le saunda holdings ltd.

利信達集團有限公司*

(incorporated in Bermuda with limited liability)

(stock code: 0738)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2010

The board of Directors of Le Saunda Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2010 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2010

	Note	**2010** *HK$'000*	**2009** *HK$'000*
Revenue	2	1,000,018	910,018
Cost of sales	4	(393,727)	(431,756)
Gross profit		606,291	478,262
Other income	3	2,934	2,419
Other gains/(losses), net	3	15,415	(9,122)
Selling and distribution costs	4	(344,213)	(281,270)
General and administrative expenses	4	(129,619)	(112,778)
Operating profit		150,808	77,511
Finance income		975	4,191
Finance costs		—	(20)
Finance income, net		975	4,171
Share of profit of a jointly controlled entity		386	534

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2010

	Note	**2010** *HK$'000*	**2009** *HK$'000*
Profit before income tax		152,169	82,216
Income tax expense	5	(29,167)	(10,146)
Profit for the year attributable to equity holders of the Company		123,002	72,070
Earnings per share attributable to equity holders of the Company (expressed in HK cents)			
- Basic	6	19.2	11.3
- Diluted	6	19.2	11.3
Dividends	7	63,921	47,930

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2010

	2010	**2009**
	HK$'000	*HK$'000*
Profit for the year	123,002	72,070
Other comprehensive income		
Currency translation differences	2,944	5,732
Gains on revaluation of investment property transferred from property, plant and equipment and leasehold land and land use right, net of tax	—	15,501
Other comprehensive income for the year, net of tax	2,944	21,233
Total comprehensive income for the year attributable to equity holders of the Company	125,946	93,303

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2010

	Note	**2010** *HK$'000*	**2009** *HK$'000*
ASSETS			
Non-current assets			
Investment properties		43,964	100,893
Property, plant and equipment		211,190	195,709
Leasehold land and land use rights		42,026	43,023
Long-term deposits and prepayments		9,621	6,534
Interest in a jointly controlled entity		38,109	37,441
Interest in and amount due from an available-for-sale financial asset		4,553	22,381
Deferred tax assets		24,407	32,286
		373,870	438,267
Current assets			
Inventories		244,884	190,670
Trade and other receivables	8	141,257	107,025
Deposits and prepayments		19,394	22,340
Cash and bank balances		285,308	203,510
		690,843	523,545
Total assets		1,064,713	961,812

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 28 FEBRUARY 2010

	Note	**2010**	**2009**
		HK$'000	*HK$'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		63,926	63,906
Reserves			
Proposed final dividend		44,749	28,758
Others		802,257	740,082
Total equity		910,932	832,746
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		4,697	6,476
Current liabilities			
Trade payables and accruals	9	139,165	118,592
Amount due to a jointly controlled entity		—	1,016
Current income tax liabilities		9,919	2,982
		149,084	122,590
Total liabilities		153,781	129,066
Total equity and liabilities		1,064,713	961,812
Net current assets		541,759	400,955
Total assets less current liabilities		915,629	839,222

Notes:

1 **Basis of preparation**

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

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 Group has adopted the following new, revised or amended standards as at 1 March 2009:

- HKAS 1 (revised), 'Presentation of financial statements' — The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

- HKFRS 7 'Financial instruments — Disclosures' (amendment) — The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- HKFRS 8, 'Operating segments' — HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change in the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The following revised or amended standards and interpretations are also mandatory for the first time for the financial year beginning 1 March 2009 but are either not relevant to the Group or have no significant impact on the Group's consolidated financial statements:

