NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Le Saunda Holdings Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in manufacturing and sale of shoes and property development. The Group's operations are mainly in Hong Kong and Mainland China.

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

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 14 June 2007.

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.

(a) Basis of preparation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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.

During the year, the Group adopted the following amendments of HKFRS, which are effective in the year and relevant to the Group's operations.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts

The adoption of the above amendments of HKFRS did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 21 (Amendment) changes the definition of net investment and permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation. Exchange differences arising from these inter-company loans are taken to exchange reserve in the consolidated financial statements. The adoption of this amendment does not have a material impact on the financial statements.

- HKAS 39 and HKFRS 4 (Amendments) requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment does not have a material impact on the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The Group has not early adopted the following new/revised standards and interpretations of HKFRS that have been issued but are not yet effective:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The Group is in the process of making an assessment of the impact of these new/revised standards and interpretations of HKFRS upon initial application. So far, it is expected that while the adoption of HKAS 1 (Amendment) and HKFRS 7 may result in new or amended disclosures, they are unlikely to result in substantial changes to the Group's accounting policies or have a material impact on the Group's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 28 February. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intercompany transactions and balances and unrealised gains on transactions within the Group are eliminated on consolidation.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Jointly controlled entity

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interests in jointly controlled entities include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

(d) Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investment properties (continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

(e) Property, plant and equipment

Buildings comprise mainly factories, retail outlets and offices. They are stated at cost less accumulated depreciation and accumulated impairment losses. 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. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less their residual values over their estimated useful lives, at the following annual rates:

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%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)).

The gain or loss on disposal is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Leasehold land and land use rights

Leasehold land and 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 leasehold land and land use rights is calculated on a straight-line basis over the period of the rights.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Financial asset

The Group classifies its investments in securities other than subsidiaries and a jointly controlled entity as available-for-sale financial asset. Available-for-sale financial asset is included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial asset is carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale security is recognised in equity. When security classified as available-for-sale is sold or impaired, the accumulated fair value adjustments are included in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and completed properties held for sale comprises development and construction expenditure, and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

(j) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realisable value is determined on the basis of estimated sales price less applicable selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Operating leases

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

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Borrowings (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Trade and other payables

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

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

(r) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised 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)

(s) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company and its Hong Kong subsidiaries maintain their books and records in Hong Kong Dollars ("HK$") while all other major group companies maintain their books and records in Renminbi ("RMB"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies (continued)

(iii) Group companies

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

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

(2) 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 dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

(t) Employee benefits

(i) Employee benefit entitlements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(ii) Pension obligations

The Group contributes to a mandatory provident fund scheme which is a defined contribution retirement scheme and available to all employees. Both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK$20,000 per month). 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 companies in Mainland China. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

(iii) Share-based compensation

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

The Group recognises the fair value of the employee services received in exchange for the share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in an employee share-based compensation reserve. The related employee share-based compensation reserve is transferred to share capital and share premium together with the exercise price, when the option holder exercises its rights. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee benefits (continued)

(iii) Share-based compensation (continued)

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(u) Provisions

Provisions for restoration and restructuring costs are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue recognition

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

(ii) Revenue and profits from the sales of completed properties are recognised when a legally binding contract of sale has been executed to transfer title to the purchaser.

(iii) Dividend income is recognised when the shareholder's right to receive payment is established.

(vi) Operating lease rental income is recognised on a straight-line basis.

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

(w) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting (continued)

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, investment properties, properties under development for sale, completed properties held for sale, inventories, receivables and operating cash, and mainly exclude interests in joint ventures and deferred tax assets. Segment liabilities comprise operating liabilities and exclude taxation and deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment, leasehold land and land use rights and investment properties.

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 where the assets are located.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk.

(a) Foreign exchange risk

Certain of the subsidiaries of the Group operate in Mainland China with most of the transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exchange rate of the RMB against the HK dollars. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Mainland China government.

Management monitors the exchange rate movements closely to ascertain if any material exposure may arise.

(b) Credit risk

The Group has no significant concentrations of credit risk. Sales to retail customers are made in cash or via major credit cards. The carrying amount of the trade receivables included in the consolidated balance sheets represents the Group's maximum exposure to credit risk. The Group also performs periodic assessments of the trade receivables and believes that adequate provision for uncollectible receivables has been made.

(c) Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(d) Cash flow and fair value interest rate risk

As the Group has significant interest-bearing bank balances, the Group's income and operating cash flows are affected by changes in market interest rates.

3.2 Fair values estimation

The Group has investment properties in Hong Kong, 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 income statement, the Group's results are exposed to the risk of fluctuation of such fair values.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

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 are discussed below.

(a) Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment.

This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The impairment loss for property, plant and equipment is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2(g). The recoverable amounts have been determined based on fair value less costs to sell, which are based on the best information available to reflect the amount obtainable at each balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Taxes

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

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

(c) Net realisable value of inventories

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

(d) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the estimation of each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Estimate of fair value of available-for-sale financial asset

The best evidence of fair value is current prices in an active market for similar available-for-sale financial asset. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for the available-for-sale financial asset of different nature, condition or location, with adjustments to reflect those differences; and

(ii) recent prices of similar available-for-sale financial asset in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

5 TURNOVER AND SEGMENT INFORMATION

Primary reporting format - business segments

The Group is organised into two main business segments:

- Manufacture and sales of shoes
- Property development

There were no sales between the business segments.

