Lee Tze Bun, Marces, Mr. Wan Tat Wah, Ms. Chui Kwan Ho, Jacky and Ms. Tsui Oi Kuen will retire and, being eligible, offer themselves for re-election.

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Lee Tze Bun, *Marces*, aged 72, is the founder of the Group and Chairman of the Company. With more than 25 years of experience in the shoes retailing business, Mr. Lee has a strong, established and extensive business relation with a vast range of shoe suppliers in Italy.

Wan Tat Wah, aged 52, is Chief Executive Officer and Executive Director of the Group. He has been in the garment trading and retail business for more than 20 years. Prior to joining the Group in February 2003, Mr. Wan was the Chief Operation Officer of Esprit and involved extensively in store operations and merchandising in Asia.

Chui Kwan Ho, *Jacky*, aged 42, is Managing Director of the Group and Chief Executive Officer of Maior Ltd. She is responsible for the Group's shoes manufacturing operation as well as export business.

Tsui Oi Kuen, aged 50, is Executive Director of the Group. She first joined the Group in 1979 and is a 20-year veteran with rich Hong Kong retail and management experience. She left the Group in 2001 and returned to the Group in 2002. She is responsible for monitoring the Group's retailing, human resources, warehouse and administration functions.

Independent Non-Executive Directors

Lam Siu Lun, *Simon*, aged 56, joined the Group in January 2006. 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 16 years and is the proprietor of Messrs. S. L. Lam & Company. He has served as a member of the Insider Dealing Tribunal on a number of occasions. He is an independent non-executive Director and audit committee member of Lifestyle International Holdings Limited, a company whose securities are listed on The Stock Exchange of Hong Kong Limited.

Law King Wan, aged 69, is Director of Sun Hung Kai Properties Limited. He first joined the Group in 1992 and has over 30 years of experience in sales and marketing of properties. He left the Group in February 2002 and re-joined the Group in November 2002.

Leung Wai Ki, *George*, aged 47, has over 20 years of experience in accounting, financial management, auditing and receivership. Mr. Leung is acting as director and financial controller of a real estate development company in Hong Kong. He joined the Group in September 2004.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management

Lau Yin Wan, aged 41, joined the Group in January 2003 as Financial Controller and Company Secretary. Ms. Lau has over 16 years of experience in auditing, accounting and financial management. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants respectively.

Yeong Kam Chi, Belinda, aged 41, joined the Group in February 2004, is Merchandising Director of the Group's apparel section. A veteran in the industry, she holds a BA degree in fashion design from the Hong Kong Polytechnic University. Prior to joining the Group, she was responsible for design and merchandising for Esprit in Asia for more than 11 years.

Ho Jun Kim, Joel, aged 42, joined the Group in August 2004 as Group Creative Director. He oversees the development of the Group's various brand images. Mr. Ho has worked for leading international advertising agencies and received numerous awards in relation to creative designs and in recognition of his innovation. Prior to joining the Group, he was the Creative Director of Esprit and was responsible for image enhancement of various brands for the Asia Pacific markets.

Chu Tsui Lan, aged 36, joined the Group in 1992. In August 2004, she was appointed as General Manager (China) of the Group. She has over 14 years of retail experience in Hong Kong and Mainland China and is responsible for the Group's Mainland China retail business operations.

Mak Ping Fai, aged 40, holds a BBA degree. He joined the Group in 1992. Mr. Mak serves as Group Human Resources Manager and is responsible for human resources and training functions.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 28 February 2006, the interests and short positions of the Directors and chief executives of the Company in the shares of HK\$0.10 each in the capital of the Company ("Shares"), underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (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 Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in Shares of the Company

Name of Directors	Number of Shares			Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee")	25,820,000	31,384,000 <i>(Notes 1 & 2)</i>	205,000,000 <i>(Notes 3 & 4)</i>	262,204,000	51.40%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	5,050,000	—	50,000,000 <i>(Note 5)</i>	55,050,000	10.79% <i>(Note 6)</i>
Ms. Tsui Oi Kuen ("Ms. Tsui")	3,656,000	—	50,000,000 <i>(Note 5)</i>	53,656,000	10.52% <i>(Note 7)</i>