- HKAS 23 (revised) — Borrowing costs

- HKAS 27 (amendment) — Consolidated and separate financial statements

- HKAS 32 (amendment) — Financial instruments: presentation

- HKAS 39 (amendment) — Financial instruments: Recognition and measurement

- HKFRS 2 (amendment) — Share-based payment

- HK(IFRIC) — Int 9 (amendment) — Reassessment of embedded derivatives

- HK(IFRIC) — Int 13 — Customer loyalty programmes

- HK(IFRIC) — Int 15 — Agreements for the construction of real estate

- HK(IFRIC) — Int 16 — Hedges of a net investment in a foreign operation

- HK(IFRIC) — Int 18 — Transfer of assets from customers

- First annual improvement project

  — HKAS 1 — Presentation of financial statements

  — HKAS 16 — Property, plant and equipment

  — HKAS 19 — Employee benefits

  — HKAS 20 — Accounting for government grants and disclosure of government assistance

  — HKAS 28 — Investments in associates

  — HKAS 29 — Financial reporting in hyperinflationary economies

  — HKAS 31 — Interests in joint ventures

  — HKAS 36 — Impairment of assets

  — HKAS 38 — Intangible assets

  — HKAS 39 — Financial instruments: Recognition and measurement

  — HKAS 40 — Investment property

2 **Revenue and segment information**

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors review the Group's financial information mainly from a retail and export perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Hong Kong, Macau and Mainland China). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes other income, other gains/(losses), net, finance income, finance costs, share of profit of a jointly controlled entity and unallocated expenses.

Segment assets mainly exclude interest in a jointly controlled entity, interest in and amount due from an available-for-sale financial asset, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a jointly controlled entity, current income tax liabilities, deferred tax liabilities and other liabilities that are managed on a central basis.

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

(i) The segment information provided to the Executive Directors for the reportable segments for the year ended 28 February 2010 is as follows:

	Retail		**Export**	**Total**
	HK & Macau	**Mainland China**	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	135,676	738,931	125,411	1,000,018
Reportable segment profit	4,944	111,238	19,022	135,204
Other income				2,934
Other gains, net				15,415
Finance income				975
Share of profit of a jointly controlled entity				386
Unallocated expenses				(2,745)
Profit before income tax				152,169
Income tax expense				(29,167)
Profit for the year				123,002
Depreciation and amortisation	4,776	21,437	3,733	29,946
Additions to non-current assets *(Note (b))*	2,007	39,643	2,462	44,112

The segment information provided for the year ended 28 February 2009 is as follows:

	Retail		Export	Total
	HK & Macau	**Mainland China**	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	187,930	531,211	190,877	910,018
Reportable segment profit/(loss)	(4,809)	59,683	29,517	84,391
Other income				2,419
Other losses, net				(9,122)
Finance income				4,191
Finance costs				(20)
Share of profit of a jointly controlled entity				534
Unallocated expenses				(177)
Profit before income tax				82,216
Income tax expense				(10,146)
Profit for the year				72,070
Depreciation and amortisation	5,768	11,515	5,266	22,549
Additions to non-current assets *(Note (b))*	392	74,508	49,086	123,986

Revenues from external customers are derived from the sales of shoes on a retail and export basis. The breakdowns of retail and export results are provided above. The retail of shoes mainly relates to the Group's own brand, Le Saunda and CnE. The export sales of shoes mainly relates to the other shoe brands which are not owned by the Group.

(a) The revenue from external customers of export are mainly derived from Europe and other parts of the world, including Russia, Spain, Italy, the Middle East, Japan, Australia and New Zealand.

(b) The amounts comprise additions to property, plant and equipment.

An analysis of the Group's assets as at 28 February 2010 by reportable segment is set out below:

	Retail		**Export**	**Total**
	HK & Macau	**Mainland China**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	173,572	698,355	124,905	996,832
Interest in a jointly controlled entity				38,109
Interest in and amount due from an available-for-sale financial asset				4,553
Deferred tax assets				24,407
Unallocated assets				812
Total assets per consolidated balance sheet				1,064,713
Segment liabilities	12,085	108,969	17,965	139,019
Current income tax liabilities				9,919
Deferred tax liabilities				4,697
Unallocated liabilities				146
Total liabilities per consolidated balance sheet				153,781