Secondary reporting format - geographical segments

The Group's business segments operate in two main geographical areas:

- Mainland China - manufacturing and retailing of shoes, property development and holding of investment properties
- Hong Kong - retailing of shoes and holding of investment properties
- Macau - retailing of shoes and holding of investment property

5 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format - business segments

	Manufacture and sales of shoes 2007 HK$'000	Property development 2007 HK$'000	Others 2007 HK$'000	Total 2007 HK$'000
Turnover	724,285	—	15,437	739,722
Segment results	94,259	15,120	(11,785)	97,594
Bank interest income	1,988	2	1	1,991
Finance costs	(321)	—	—	(321)
Share of profit of a jointly controlled entity	—	1,925	—	1,925
Profit/(loss) before taxation	95,926	17,047	(11,784)	101,189
Taxation (charge)/credit	(5,733)	4	—	(5,729)
Profit/(loss) for the year from:				
- Continuing operations	90,193	17,051	(11,784)	95,460
- Discontinued operation	—	10,266	—	10,266
	90,193	27,317	(11,784)	105,726

5 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format - business segments (continued)

	Manufacture and sales of shoes 2007 HK$'000	Property development 2007 HK$'000	Others 2007 HK$'000	Total 2007 HK$'000
Segment assets	623,574	42,975	16,190	682,739
Interests in a jointly controlled entity	—	57,829	—	57,829
Non-current assets classified as held for sale	—	39,718	—	39,718
Unallocated assets	—	—	—	36,339
Total assets				816,625
Segment liabilities	69,680	71	2,219	71,970
Liabilities directly associated with non-current assets classified as held for sale	—	3,445	—	3,445
Unallocated liabilities	—	—	—	5,547
Total liabilities				80,962
Capital expenditure	35,086	20	856	35,962
Depreciation	20,388	247	1,794	22,429
Amortisation	1,012	—	—	1,012

5 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format - business segments (continued)

	Manufacture and sales of shoes 2006 HK$'000	Property development 2006 HK$'000	Others 2006 HK$'000	Total 2006 HK$'000
Turnover	653,031	—	8,419	661,450
Segment results	73,887	20,589	(8,852)	85,624
Bank interest income	1,110	2	1	1,113
Finance costs	(180)	—	—	(180)
Share of profit of a jointly controlled entity	—	4,726	—	4,726
Profit/(loss) before taxation	74,817	25,317	(8,851)	91,283
Taxation credit/(charge)	1,578	—	(8)	1,570
Profit/(loss) for the year from:				
– Continuing operations	76,395	25,317	(8,859)	92,853
– Discontinued operation	—	(2,697)	—	(2,697)
	76,395	22,620	(8,859)	90,156

5 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format - business segments (continued)

	Manufacture and sales of shoes 2006 HK$'000	Property development 2006 HK$'000	Others 2006 HK$'000	Total 2006 HK$'000
Segment assets	475,789	91,097	14,180	581,066
Interests in a jointly controlled entity	—	53,374	—	53,374
Unallocated assets	—	—	—	29,710
Total assets				664,150
Segment liabilities	77,302	25,281	2,019	104,602
Unallocated liabilities	—	—	—	2,452
Total liabilities				107,054
Capital expenditure	17,345	17	4,258	21,620
Depreciation	15,902	258	1,134	17,294
Amortisation	1,112	—	—	1,112

5 TURNOVER AND SEGMENT INFORMATION (continued)

(ii) Secondary reporting format - geographical segments

	Turnover 2007 HK$'000	Segment results 2007 HK$'000	Total assets 2007 HK$'000	Capital expenditure 2007 HK$'000
Hong Kong	192,798	18,682	145,103	8,738
Mainland China	410,109	27,180	548,369	27,224
Macau	11,959	26,760	33,488	—
Others	124,856	24,972	13,608	—
	739,722	97,594	740,568	35,962
Non-current assets classified as held for sale			39,718	
Unallocated assets			36,339	
Total assets			816,625	

5 TURNOVER AND SEGMENT INFORMATION (continued)

(ii) Secondary reporting format - geographical segments (continued)

	Turnover 2006 HK$'000	Segment results 2006 HK$'000	Total assets 2006 HK$'000	Capital expenditure 2006 HK$'000
Hong Kong	185,971	14,110	119,793	9,110
Mainland China	363,035	50,558	495,084	12,172
Macau	11,423	5,447	9,758	338
Others	101,021	15,509	9,805	—
	661,450	85,624	634,440	21,620
Unallocated assets			29,710	
Total assets			664,150	

6 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

The assets and liabilities related to 佛山市順德區信達房地產開發有限公司("信達房地產") (property development segment) have been presented as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale following the approval of the sale of 信達房地產 in Mainland China by the Group's management and shareholders on 17 May 2007.

An analysis of the results of the discontinued operation is as follows:

	2007 HK$'000	2006 HK$'000
Revenue	33,040	60,098
Expenses	(17,612)	(62,795)
Profit/(loss) before taxation	15,428	(2,697)
Taxation charge		
Mainland China enterprise income tax	(5,162)	—
Profit/(loss) for the year	10,266	(2,697)
Operating cash flows	14,010	26,481
Investing cash flows	375	(34,859)
Total cash flows	14,385	(8,378)

6 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (continued)

	2007 HK$'000
Non-current assets classified as held for sale:	
Property, plant and equipment	281
Properties under development for sale	
– land use rights (Note a)	26,347
– development costs	1,149
Completed properties held for sale	
– land use rights (Note a)	292
– development costs	552
Trade and other receivables (Note 28)	1,864
Deposits	37
Cash and cash equivalents	9,196
	39,718
Liabilities directly associated with non-current assets classified as held for sale:	
Creditors and accruals (Note 30)	3,445

(a) The net book value of land use rights included in non-current assets classified as held for sale is located outside Hong Kong and held on leases of over 50 years.