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in Shares in associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares (Note 8)	100% (in respect of non-voting deferred shares)

Notes:

- 30,000,000 Shares are held by Succex Limited, which is owned as to 60% of the equity shares thereof by Mr. Lee. Therefore, Mr. Lee is deemed to be interested in those Shares.
- 1,384,000 Shares are held by Xin Chuan Middle School Foundation Limited, of which Mr. Lee is a governor. Therefore, Mr. Lee is deemed to be interested in those Shares.
- Lee Tze Bun Trustee Holding Corporation ("LTB Trustee"), being the trustee of a unit trust called The Lee Tze Bun Unit Trust ("LTB Trust"), holds 155,000,000 Shares, representing approximately 30.38% of the issued share capital of the Company. Mr. Lee is the appointor of the LTB Trust and all units in the LTB Trust (other than one unit which is beneficially owned by Mr. Lee) are beneficially owned by The Lee Keung Family Trust ("Lee Family Trust"), a discretionary trust. Therefore, Mr. Lee is deemed to be interested in those Shares.
- Lee Keung Trustee Holding Corporation ("LK Trustee"), being the trustee of a unit trust called The Lee Keung Unit Trust ("LK Trust"), holds 50,000,000 Shares, representing approximately 9.80% of the issued share capital of the Company. Mr. Lee is the appointor of the LK Trust and all units of the LK Trust (other than one unit which is beneficially owned by Mr. Lee) are beneficially owned by the Lee Family Trust. Therefore, Mr. Lee is deemed to be interested in those Shares.
- Ms. Chui, Ms. Tsui and Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee"), the daughter of Mr. Lee, being the trustees of The Lee Keung Charitable Foundation ("the Charitable Foundation"), jointly hold 50,000,000 Shares, representing approximately 9.80% of the issued share capital of the Company. Therefore, Ms. Chui, Ms. Tsui and Ms. Lee are deemed to be interested in those Shares.
- Ms. Chui personally holds 5,050,000 Shares and, other than the Shares mentioned in (5) above, she is entitled to 1,200,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Chui's interests in the Company will be increased from the existing 10.79% to 11.00% of the issued share capital of the Company including number of shares in relation to such exercise.
- Ms. Tsui personally holds 3,656,000 Shares and, other than the Shares mentioned in (5) above, she is entitled to 1,200,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Tsui's interests in the Company will be increased from the existing 10.52% to 10.73% of the issued share capital of the Company including number of shares in relation to such exercise.
- Mr. Lee beneficially owns 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company.

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company

Share Option Scheme

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the adoption of a share option scheme (the "Scheme") pursuant to Chapter 17 of the Listing Rules.

The purpose of the Scheme is to enable the board of Directors (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 maximum number of Shares that may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10 per cent. of the Shares in issue as at the date of the 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 must not exceed 30% of the Shares in issue from time to time.

As at the balance sheet date, a total of 37,671,960 shares, which represents 7.38% of the issued share capital of the Company, are available for issue under the Scheme.

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

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

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

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

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange 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 quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

The Scheme will remain in force until 21 July 2012.

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

Pursuant to the Scheme, the Company has granted share options to certain Directors and employees of the Company to subscribe for Shares of the Company. The movements of the outstanding share options under the Scheme during the year are set out below:-