An analysis of the Group's assets as at 28 February 2009 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau	**Mainland China**		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	263,155	398,742	207,451	869,348
Interest in a jointly controlled entity				37,441
Interest in and amount due from an available-for-sale financial asset				22,381
Deferred tax assets				32,286
Unallocated assets				356
Total assets per consolidated balance sheet				961,812
Segment liabilities	15,372	60,348	38,510	114,230
Amount due to a jointly controlled entity				1,016
Current income tax liabilities				2,982
Deferred tax liabilities				6,476
Unallocated liabilities				4,362
Total liabilities per consolidated balance sheet				129,066

(ii) The revenue from external customers of the Group by geographical segments is as follows:

Revenue

	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong	121,346	170,160
Mainland China	738,931	531,211
Macau	14,329	17,770
Russia	33,962	48,404
Italy	13,097	38,425
Other countries *(Note (a))*	78,353	104,048
Total	1,000,018	910,018

(a) The revenue from other countries are mainly derived from Europe and other parts of the world, including Spain, the Middle East, Japan, Australia and New Zealand.

For the year ended 28 February 2010, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2009: HK$Nil).

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

Non-current assets

	2010	**2009**
	HK$'000	*HK$'000*
Hong Kong	27,399	87,825
Mainland China	281,949	281,311
Macau	40,115	36,845
Total	349,463	405,981

3 **Other income and other gains/(losses), net**

	2010	**2009**
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	2,934	2,419
Other gains/(losses) — net		
Gains on disposal of investment properties	5,632	—
Fair value gains/(losses) on investment properties	4,671	(3,624)
Net exchange gains/(losses) *(Note (a))*	5,112	(5,498)
	15,415	(9,122)
	18,349	(6,703)

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

4 **Expenses by nature**

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Auditors' remuneration	1,536	2,323
Amortisation of leasehold land and land use rights	1,098	1,252
Depreciation of property, plant and equipment	28,848	21,297
Loss on disposal of property, plant and equipment	810	2,738
Costs of inventories sold included in cost of sales	326,252	370,004
Operating lease rentals in respect of land and buildings		
- minimum lease payments	61,732	75,889
- contingent rents	1,977	1,919
Freight charges	8,411	8,083
Advertising and promotional expenses	22,859	17,149
Concessionaire fees	146,818	86,107
Direct operating expenses arising from investment properties that generated rental income	1,689	987
Employee benefit expenses (including directors' emoluments)	197,757	184,830
Other expenses	67,772	53,226
Total cost of sales, selling and distribution costs, and general and administrative expenses	867,559	825,804

5 **Income tax expense**

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

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	848	—
People's Republic of China ("PRC") corporate income tax	22,128	5,898
Deferred taxation	6,191	4,248
	29,167	10,146

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: Nil) on the estimated assessable profit for the year.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at a range from 20% to 25% (2009: range from 18% to 25%), except for one of the subsidiaries of the Company established in the PRC that is entitled to two years' exemption from the PRC corporate income tax of 25% followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward (at most five years). Accordingly, the subsidiary was fully exempted from the PRC corporate income tax in 2007 and 2008, and subjected to a reduced tax rate of 12.5% in 2009 and 2010.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign investment enterprises will be subject to a standard corporate income tax rate of 25% in a period of 5 years starting from 1 January 2008. According to the New CIT Law, enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

6 Earnings per share

Basic

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

	2010 *HK$'000*	**2009** *HK$'000*
Profit attributable to equity holders of the Company	123,002	72,070
Weighted average number of ordinary shares in issue (' 000)	639,108	638,999
Basic earnings per share (HK cents)	19.2	11.3

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 28 February 2010, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2010 *HK$'000*
Profit attributable to equity holders of the Company	123,002
Weighted average number of ordinary shares in issue ('000)	639,108
Adjustments for share options ('000)	39
Weighted average number of ordinary shares for diluted earnings per share ('000)	639,147
Diluted earnings per share (HK cents)	19.2

For the year ended 28 February 2009, diluted earnings per share was the same as the basic earnings per share as the Company's share options outstanding during the year were anti-dilutive potential ordinary shares.