7 OTHER GAINS

	2007 HK$'000	2006 HK$'000
Gross rental income from investment properties	**2,106**	2,195
Dividend income from available-for-sale financial asset	**14,694**	20,312
Fair value gains on investment properties (Note 17)	**28,206**	2,801
Net exchange gain	**15,039**	1,357
	60,045	26,665

8 EXPENSES BY NATURE

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

	2007 HK$'000	2006 HK$'000
Auditor's remuneration	**1,959**	1,352
Amortisation of leasehold land and land use rights (Note 19)	**1,012**	1,112
Depreciation of property, plant and equipment (Note 18)	**22,185**	17,039
Loss on disposal of property, plant and equipment	**523**	737
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**77,070**	62,010
– contingent rent	**2,056**	1,666
Direct operating expenses arising from investment properties that generated rental income	**552**	540
Staff costs (including directors' emoluments) (Note 10)	**118,618**	114,471

8 EXPENSES BY NATURE (continued)

Expenses included in the discontinued operation are analysed as follows:

	2007 HK$'000	2006 HK$'000
Auditor's remuneration	**8**	8
Depreciation of property, plant and equipment (Note 18)	**244**	255
Loss on disposal of property, plant and equipment	**36**	—
Operating lease rentals in respect of land and buildings		
– minimum lease payments	**209**	228
Staff costs		
– wages and salaries	**2,133**	1,691
– staff welfare and other benefits	**545**	160
– pension costs – defined contribution plans	**76**	48

9 FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on short term bank loans	321	180

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007 HK$'000	2006 HK$'000
Wages and salaries	101,666	99,032
Staff welfare and other benefits	5,847	4,714
Share options granted to Directors and employees	1,214	2,801
Pension costs – defined contribution plans (Note 12)	9,891	7,924
	118,618	114,471

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each of the Directors of the Company for the year ended 28 February 2007 is set out below:

Name of Director	Fees	Salary, bonus, other allowances, share options and benefits in kind	Contributions to retirement scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors				
Mr. Lee Tze Bun, Marces	—	—	—	—
Mr. Wan Tat Wah	—	2,684	12	2,696
Ms. Chui Kwan Ho, Jacky	—	1,780	12	1,792
Ms. Tsui Oi Kuen	—	1,455	12	1,467
Ms. Lau Shun Wai (appointed on 1 February 2007)	—	380	1	381
Independent non-executive Directors				
Mr. Law King Wan	120	—	—	120
Mr. Leung Wai Ki, George	120	—	—	120
Mr. Lam Siu Lun, Simon	120	—	—	120
	360	6,299	37	6,696

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The remuneration of each of the Directors of the Company for the year ended 28 February 2006 is set out below:

Name of Director	Fees HK$'000	Salary, bonus, other allowances, share options and benefits in kind HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive Directors				
Mr. Lee Tze Bun, Marces	—	650	—	650
Mr. Wan Tat Wah	—	2,896	12	2,908
Ms. Chui Kwan Ho, Jacky	—	1,967	12	1,979
Ms. Tsui Oi Kuen	—	1,577	12	1,589
Mr. Ven Kam Cheong, Eric (resigned on 1 February 2006)	—	2,157	11	2,168
Independent non-executive Directors				
Mr. Law King Wan	120	—	—	120
Mr. Leung Wai Ki, George	120	—	—	120
Mr. Lam Siu Lun, Simon (appointed on 16 January 2006)	14	—	—	14
Mr. Wong Kong Chi (resigned on 16 January 2006)	120	—	—	120
	374	9,247	47	9,668

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Included above is share-based compensation, which was determined based on the fair value of the share options granted to the relevant Directors at the date of grant and recognised over the vesting period. During the year ended 28 February 2007, 8,400,000 (2006: 5,700,000) of these options were exercised by the Directors.

(b) Five highest paid individuals

The Directors' emoluments presented above include the emoluments of the three (2006: four) highest paid individuals in the Group. The emoluments of the remaining two (2006: one) highest paid individuals were:

	2007 HK$'000	2006 HK$'000
Salaries, bonus, other allowances, share options and benefits in kind	**2,597**	2,027
Contributions to retirement scheme	**24**	12

Emolument bands	**Number of individuals 2007**	2006
HK$1,000,001- HK$1,500,000	**2**	—
HK$2,000,001- HK$2,500,000	**—**	1

12 RETIREMENT BENEFIT COSTS

Retirement benefit scheme costs amounting to HK$9,896,000 (2006: HK$8,039,000) were paid by the Group during the year. Forfeited contributions totalling HK$5,000 (2006: HK$115,000) were refunded during the year.

13 TAXATION (CHARGE)/CREDIT

The amount of taxation (charged)/credited to the consolidated income statement represents:

	2007	2006
	HK$'000	HK$'000
Current taxation		
Mainland China enterprise income tax	**(8,765)**	(11,403)
Deferred taxation (Note 24)	**3,036**	12,973
	(5,729)	1,570

Hong Kong profits tax has not been provided as the Group has sufficient tax losses brought forward to offset the estimated assessable profit for the year (2006: Nil).

Taxation on profits in Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China in which certain Group companies operate.

13 TAXATION (CHARGE)/CREDIT (continued)

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

	2007 HK$'000	2006 HK$'000
Profit before taxation, less share of profit of a jointly controlled entity and discontinued operation	**99,264**	86,557
Calculated at a tax rate of 17.5% (2006: 17.5%)	**17,371**	15,147
Effect of different tax rates in different tax jurisdictions	**3,004**	2,043
Income not subject to taxation	**(4,596)**	(3,889)
Expenses not deductible for taxation purposes	**257**	374
Utilisation of previously unrecognised tax losses	**(5,746)**	(9,347)
Recognition of previously unrecognised tax losses	**(4,561)**	(5,898)
Taxation charge/(credit)	**5,729**	(1,570)

14 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

The profit attributable to equity holders is dealt with in the financial statements of the Company to the extent of HK$96,555,000 (2006: loss of HK$4,096,000).