Name or category of Participant	Date of share options granted (Notes 1 & 2)	Number of Shares				Outstanding as at 28 February 2006	Exercise price per Share	Exercise period
		Outstanding as at 1 March 2005	Granted during the year	Exercised during the year (Note 3)	Cancelled during the year			
Directors								
Mr. Wan Tat Wah ("Mr. Wan") (Notes 4 & 5)	13 April 2004	3,000,000	—	—	—	3,000,000	HK\$0.38	26 July 2004 – 12 April 2014
	13 April 2004	3,000,000	—	—	—	3,000,000	HK\$0.38	26 July 2005 – 12 April 2014
	13 April 2004	4,000,000	—	—	—	4,000,000	HK\$0.38	26 July 2006 – 12 April 2014
Ms. Chui	13 April 2004	900,000	—	900,000	—	—	HK\$0.38	26 July 2005 – 12 April 2014
	13 April 2004	1,200,000	—	—	—	1,200,000	HK\$0.38	26 July 2006 – 12 April 2014
Ms. Tsui	13 April 2004	900,000	—	900,000	—	—	HK\$0.38	26 July 2004 – 12 April 2014
	13 April 2004	900,000	—	900,000	—	—	HK\$0.38	26 July 2005 – 12 April 2014
	13 April 2004	1,200,000	—	—	—	1,200,000	HK\$0.38	26 July 2006 – 12 April 2014
Mr. Ven Kam Cheong, Eric ("Mr. Ven") (Note 4)	13 April 2004	1,500,000	—	1,500,000	—	—	HK\$0.38	26 July 2004 – 12 April 2014
	13 April 2004	1,500,000	—	1,500,000	—	—	HK\$0.38	26 July 2005 – 12 April 2014
	13 April 2004	2,000,000	—	—	2,000,000	—	HK\$0.38	26 July 2006 – 12 April 2014
Sub-total		20,100,000	—	5,700,000	2,000,000	12,400,000		
Employees								
Other employees in aggregate	13 April 2004	600,000	—	600,000	—	—	HK\$0.38	26 July 2004 – 12 April 2014
	13 April 2004	3,855,000	—	2,080,000	210,000	1,565,000	HK\$0.38	13 April 2005 – 12 April 2014
	13 April 2004	600,000	—	—	—	600,000	HK\$0.38	26 July 2005 – 12 April 2014
	13 April 2004	3,855,000	—	—	210,000	3,645,000	HK\$0.38	13 April 2006 – 12 April 2014
	13 April 2004	800,000	—	—	—	800,000	HK\$0.38	26 July 2006 – 12 April 2014
	13 April 2004	5,140,000	—	—	280,000	4,860,000	HK\$0.38	13 April 2007 – 12 April 2014
	7 March 2005	—	900,000	—	900,000	—	HK\$1.24	1 September 2005 – 6 March 2015
	7 March 2005	—	1,257,000	—	1,257,000	—	HK\$1.24	7 March 2006 – 6 March 2015
	7 March 2005	—	900,000	—	900,000	—	HK\$1.24	1 September 2006 – 6 March 2015
	7 March 2005	—	1,257,000	—	1,257,000	—	HK\$1.24	7 March 2007 – 6 March 2015
	7 March 2005	—	1,200,000	—	200,000	1,000,000	HK\$1.24	1 September 2007 – 6 March 2015
	7 March 2005	—	1,676,000	—	1,676,000	—	HK\$1.24	7 March 2008 – 6 March 2015
	16 January 2006	—	900,000	—	—	900,000	HK\$0.87	16 January 2006 – 15 January 2016
	16 January 2006	—	1,239,000	—	18,000	1,221,000	HK\$0.87	7 March 2006 – 15 January 2016
	16 January 2006	—	900,000	—	—	900,000	HK\$0.87	1 September 2006 – 15 January 2016
	16 January 2006	—	1,239,000	—	18,000	1,221,000	HK\$0.87	7 March 2007 – 15 January 2016
16 January 2006	—	200,000	—	—	200,000	HK\$0.87	1 September 2007 – 15 January 2016	
16 January 2006	—	1,652,000	—	24,000	1,628,000	HK\$0.87	7 March 2008 – 15 January 2016	
Sub-total		14,850,000	13,320,000	2,680,000	6,950,000	18,540,000		
Total		34,950,000	13,320,000	8,380,000	8,950,000	30,940,000		

DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (continued)

Share Option Scheme (continued)

Notes:

1. *The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.*
2. *The closing price of the Shares of the Company immediately before 13 April 2004, 7 March 2005 and 16 January 2006 on which the share options were granted was HK\$0.40, HK\$1.26 and HK\$0.87 per Share respectively.*
3. *The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK\$1.06 per Share.*
4. *On 13 April 2004, 10,000,000 share options and 5,000,000 share options were granted to Mr. Wan and Mr. Ven respectively, which were in excess of the specified limit of 4,486,196 Shares, being 1% of the issued Shares as at 25 June 2004. Mr. Wan is an executive Director and Mr. Ven was appointed as an executive Director on 13 December 2004. At the annual general meeting of the Company held on 26 July 2004, the shareholders of the Company approved the granting of such share options to Mr. Wan and Mr. Ven respectively.*

On 1 February 2006, Mr. Ven resigned as executive Director of the Company. Upon Mr. Ven's resignation, the aggregate of 2,000,000 share options of the Company granted to him at an exercise price of HK\$0.38 per Share lapsed and were cancelled.