7. **Dividends**

	2010	2009
	HK$'000	*HK$'000*
Interim, paid, of HK3.0 cents (2009: HK3.0 cents) per ordinary share	19,172	19,172
Final, proposed, of HK7.0 cents (2009: HK4.5 cents) per ordinary share	44,749	28,758
	63,921	47,930

At a meeting held on 31 May 2010, the Directors proposed a final dividend of HK7.0 cents per ordinary share totalling approximately HK$44,749,000. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2011.

8 **Trade and other receivables**

	2010	2009
	HK$'000	*HK$'000*
Trade receivables (Note (a))	138,772	105,730
Other receivables	2,485	1,295
	141,257	107,025

(a) The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on average credit period of 90 days.

The carrying amounts of trade and other receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

At 28 February 2010, the ageing analysis of the trade receivables based on invoice date is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current to 30 days	111,277	71,650
31 to 60 days	23,859	20,722
61 to 90 days	2,354	11,017
Over 90 days	1,282	2,341
	138,772	105,730

9 **Trade payables and accruals**

	2010	2009
	HK$'000	*HK$'000*
Trade payables	54,726	44,430
Accruals	84,439	74,162
	139,165	118,592

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2010, the ageing analysis of the trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Current to 30 days	33,823	29,145
31 to 60 days	14,745	8,880
61 to 90 days	3,928	3,162
91 to 120 days	695	945
Over 120 days	1,535	2,298
	54,726	44,430

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

2009: A year of China economy revival, a positive sign for the operating environment, a time of remarkable growth for the Group

In 2009, major economies worldwide began to show signs of recovery, with China leading the way. The tremendous economic growth in China, especially in the second half of 2009, contributed to a positive operating environment for the Group. During the year under review, the Group achieved impressively in almost all aspects of its retail operations including an enhanced product mix, store optimization, better pricing, uplifted brand image, improved product development and cost-effective marketing campaigns. This stronger business platform coupled with the favorable operating environment in Mainland China translated into an outstanding growth in the Groups results performance.

For the fiscal year ended 28 February 2010, the Group's consolidated revenue reached HK$1.0 billion, which marked a solid growth of 9.9% compared to the same period last year. Consolidated gross profit jumped by 26.8% to HK$606.3 million, while gross profit margin rose 8.0 percentage points to 60.6%. Consolidated operating profit nearly doubled, up 94.6% to HK$150.8 million. Consolidated profit attributable to equity holders of the Company was HK$123.0 million, a significant year-on-year increase of 70.7%. The remarkable growth was mainly attributable to the encouraging profit enhancement in Mainland China retail business, improved Hong Kong retail operations in the second half of the fiscal year 2009/10, profit on disposal of investment properties, and net exchange gains and fair value gains on investment properties as opposed to net exchange losses and fair value losses on investment properties for the year ended 28 February 2009. Underlying profit, an indicator to show the profitability of the Groups footwear business, also saw an unparallel growth of 42.1% to HK$106.0 million as compared to last year. With more outlet openings in Mainland China, stock turnover days increased from 121 days to 164 days as at 28 February 2010. However, overall stock levels remained healthy as the inventory age of over 85% of our products was within one year.

The Board resolved to declare a final dividend of HK7.0 cents per ordinary share (2008/09: HK4.5 cents). Together with the interim dividend of HK3.0 cents, the total dividend for the fiscal year 2009/10 will be HK10.0 cents per ordinary share (2008/09: HK7.5 cents).

Note: Underlying profit is a performance indicator of the Group's core sale of footwear business. It is arrived at by excluding from profit for the year attributable to equity holders of the Company from share of profit of a jointly controlled entity, rental income, profit on disposal of investment properties, foreign currencies exchange gains/losses and unrealised fair value changes on investment properties and available-for-sale financial assets.