15 DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim, paid, of HK 3.0 cents (2006: HK 2.8 cents) per ordinary share	**18,717**	14,200
Final, proposed, of HK 4.5 cents (2006: HK 4.5 cents) per ordinary share	**28,083**	22,957
	46,800	37,157

At a meeting held on 14 June 2007, the Directors proposed a final dividend of HK 4.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of contributed surplus of the Company for the year ending 29 February 2008.

16 EARNINGS PER SHARE

Basic

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

	2007 HK$'000	2006 HK$'000
Profit/(loss) attributable to equity holders		
– continuing operations	**95,460**	92,853
– discontinued operation	**10,266**	(2,697)
	105,726	90,156
Weighted average number of ordinary shares in issue ('000)	**583,645**	506,291
Basic earnings/(loss) per share (HK cents)		
– continuing operations	**16.3**	18.3
– discontinued operation	**1.8**	(0.5)
	18.1	17.8

16 EARNINGS PER SHARE (continued)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had share options outstanding during the year which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007 **HK$'000**	2006 HK$'000
Profit/(loss) attributable to equity holders		
– continuing operations	**95,460**	92,853
– discontinued operation	**10,266**	(2,697)
	105,726	90,156
Weighted average number of ordinary shares in issue ('000)	**583,645**	506,291
Adjustments for share options ('000)	**13,041**	20,100
Weighted average number of ordinary shares for diluted earnings per share ('000)	**596,686**	526,391
Diluted earnings/(loss) per share (HK cents)		
– continuing operations	**16.0**	17.6
– discontinued operation	**1.7**	(0.5)
	17.7	17.1

17 INVESTMENT PROPERTIES

	2007 HK$'000	2006 HK$'000
At beginning of year	27,926	25,125
Fair value gains on investment properties (Note 7)	28,206	2,801
At the end of year	56,132	27,926

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2007 by independent professional valuers, Chung, Chan & Associates and CB Richard Ellis.

The Group's interests in investment properties at their net book values are analysed as follows:

	2007 HK$'000	2006 HK$'000
In Hong Kong held on leases of between 10 and 50 years	23,397	17,387
Outside Hong Kong held on leases of between 10 and 50 years	32,735	10,539
	56,132	27,926

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 March 2005						
Cost	37,222	49,167	51,920	32,295	4,198	174,802
Accumulated depreciation and accumulated impairment	(16,331)	(36,366)	(27,027)	(27,830)	(2,690)	(110,244)
Net book amount	20,891	12,801	24,893	4,465	1,508	64,558
Year ended 28 February 2006						
Opening net book amount	20,891	12,801	24,893	4,465	1,508	64,558
Exchange differences	—	183	515	75	19	792
Additions	—	16,871	2,003	2,477	269	21,620
Transfers	—	97	—	(97)	—	—
Disposals	—	(707)	—	—	(33)	(740)
Depreciation	(75)	(11,315)	(3,918)	(1,500)	(486)	(17,294)
Closing net book amount	20,816	17,930	23,493	5,420	1,277	68,936
At 28 February 2006						
Cost	37,222	53,960	55,023	24,745	3,807	174,757
Accumulated depreciation and accumulated impairment	(16,406)	(36,030)	(31,530)	(19,325)	(2,530)	(105,821)
Net book amount	20,816	17,930	23,493	5,420	1,277	68,936

18 PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 28 February 2007						
Opening net book amount	20,816	17,930	23,493	5,420	1,277	68,936
Exchange differences	—	448	1,320	158	37	1,963
Additions	—	20,025	13,443	1,406	1,088	35,962
Transfers	—	299	—	(299)	—	—
Disposals	—	(510)	—	(101)	(210)	(821)
Depreciation	(572)	(15,758)	(4,074)	(1,515)	(510)	(22,429)
Transfer to non-current assets classified as held for sale (note 6)	—	—	—	(170)	(111)	(281)
Closing net book amount	20,244	22,434	34,182	4,899	1,571	83,330
At 28 February 2007						
Cost	37,222	69,529	71,163	25,331	3,404	206,649
Accumulated depreciation and accumulated impairment	(16,978)	(47,095)	(36,981)	(20,432)	(1,833)	(123,319)
Net book amount	20,244	22,434	34,182	4,899	1,571	83,330

19 LEASEHOLD LAND AND LAND USE RIGHTS

	2007 HK$'000	2006 HK$'000
At beginning of year	**41,709**	42,821
Amortisation	**(1,012)**	(1,112)
At end of year	**40,697**	41,709

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

	2007 HK$'000	2006 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	**16,724**	17,135
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**18,515**	19,021
Leases of over 50 years	**5,458**	5,553
	40,697	41,709

20 LONG TERM DEPOSITS AND PREPAYMENTS

The amounts as at 28 February 2006 included a prepayment for land use rights of approximately HK$26,122,000 which is situated in Shunde, Mainland China for residential property development held by 信達房地產. As at 28 February 2007, the balance was included in non-current assets classified as held for sale (Note 6).

21 INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**107,657**	107,657
Amounts due by subsidiaries	**444,550**	280,262
	552,207	387,919

The amounts due by subsidiaries are unsecured, interest free and have no fixed terms of repayment.