5. *Mr. Wan was entitled to 10,000,000 share options as at 28 February 2006. Upon exercise of these outstanding share options in full, Mr. Wan will be interested in approximately 1.92% of the issued share capital of the Company including number of shares in relation to such exercise.*

Mr. Wan exercised 6,000,000 share options on 11 May 2006. After such exercise, he is still entitled to 4,000,000 share options.

Save as disclosed above, as at 28 February 2006, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (within the meaning of Part XV 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the interests disclosed under the heading "Disclosure of Interests" above, (a) at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors 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 or any of their spouses or children under 18 years of age had any rights to subscribe for Shares or debt securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 28 February 2006, 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 Company had been notified of the following entities/persons who are interested in 5% or more of the issued share capital of the Company which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Long positions in Shares of the Company

Name	Note	Number of Shares			Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests		
Mr. Lee	1,2,3 & 4	25,820,000	31,384,000	205,000,000	262,204,000	51.40%
HSBC International Trustee Limited ("HSBCITL")	1,2 & 3	—	—	205,000,000	205,000,000	40.18%
HSBC Trustee (Cook Islands) Limited ("HSBC Trustee")	1,2 & 3	—	—	205,000,000	205,000,000	40.18%
LTB Trustee as trustee of the LTB Trust	1,2 & 3	—	—	155,000,000	155,000,000	30.38%
LK Trustee as trustee of the LK Trust	1,2 & 3	—	—	50,000,000	50,000,000	9.80%
Succex Limited	4	—	30,000,000	—	30,000,000	5.88%
Xin Chuan	4	—	1,384,000	—	1,384,000	0.27%
Ms. Chui	5	5,050,000	—	50,000,000	55,050,000	10.79%
Ms. Tsui	6	3,656,000	—	50,000,000	53,656,000	10.52%
Ms. Lee	7	4,000,000	—	50,000,000	54,000,000	10.59%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	5,6 & 7	—	—	50,000,000	50,000,000	9.80%
Value Partners Limited ("VPL")	8	—	—	43,432,000	43,432,000	8.51%
Mr. Cheah Cheng Hye ("Mr. Cheah")	8 & 9	—	—	43,432,000	43,432,000	8.51%

SUBSTANTIAL SHAREHOLDERS (continued)

Long positions in Shares of the Company (continued)

Notes:

1. *HSBCITL is the controlling shareholder of HSBC Trustee. By virtue of HSBCITL's interests in HSBC Trustee, HSBCITL is deemed to be interested in 205,000,000 Shares.*
2. *HSBC Trustee is the trustee of a unit trust called The Lee Family Trust which is the beneficial owner of LTB Trust and LK Trust. By virtue of HSBC Trustee's interests in the Lee Family Trust, HSBC Trustee was taken to be interested in 205,000,000 Shares of which 155,000,000 Shares are held by LTB Trust and 50,000,000 Shares are held by LK Trust.*
3. *Mr. Lee is the appointor of the LTB Trust and LK Trust. All units in the LTB Trust and the LK Trust (other than one unit in each of the LTB Trust and LK Trust which are beneficially owned by Mr. Lee) are beneficially owned by the Lee Family Trust, a discretionary trust.*
4. *Mr. Lee personally holds 25,820,000 Shares. Succex Limited, in which Mr. Lee is a controlling shareholder, holds 30,000,000 Shares. Xin Chuan, in which Mr. Lee is a governor, holds 1,384,000 Shares. Together with the interests in the LTB Trust, LK Trust, Succex Limited and Xin Chuan, Mr. Lee is interested in an aggregate of 262,204,000 Shares, being approximately 51.40% of the issued share capital of the Company.*
5. *Ms. Chui holds an aggregate of 55,050,000 Shares (comprising 5,050,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation), representing approximately 10.79% of the issued share capital of the Company. As disclosed under the heading "Share Option Scheme", Ms. Chui is also entitled to an aggregate of 1,200,000 share options of the Company. Upon exercise of these outstanding share options in full, Ms. Chui's interests in the Company will be increased from the existing 10.79% to 11.00% of the issued share capital of the Company including number of shares in relation to such exercise.*
6. *Ms. Tsui holds an aggregate of 53,656,000 Shares (comprising 3,656,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Chui and Ms. Lee as trustees of the Charitable Foundation), representing approximately 10.52% of the issued share capital of the Company. As disclosed under the heading "Share Option Scheme", Ms. Tsui is also entitled to 1,200,000 share options. Upon exercise of these outstanding share options in full, Ms. Tsui's interests in the Company will be increased from the existing 10.52% to 10.73% of the issued share capital of the Company including number of shares in relation to such exercise.*
7. *Ms. Lee holds an aggregate of 54,000,000 Shares (comprising 4,000,000 Shares personal interests and the 50,000,000 Shares jointly held with Ms. Chui and Ms. Tsui as trustees of the Charitable Foundation), representing approximately 10.59% of the issued share capital of the Company.*
8. *43,432,000 Shares representing approximately 8.51% of the issued share capital of the Company are held by various funds under the management of VPL, being the fund manager. Therefore, VPL is deemed to be interested in these Shares.*
9. *Mr. Cheah is a controlling shareholder of VPL. By virtue of Mr. Cheah's interests in VPL, Mr. Cheah is deemed to be interested in 43,432,000 Shares.*

Save as disclosed above, as at 28 February 2006, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest directly or indirectly and/or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the continuing connected transactions as detailed below, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, for the purposes of the Listing Rules, the Group has entered into the following transactions with the connected persons of the Company (as defined under the Listing Rules):

- (1) Pursuant to a tenancy agreement dated 25 January 2005 ("First Tenancy Agreement") in respect of Unit 3510-3515, 35/F Metro Plaza, 183-187 Tian He North Road, Guangzhou, PRC (中國廣州天河區天河北路183-187號大都會廣場三十五樓3510-3515單位) ("First Premises") entered into between Genda Investment Limited ("Genda") and Guangzhou Weipai Trading Company (廣州市韋柏貿易有限公司), an indirect wholly-owned subsidiary of the Company, for a term of one year commencing from 1 January 2005 and ending on 31 December 2005, the rent payable by Guangzhou Weipai Trading Company (廣州市韋柏貿易有限公司) to Genda is RMB56,780 (equivalent to approximately HK\$54,104) per month and the management fees of RMB12,343.60 (approximately HK\$11,633.90) per month is payable to Guangzhou Metro Plaza Management Company Limited (廣州大都會廣場物業管理有限公司), an Independent Third Party (within the meaning of Rule 14.58(3) of the Listing Rules). The First Premises was used as office premises to promote the Group's products in the PRC.

The total amount of rent paid by the Group to Genda under the First Tenancy Agreement for the year under review was RMB567,800 (approximately HK\$541,035).

CONTINUING CONNECTED TRANSACTIONS (continued)

- (2) Pursuant to a tenancy agreement dated 21 January 2004 (“Second Tenancy Agreement”) in respect of AR/C 2-A; 2-B; 2-C, Beco Da Arruda, 32 Rua De S. Domingos, Macau (the “Shop Premises”) entered into between Mr. Lee Tze Bun, Marces (“Mr. Lee”), being the Chairman, executive Director and controlling shareholder (as defined under the Listing Rules) of the Company, and Master Benefit Limited, an indirect wholly-owned subsidiary of the Company, for a term of two years commencing from 1 March 2004 and ending on 28 February 2006, the rent payable by Master Benefit Limited to Mr. Lee is HK\$72,218.76 per month or 12.5% of the total turnover deriving from the operation of the Shop Premises for each of the year ended 28 February during the said term, whichever is higher. The Shop Premises was used to operate as “Le Saunda” shoe shop. The government rent/rates payable annually by Master Benefit Limited to the Government of Macau, an Independent Third Party, amounted to Macau Pataca 165,629 (approximately HK\$160,804.85). No management fee was payable by the Group.