BUSINESS REVIEW

Retail operations

Our retail operations continued to be the major revenue contributor, accounting for 87.5% of the consolidated revenue. The Group's total consolidated retail revenue increased by 21.6% to HK$874.6 million, which was primarily attributable to the strong revenue growth in Mainland China. Gross profit margin of our retail operations improved by 4.6 percentage points to 64.9%. Due to increased sales and quicker turnaround of new products, we recorded an overall growth in the average selling price across different markets.

	2009/10			2008/09	
	Revenue *HK$'M*	**% to Total**	**Year-on-Year Growth (%)**	**Revenue** *HK$'M*	**% to Total**
Retail Operations					
Mainland China	738.9	73.9	+39.1	531.2	58.4
Hong Kong and Macau	135.7	13.6	-27.8	187.9	20.6
Sub-total	874.6	87.5	+21.6	719.1	79.0
Export	125.4	12.5	-34.3	190.9	21.0
Total	1,000.0	100.0	+9.9	910.0	100.0

As the economy improved in the second half of the fiscal year 2009/10, growth momentum of our retail operations in Mainland China, Hong Kong and Macau accelerated. We saw a net profit turnaround in Hong Kong and Macau in the second half of the fiscal year 2009/10.

Le Saunda expanded its retail network through the operation of self-owned outlets and franchised outlets. During the year under review, the store expansion plan in Mainland China rolled out efficiently while store optimization continued in Hong Kong and Macau to achieve operational efficiency. As at 28 February 2010, the Group had a network of 568 retail outlets in Hong Kong, Macau and Mainland China, 165 more compared to the same date last year. 555 outlets or 97.7% were located in Mainland China, forming an extensive and national network.

Number of Outlets by Region As at 28 February	2010 Self-Owned	Franchise	Total	% to Total	2009 Total	Increase/ (Decrease) in Outlet
Mainland China	376	179	555	97.7	384	171
Northern	78	94	172	30.3	79	93
Eastern	85	43	128	22.5	104	24
Central & Southern West	92	27	119	21.0	105	14
Southern	121	15	136	23.9	96	40
Hong Kong and Macau	13	—	13	2.3	19	(6)
Total	389	179	568	100.0	403	165

During the year under review, the Group put in abundant resources in product development to enrich its product offering and design capability. With the expansion of our product development and merchandizing teams in Mainland China, we have better mastered the local customer preference and enhanced our product portfolio. For instance, we introduced a new Le Saunda product line named "Essential" for evergreen footwear. This product line attracted significant retail sales and contributed to 8.5% of the total revenue. We further enhanced the product offering of other Le Saunda product lines such as Savina C., our premium line, and Saunda, our young casual line. Together with the core Le Saunda, our urban smart line, we have formed a better product mix to enrich customers' shopping experience. The Group also expanded the product range of men's footwear and accessories to capture the enormous growth opportunities in the Mainland China market.

Furthermore, we strove to optimize inventory management to enhance profitability. Communications between retail outlets and back office were reinforced as we improved our reporting mechanism and information systems. As a result, we were able to respond to market trends more promptly and boost sales by adding more popular items and reducing off-season items. To better manage our stocks, we operate 24 factory outlets in Mainland China, which recorded 74.1% growth in sales during the year under review. These factory outlets helped us clear off-seasons items while preserve the margin of new items, which are available at regular outlets.

Hong Kong and Macau

Our Hong Kong and Macau business saw an overall improvement, as evidenced in the improved gross profit margin and net profit turnaround. The performance was particularly outstanding in the second half of the fiscal year 2009/10 as same-store sales reversed first half's declines, growing 1.1% while total revenue picked up significantly. Yet, the full fiscal year's performance was undermined by the weaker first half. Total revenue generated from Hong Kong and Macau dropped by 27.8% year-on-year to HK$135.7 million, due to the outlet optimization program which closed eight non-performing outlets. Same-store sales for the whole year fell by 9.7%.

During the year under review, the Group focused on store optimization to enhance operational efficiency in Hong Kong and Macau. We opened two new outlets in Hong Kong and continued to look for prime locations such as the hottest shopping malls in tourist or business districts for setting up new outlets. As at 28 February 2010, we operated 13 outlets in Hong Kong and Macau. Furthermore, the Group remained active in marketing and brand building. In June 2009, we held shoe design competitions to discover new telant in Hong Kong.