21 INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Blooming On Limited	Hong Kong, limited liability company	HK$2	Property holding	100
Brightly Investment Limited	Hong Kong, limited liability company	HK$2	Property holding	100
Guangzhou Le Saunda Company Limited	The People's Republic of China ("PRC"), limited liability company	RMB7,000,000	Retailing of shoes	100
廣州銘高鞋服有限公司	PRC, limited liability company	RMB500,000	Retailing of shoes	100
Guangzhou Shungo Shoes Fashion Company Limited	PRC, limited liability company	RMB3,750,950	Retailing of shoes	100

21 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
廣州市韋柏貿易有限公司	PRC, limited liability company	RMB3,500,000	Retailing of shoes	100
Le Saunda (B.V.I.) Limited (note a)	British Virgin Islands, limited liability company	US$31,500	Investment holding	100
利信達商業（中國）有限公司	PRC, limited liability company	HK$13,000,000	Retailing of shoes	100
Le Saunda Calcado, Limitada	Macau, limited liability company	MOP200,000	Retailing of shoes	100
Le Saunda (China) Limited	Hong Kong, limited liability company	HK$2	Investment holding	100
Le Saunda China Investment Limited	Hong Kong, limited liability company	HK$100	Investment holding	100

21 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Le Saunda Merchandising (International) Limited	Hong Kong, limited liability company	HK$2	Merchandising of shoes	100
Le Saunda Licensing Limited	Bahamas, limited liability company	US$5,000	Holding and licensing of trade marks and names	100
Le Saunda Management Limited	Hong Kong, limited liability company	HK$2	Provision of management services	100
Le Saunda Real Estate Limited	Hong Kong, limited liability company	HK$2	Investment holding	100
L.S. Retailing Limited (note b)	Hong Kong, limited liability company	HK$20,002,000	Retailing of shoes	100
利信達貿易（深圳）有限公司	PRC, limited liability company	HK$10,000,000	Retailing of shoes	100

21 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Maior Limited	Hong Kong, limited liability company	HK$2,000,000	Trading and investment holding	100
Master Benefit Limited	Hong Kong, limited liability company	HK$3,000,000	Provision of management services	100
Multiple Reward Limited	Hong Kong, limited liability company	HK$100	Provision of financial services	100
Parklink Investment Development Limited	Hong Kong, limited liability company	HK$2	Property holding	100
Shunde Daxin Shoe-Making Company Limited	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100
Shunde Lixinda Shoes Company Limited	PRC, limited liability company	US$1,600,000	Manufacturing and trading of shoes	100
佛山市順德區信達房地產開發有限公司 (note e)	PRC, limited liability company	HK$29,200,000	Property development	100

21 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
Shunde Yihensin Shoe-Making Factory	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100
Shunde Ying Da Shoes Company Limited	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes	100
Trend Door Company Limited	Hong Kong, limited liability company	HK$2	Property holding	100
Trend Light Trading Company Limited	Hong Kong, limited liability company	HK$2	Property holding	100
億才商業（上海）有限公司	PRC, limited liability company	US$1,000,000	Retailing of shoes	100
佛山市順德區盈穀鞋業有限公司	PRC, limited liability company	US$1,500,000	Manufacturing and trading of shoes	100

21 INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and type of legal entity	Issued and paid up capital/ registered capital	Principal activities	Group's equity interest %
灝信達商業（北京）有限公司	PRC, limited liability company	US$1,000,000	Retailing of shoes	100

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

(b) L.S. Retailing Limited has capital comprising ordinary shares of HK$2,000 and non-voting deferred shares of HK$20,000,000.

(c) None of the subsidiaries have issued any loan capital.

(d) Except for Le Saunda Licensing Limited which operates worldwide, and Le Saunda China Investment Limited which operates in the PRC, all subsidiaries operate principally in their places of incorporation.

(e) Refer to Notes 6 and 40 (ii).

22 INTERESTS IN A JOINTLY CONTROLLED ENTITY

(a) Share of net assets

	2007 HK$'000	2006 HK$'000
Registered capital at cost, unlisted	**36,386**	36,386
Share of undistributed post-acquisition reserves	**21,443**	16,988
Share of net assets	**57,829**	53,374
At beginning of the year	**53,374**	56,888
Share of result of a jointly controlled entity	**1,925**	4,726
Dividend	**—**	(9,425)
Exchange differences	**2,530**	1,185
At end of year	**57,829**	53,374

22 INTERESTS IN A JOINTLY CONTROLLED ENTITY (continued)

(a) Share of net assets (continued)

Details of the jointly controlled entity are as follows:

Name	Place of establishment/ operation	Principal activities	Group's equity interest %
Shunde Shuang Qiang Property Development Company Limited ("SSQ")	PRC	Property development	50%

The jointly controlled entity is held indirectly by the Company.

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

Under the joint venture agreement, each of LSRE and SHREC has committed to contribute US$5 million (equivalent to approximately HK$38,650,000) capital in SSQ and share the results of SSQ equally. Up to 28 February 2007, LSRE had contributed US$4.8 million (approximately HK$36,386,000) to SSQ.

22 INTERESTS IN A JOINTLY CONTROLLED ENTITY (continued)

(a) Share of net assets (continued)

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

	2007 HK$'000	2006 HK$'000
Operating results		
Turnover	**44,581**	61,467
Profit for the year	**3,849**	9,452
Group's share of profit for the year	**1,925**	4,726
Financial position		
Non-current assets	**96**	263
Current assets	**242,086**	162,232
Current liabilities	**(126,524)**	(55,747)
Net assets	**115,658**	106,748

(b) Amount due from a jointly controlled entity

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand. The amount approximated the fair value and was denominated in RMB.