The total amount of rent paid by the Group to Mr. Lee under the Second Tenancy Agreement for the year under review was HK\$1,427,900.69, which was based on 12.5% of the total turnover for the year ended 28 February 2006.

- (3) Pursuant to a tenancy agreement dated 23 June 2004 (“Third Tenancy Agreement”) in respect of the Car park No.V09 on the ground floor of Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong (the “Carpark”) entered into between Le Saunda Management Limited, an indirect wholly-owned subsidiary of the Group, and Dragon Venture Enterprises Limited (“Dragon Venture”), for a term of one year commencing on 1 July 2004 and ending on 30 June 2005, the rent payable by Le Saunda Management Limited to Dragon Venture is HK\$3,200 per month (inclusive of rates and management fees). The Carpark was used for parking of one lorry of the Group.

Pursuant to a tenancy agreement entered into between Le Saunda Management Limited and Dragon Venture on 17 June 2005 in respect of renewal of the Third Tenancy Agreement (“Fourth Tenancy Agreement”), all the terms of the Third Tenancy Agreement remained the same except that the term of the renewal under the Fourth Tenancy Agreement commenced on 1 July 2005 and ending on 30 June 2006.

On 1 February 2006, Le Saunda Management Limited agreed with Dragon Venture to terminate the Fourth Tenancy Agreement in respect of the Carpark effective on 28 February 2006.

CONTINUING CONNECTED TRANSACTIONS (continued)

The total amount of rent paid (inclusive of rates and management fees) by the Group to Dragon Venture under the Third Tenancy Agreement for the period from 1 March 2005 to 30 June 2005 was HK\$12,800.

The total amount of rent paid (inclusive of rates and management fees) by the Group to Dragon Venture under the Fourth Tenancy Agreement for the period from 1 July 2005 to 28 February 2006 was HK\$25,600.

Therefore, the aggregate rental expense paid by the Group to Dragon Venture under the Third and Fourth Tenancy Agreements for the year under review was HK\$38,400.

The aggregate rental paid by the Group to Genda, Mr. Lee and Dragon Venture under the First, Second, Third and Fourth Tenancy Agreements was HK\$2,007,335.69 for the year ended 28 February 2006.

Both Genda and Dragon Venture are 100% beneficially owned by Mr. Lee, an executive Director and the controlling shareholder (as defined under the Listing Rules) of the Company, and his associates (as defined under the Listing Rules) and hence Genda and Dragon Venture are associates of Mr. Lee, who is a connected person of the Company under the Listing Rules. Mr. Lee and Ms. Tsui Oi Kuen, an executive Director, are also directors of Genda and Dragon Venture. The First Tenancy Agreement, the Second Tenancy Agreement, the Third Tenancy Agreement and the Fourth Tenancy Agreement (together known as the “Continuing Connected Transactions”) therefore constitute Continuing Connected Transactions of the Group under Rule 14A.34 of the Listing Rules.

The Directors (including the independent non-executive Directors) have reviewed the Continuing Connected Transactions and has confirmed that they have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the board of Directors that during the year under review, the Continuing Connected Transactions (i) have received the approval of the board of Directors; (ii) were entered into in accordance with the respective terms of the relevant tenancy agreements governing such Continuing Connected Transactions; and (iii) the aggregate annual consideration were not in excess of the total cap amount of HK\$2,500,000 for the year ended 28 February 2006, as stated in the announcement of the Company dated 23 June 2005.

Certain connected transactions which are significant are also disclosed as related party transactions (see note 37 to the financial statements).

CONTINUING CONNECTED TRANSACTIONS (continued)

Subsequent to the close of the year under review on 28 February 2006, the Group entered into other transactions with the connected persons of the Company (as defined in the Listing Rules) including the renewal of the Second and Fourth Tenancy Agreements and the renting of part of the First Premises and certain other properties, the details of which transactions were set out in the announcement of the Company dated 9 March 2006 and will also be included in the next annual report of the Company in respect of the year ending 28 February 2007.

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 sufficiency of public float of the Company's securities as required under the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales attributable to the Group's five largest suppliers and customers respectively are less than 30%.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK\$72,800.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Tze Bun, Marces
Chairman

Hong Kong, 20 June 2006