Mainland China

During the year under review, the Group opened 157 self-owned outlets and 72 franchised outlets in Mainland China and shut down a total of 58. As at 28 February 2010, the total number of self-owned outlets and franchised outlets reached 376 and 179 respectively, 139 and 32 more compared with the same date last year. Currently, we have presence in all 27 provinces and municipalities in Mainland China.

Revenue from Mainland China surged 39.1% to HK$738.9 million and accounted for 73.9% of the total revenue while same-store sales grew by 9.4% due to higher customer spending. A double-digit increase in same-store sales growth was recorded in the second half of the fiscal year 2009/10.

	2009/10			**2008/09**
Same-store sales growth of self-owned retail operations	**First Half**	**Second Half**	**Full Year**	**Full Year**
Mainland China	+3.3%	+13.4%	+9.4%	+7.7%
Le Saunda	+3.0%	+11.2%	+8.0%	+8.1%
CnE	+4.3%	+20.3%	+14.0%	+6.4%

During the year under review, ladies' footwear and ladies' handbags grew steadily while men's footwear achieved a robust growth. The revenue from men's footwear recorded a 49.2% growth, due primarily to more outlets in operations. As at 28 February 2010, we had 57 standalone men's footwear counters and 9 standalone ladies' handbag counters. During the year under review, we continued to review our ladies' handbags segment with an aim to beef up product design.

	2009/10		**2008/09**	
Product Category	**Year-on-Year Growth (%)**	**Sales Mix (%)**	**Year-on-Year Growth (%)**	**Sales Mix (%)**
Ladies' footwear	+36.7	72.5	+33.3	72.5
Ladies' handbags	+31.6	12.7	+53.7	11.4
Men's footwear	+49.2	14.8	+12.4	16.1

Export Business

Our OEM segment was adversely affected by the weak demand in Europe where economic recovery was slow. As a result, revenue and total production volume of our export business declined 34.3% and 39.4% respectively. Nonetheless, average selling price and gross profit margin grew by 4.2% and 7.4% respectively. The slight improvement was attributable to a favourable sales mix.

With an aim to broaden our revenue source, we initiated a pilot scheme to explore the OBM market in mid-2009. Through referrals and trade fairs, particularly MICAM SHOEVENT in Milan, Italy in September 2009 and March 2010, we successfully marketed our products to overseas retailers. Le Saunda's products are now available in numerous countries, in particular Russia. As a result of the satisfactory progress, our OBM segment grew steadily and accounted for 4.5% of the total export sales in the fiscal year 2009/10.

Prospects

The Chinese government has undertaken to maintain the economic growth momentum in 2010. A promising economic outlook coupled with improving household income has set a favorable scenario for us. Our prudent strategy paid off in the fiscal year 2009/10 after a host of measures introduced since 2007 to consolidate our business platform. Leveraging our experience, network, industry knowledge and a sizeable business platform, we will accelerate our operations in the fiscal year 2010/11.

The Group is endeavor to expand in China in a steady yet healthy manner. We are optimistic about the outlook of our retail business and will seize every potential development opportunity in Mainland China. We will continue our efforts to reach the target of 1,000 outlets in Mainland China by 2012. We plan to add 150 to 200 outlets in Mainland China in the fiscal year 2010/11, particularly exploring potential in second-tier cities as they are experiencing rapid growth and urbanization. We also plan to set up branch offices in second-tier cities, for instance Xiamen, Tianjin, Shenyang, Nanjing and etc, to provide logistic and inventory supports to our outlets. This is expected to help enhance operation efficiency and further boost sales growth. Moreover, we will explore new sales channels and further strengthen our retail operations in Mainland China. For instance, we have initiated an online shopping campaign on a renowned B2B platform starting from January 2010 while actively looking for strategic partnership opportunities with well-established department stores and prime shopping malls in town. We also plan to unlock the potential of our franchisees by providing more incentives, support, and other business collaborative initiatives. Moreover, the development of factory outlet business will continue in a bid to help manage the stock inventory of our off-season items and enhance gross profit.