23 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2007 HK$'000	2006 HK$'000
Unlisted shares		
At beginning of year	**2,411**	2,356
Exchange differences	**111**	55
At end of year	**2,522**	2,411
Loan to investee company (note a)	**4,667**	2,411
	7,189	4,822

(a) The amount is unsecured, interest-free and has no fixed terms of repayment. The amount approximated the fair value and was denominated in RMB.

Details of available-for-sale financial asset is as follows:

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

In the opinion of the Directors, the Group does not have significant influence over the investment.

24 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 17.5% (2006: 17.5%).

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
At beginning of year	**29,710**	16,880	**619**	271
Credited/(charged) to income statement (Note 13)	**3,036**	12,973	**(762)**	491
Credited/(charged) to reserve (Note 34)	**143**	(143)	**143**	(143)
At end of year	**32,889**	29,710	**–**	619

24 DEFERRED TAXATION (continued)

The detailed movement on deferred tax assets and liabilities is as follows:

Group

	Unrealised profits on inventories		Tax losses		Revaluation of Investment properties		Share-based compensatoin		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of year	**15,486**	7,006	**11,363**	6,721	**2,242**	2,882	**619**	271	**29,710**	16,880
Credited/(charged) to income statement	**5,255**	8,480	**3,037**	4,642	**(4,494)**	(640)	**(762)**	491	**3,036**	12,973
Credited/(charged) to reserve	**—**	—	**—**	—	**—**	—	**143**	(143)	**143**	(143)
At end of year	**20,741**	15,486	**14,400**	11,363	**(2,252)**	2,242	**—**	619	**32,889**	29,710

24 DEFERRED TAXATION (continued)

Company

	Share-based compensation	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**619**	271
(Charged)/credited to income statement	**(762)**	491
Credited/(charged) to reserve	**143**	(143)
At end of year	**—**	619

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred tax assets	**36,339**	29,710
Deferred tax liabilities	**(3,450)**	—
	32,889	29,710

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 28 February 2007, the Group has unrecognised tax losses of HK$39,653,000 (2006: HK$83,368,000) to carry forward against future taxable income.

24 DEFERRED TAXATION (continued)

The expiry of unrecognised tax losses are as follows:

	2007 HK$'000	2006 HK$'000
Tax losses without expiry date	17,425	76,850
Tax losses expire within five years	22,228	6,518
	39,653	83,368

25 PROPERTIES UNDER DEVELOPMENT FOR SALE

	2007 HK$'000	2006 HK$'000
Land use rights	—	5,828
Development costs	—	5,944
	—	11,772

These represented residential properties under development in Shunde, Mainland China for sale. As at 28 February 2007, the properties under development for sale were included in non-current assets classified as held for sale (note 6).

26 COMPLETED PROPERTIES HELD FOR SALE

	2007 HK$'000	2006 HK$'000
Land use rights	—	1,378
Development costs	—	3,211
	—	4,589

These represented completed residential properties held for sale in Shunde, Mainland China. As at 28 February 2007, the completed properties held for sale were included in non-current assets classified as held for sale (note 6).

The cost of completed properties held for sale recognised as expense and included in cost of goods sold of the discontinued operation amounted to HK$12,373,000 (2006: HK$58,811,000).

27 INVENTORIES

	2007 HK$'000	2006 HK$'000
Raw materials	27,237	18,427
Work in progress	10,501	15,310
Finished goods	151,133	127,934
	188,871	161,671

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$346,488,000 (2006: HK$291,779,000).

28 TRADE AND OTHER RECEIVABLES

The Group's credit terms on credit sales range from 30 to 60 days. The ageing analysis of trade receivables was as follows:

	2007 HK$'000	2006 HK$'000
Trade receivables		
Current to 30 days	69,924	48,258
31 to 60 days	6,793	16,239
61 to 90 days	1,130	2,480
Over 90 days	2,094	3,597
	79,941	70,574
Less: provision	(847)	(847)
	79,094	69,727
Other receivables	2,400	3,123
Total	81,494	72,850

The above amounts approximated their fair values at 28 February 2007. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

28 TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of the trade receivables included in non-current assets classified as held for sale (Note 6) was as follows:

	2007 HK$'000
Trade receivables	
Current to 30 days	219
31 to 60 days	69
61 to 90 days	652
Over 90 days	904
	1,844
Other receivables	20
Total	1,864

29 RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

As at 28 February 2007, no bank deposits of the Group (2006: approximately HK$9,386,000) were restricted by the Mainland China local authorities in respect of payment of construction costs to contractors and receipts of advance payment from buyers of the Group's properties.

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

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**28,070**	16,352	**211**	103
RMB	**78,753**	73,025	**—**	—
US$	**16,354**	5,587	**—**	—
EURO	**23,864**	13,054	**—**	—
Others	**812**	96	**—**	—
	147,853	108,114	**211**	103

The effective interest rate on short-term bank deposits was 2.3% (2006: 2.4%).

30 CREDITORS AND ACCRUALS

Included in creditors and accruals are trade creditors and their ageing analysis was as follows:

	2007 HK$'000	2006 HK$'000
Trade creditors		
Current to 30 days	**18,913**	32,526
31 to 60 days	**11,978**	15,076
61 to 90 days	**2,628**	4,521
91 to 120 days	**740**	2,443
Over 120 days	**529**	2,234
	34,788	56,800
Accruals	**33,773**	43,340
Total	**68,561**	100,140

30 CREDITORS AND ACCRUALS (continued)

The ageing analysis of the creditors and accruals included in liabilities directly associated with non-current assets classified as held for sale (Note 6) was as follows:

	2007 HK$'000
Trade creditors	
Current to 30 days	3
31 to 60 days	384
61 to 90 days	1,184
Over 90 days	917
	2,488
Accruals	957
Total	3,445

31 SHORT TERM BANK LOANS, SECURED

The carrying amounts of the borrowings are denominated in the following currencies:

	2007 HK$'000	2006 HK$'000
HK$	**153**	—
EURO	**2,171**	2,507
US$	**1,085**	1,955
	3,409	4,462

The carrying amounts of the borrowings approximate their fair values and repayable within twelve months.

The effective interest rates of the short term bank loans at the balance sheet dates were as follows:

	2007 HK$'000	2006 HK$'000
HK$	**6.8%**	—
EURO	**4.5%**	3.7%
US$	**6.3%**	5.5%

32 SHARE CAPITAL

	2007 Number of ordinary shares	2007 HK$'000	2006 Number of ordinary shares	2006 HK$'000
Authorised:				
Shares of HK$0.10 each	**800,000,000**	**80,000**	800,000,000	80,000
Issued and fully paid:				
At beginning of year	**510,149,600**	**51,015**	501,769,600	50,177
Exercise of share options (Note 33)	**13,907,000**	**1,391**	8,380,000	838
Placement of new shares (Note a)	**100,000,000**	**10,000**	—	—
At end of year	**624,056,600**	**62,406**	510,149,600	51,015

Note

(a) On 11 July 2006, 100,000,000 ordinary shares of HK$0.10 each were issued at a subscription price of HK$1.10 for cash for general working capital purposes of the Group and faciliting future expansion in Mainland China. These shares rank pari passu with the existing shares.

33 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 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 preceeding the date of offer of grant.

33 SHARE OPTIONS (continued)

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

	2007		2006	
	Average exercise price per share (HK$)	**Number of share options (thousands)**	Average exercise price per share (HK$)	Number of share options (thousands)
At beginning of year	**0.50**	**30,940**	0.38	34,950
Granted	**—**	**—**	1.07	13,320
Forfeited	**0.79**	**(600)**	0.98	(8,950)
Exercised	**0.44**	**(13,907)**	0.38	(8,380)
At end of year	**0.54**	**16,433**	0.50	30,940
Options exercisable at end of year		**7,914**		9,065

The Group has no legal or constructive obligation to repurchase or settle the options in cash. Option exercised in 2007 resulted in 13,907,000 shares (2006: 8,380,000 shares) being issued at an average exercise price at HK$0.44 each (2006: HK$0.38 each). The related weighted average share price at the time of exercise was HK$1.18 per share (2006: HK$1.06) per share.

33 SHARE OPTIONS (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date at	Exercise price per share (HK$)	Number of share options as at 2007 (thousands)	2006 (thousands)
12 April 2014 (Note a)	0.38	**11,630**	23,870
6 March 2015 (Note b)	1.24	**1,000**	1,000
15 January 2016 (Note c)	0.87	**3,803**	6,070
		16,433	30,940

Note

(a) Exercisable on a range of dates between 26 July 2004 and 13 April 2007 and expiring on the 10th anniversary from date of grants.

(b) Exercisable on a range of dates between 1 September 2007 and expiring on the 10th anniversary from date of grants.

(c) Exercisable on a range of dates between 16 January 2006 and 7 March 2008 and expiring on the 10th anniversary from date of grants.

34 RESERVES

Group

	Share premium HK$'000	Exchange translation reserve HK$'000	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2006	304,673	9,397	184,217	4,261	3,533	506,081
Share option scheme:						
- value of service provided	—	—	—	—	1,214	1,214
- exercise of share options	7,004	—	—	—	(2,245)	4,759
- reversal of deferred tax effect	143	—	—	—	—	143
Profit for the year	—	—	105,726	—	—	105,726
Dividends	—	—	(46,731)	—	—	(46,731)
Currency translation differences	—	5,693	—	—	—	5,693
Placement of new shares net of issuing expenses	96,372	—	—	—	—	96,372
At 28 February 2007	408,192	15,090	243,212	4,261	2,502	673,257
Representing:						
2007 proposed final dividend			28,083			
Others			215,129			
			243,212			

34 RESERVES (continued)

Group (continued)

	Share premium HK$'000	Exchange translation reserve HK$'000	Retained earnings HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2005	301,651	3,490	131,082	4,261	1,550	442,034
Share option scheme:						
- value of service provided	—	—	—	—	2,801	2,801
- exercise of share options	3,022	—	—	—	(675)	2,347
- deferred tax effect on exercise of share options	—	—	—	—	(143)	(143)
Profit for the year	—	—	90,156	—	—	90,156
Dividends	—	—	(37,021)	—	—	(37,021)
Currency translation differences	—	5,907	—	—	—	5,907
At 28 February 2006	304,673	9,397	184,217	4,261	3,533	506,081
Representing:						
2006 proposed final dividend			22,957			
Others			161,260			
			184,217			

34 RESERVES (continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	(Accumulated losses)/ retained earnings HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2006	304,673	30,164	(738)	3,533	337,632
Share option scheme:					
- value of service provided	—	—	—	1,214	1,214
- exercise of share options	7,004	—	—	(2,245)	4,759
- reversal of deferred tax effect	143	—	—	—	143
Profit for the year	—	—	96,555	—	96,555
Dividends	—	—	(46,731)	—	(46,731)
Placement of new shares net of issuing expenses	96,372	—	—	—	96,372
At 28 February 2007	408,192	30,164	49,086	2,502	489,944
Representing:					
2007 proposed final dividend		28,083			
Others		2,081			
		30,164			

34 RESERVES (continued)

Company (continued)

	Share premium HK$'000	Contributed surplus HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 March 2005	301,651	67,185	3,358	1,550	373,744
Share option scheme:					
- value of service provided	—	—	—	2,801	2,801
- exercise of share option	3,022	—	—	(675)	2,347
- deferred tax effect on exercise of share options	—	—	—	(143)	(143)
Loss for the year	—	—	(4,096)	—	(4,096)
Dividends	—	(37,021)	—	—	(37,021)
At 28 February 2006	304,673	30,164	(738)	3,533	337,632
Representing:					
2006 proposed final dividend		22,957			
Others		7,207			
		30,164			

34 RESERVES (continued)

The contributed surplus represents the difference between the consolidated shareholders' funds of Le Saunda (B.V.I.) Limited at the date on which its shares were acquired by the Company and the nominal value of the Company's shares issued for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Distributable reserves of the Company at 28 February 2007 amounted to HK$79,250,000 (2006: HK$29,426,000).

35 CONTINGENT LIABILITIES

The Company and several subsidiaries have jointly given guarantees in favour of banks for banking facilities granted to certain subsidiaries to the extent of HK$50,000,000 (2006: HK$65,000,000) of which HK$14,753,000 (2006: HK$14,110,000) was utilised as at 28 February 2007.

36 COMMITMENTS

(a) Capital commitments

	2007 HK$'000	2006 HK$'000
Contracted but not provided for, in respect of		
- interests in a jointly controlled entity	**1,564**	1,493
- purchase of property, plant and equipment	**—**	3,301
	1,564	4,794

(b) Commitments under operating leases

(i) At the year end, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2007 HK$'000	2006 HK$'000
Land and buildings:		
Not later than one year	**76,727**	66,262
Later than one year and not later than five years	**60,321**	59,708
	137,048	125,970

The above operating lease commitments include commitments for fixed rent only. Rentals payable in some cases include an additional rent, calculated according to gross revenue, in excess of a fixed rent.

36 COMMITMENTS (continued)

(b) Commitments under operating leases (continued)

(ii) At the year end, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2007 **HK$'000**	2006 HK$'000
Land and buildings:		
Not later than one year	**1,369**	2,427
Later than one year and not later than five years	**932**	2,283
	2,301	4,710

37 CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before taxation to net cash generated from operations:

	2007 HK$'000	2006 HK$'000
Profit before taxation	101,189	91,283
Share of profit of a jointly controlled entity	(1,925)	(4,726)
Amortisation of leasehold land and land use rights	1,012	1,112
Depreciation of property, plant and equipment	22,185	17,039
Loss on disposal of property, plant and equipment	523	737
Fair value gains on investment properties	(28,206)	(2,801)
Share option scheme benefits	1,214	2,801
Interest income	(1,991)	(1,113)
Interest expense	321	180
Dividend from available-for-sale financial asset	(14,694)	(20,312)
Operating profit before working capital changes	79,628	84,200
Increase in inventories	(27,200)	(55,409)
Increase in trade and other receivables	(11,025)	(16,982)
Increase in deposits and prepayments	(8,301)	(7,669)
Increase in amount due from a jointly controlled entity	(10,976)	—
Increase in amount due from an investee company	(2,256)	—
(Decrease)/increase in creditors and accruals	(6,346)	10,740
Net cash generated from operations	13,524	14,880

38 PLEDGE OF ASSETS

Buildings included in property, plant and equipment and leasehold land and land use rights with a total net book value of HK$26,445,000 (2006: HK$27,142,000) have been pledged to secure bank loan facilities of HK$50,000,000 (2006: HK$45,000,000) granted to certain subsidiaries of the Group.

At 28 February 2007 and 2006, no investment properties, properties under development for sale and completed properties held for sale were pledged as security for bank loan facilities granted to the Group.

39 RELATED PARTY TRANSACTIONS

(a) Related parties

Related parties are individuals and companies where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; or when the parties are subject to common control or common significant influence.

39 RELATED PARTY TRANSACTIONS (continued)

(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:

	2007 HK$'000	2006 HK$'000
Rental expenses charged by:		
- a related party (note i)	**1,495**	1,428
- a related company (note ii)	**1,125**	541

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

(ii) During the year, the Group rented office premises located in Mainland China from Genda Investment Limited, a company controlled by Mr. Lee.

(c) Year-end balances with related parties

	2007 HK$'000	2006 HK$'000
Payable to a related party	**193**	—
Dividend receivable from a jointly controlled entity	**10,090**	9,425
Amount due from a jointly controlled entity	**10,311**	—

39 RELATED PARTY TRANSACTIONS (continued)

(d) Key management compensation

	2007 HK$'000	2006 HK$'000
Salaries and other short-term employee benefits	**6,165**	8,825
Contributions to retirement scheme	**37**	47
Share-based payments	**135**	422
	6,337	9,294

40 EVENTS AFTER THE BALANCE SHEET DATE

(i) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law changes the corporate income tax rate for domestic enterprises from 33% to 25% and foreign invested enterprises from the range between 5% and 24% to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements were approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, the carrying value of deferred tax assets and liabilities as at 28 February 2007. The Company will evaluate the impact as more detailed regulations are announced.

(ii) On 26 March 2007, Le Saunda Real Estate Limited (the "Vendor"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Manful Regent Limited (the "Purchaser"), an investment holding company owned as to 80% by Mr. Lee (a substantial shareholder and Director of the Company), pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire equity interest in the registered and paid-up capital of 信達房地產 which is beneficially owned by the Vendor subject to the terms of the agreement, at a cash consideration of HK$32,395,000. The transaction was approved by independent shareholders in a special general meeting held on 17 May 2007.