The Group will step up its efforts to strengthen its product offering. We will re-position CnE as a fashionable footwear brand for modern girls by revamping its brand and shop image. The positioning of men's footwear will be further strengthened to express the charm of strong masculinity to attract sophisticated gentlemen. We will continue to expand our design team and product development capabilities to introduce new products that suit the style of local consumers.

We will continue to optimize inventory management and supply chain management. A more efficient back office platform and a faster stock replenishment will help enhance our profitability and drive our growth.

We believe brand awareness is important to maintain customer loyalty and lure new customers. We will initiate different marketing campaigns to enhance our brand image and publicity. In March 2010, we held a fashion show at one of our outlets in Hong Kong to unveil Spring Summer Collections 2010 as well as to strengthen our brand building. In May 2010, another fashion show was held at a prime shopping mall in Guangzhou.

The above inititatives are expected to drive revenue and same-store sales growth. To meet the increasing demand from our expanded retail operations, we plan to add one production line in each of our production bases in Shunde and Gaoming, bringing the annual production capacity to two million pairs. The enhanced production capacity will provide a solid support to our retail operations.

In Hong Kong and Macau, the operating environment has recovered gradually since the second half of 2009. Supported by this positive trend, our retail business in Hong Kong and Macau continues to deliver positive results as evidenced by a solid same-store sales growth in the first quarter of fiscal year 2010/11. We believe that Hong Kong and Macau retail operations will continue to grow, and deliver a positive contribution to our revenue in the years to come. The Group will continue to look for prime locations with enormous development potential for setting up new outlets. For instance, we opened a new outlet in Kowloon Bay, Hong Kong in April 2010 and another new flagship outlet is targeted to be set up in Tsim Sha Tsui, Hong Kong in June 2010.

The OEM segment of our export business will remain sluggish if there is no major economic breakthrough in Europe and Eastern Europe. We plan to allocate more resources to expand OBM segment to enlarge revenue source. After one year's hard work, our OBM segment grew steadily, in particular in Russia and Japan. New orders were generated from Switzerland, Turkey, U.S., New Zealand and Australia in the first few months in 2010. We have successfully established our brand and reputation internationally which will facilitate our further growth in the fiscal year 2010/11. Subject to the progress of the OBM segment, the OEM business will be phased out.

We see a promising outlook with impressive growth potential. The Group will seize every opportunity to boost growth and create value for shareholders leveraging our competitive edge.

FINANCIAL REVIEW

Liquidity and Gearing Ratio

During the year under review, total capital expenditure of the Group decreased from HK$124.0 million to HK$44.1 million, mainly for the expansion of existing Shunde production base and retail networks in Mainland China, and for the construction of a new production base in Gaoming, Foshan. As at 28 February 2010, the Group's cash position remains strong and healthy with net cash balances of HK$285.3 million (28 February 2009: HK$203.5 million). Total equity is maintained at HK$910.9 million, along with a quick ratio of 2.9 times (28 February 2009: 2.5 times).

Capital Structure and Financial Resources of the Group

During the year ended 28 February 2010, the Group's cash and bank balances were in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity dates falling within one year. The Group did not borrow any bank loan during the year. Forward contracts will be used, if necessary, for hedging of purchases from overseas, related debts and bank borrowings. The Group did not enter into any forward contract to hedge its foreign exchange risk during the year. In addition, working capital requirements for business operations in Mainland China will be financed, if necessary, by local bank loans, denominated in Renminbi.

Based on the Group's steady cash inflow from operations and coupled with its existing cash and bank facilities, the Group has adequate financial resources to fund its future expansion.

DIVIDEND

The Directors declared an interim dividend of HK3.0 cents (2009: HK3.0 cents) per ordinary share in respect of the year ended 28 February 2010.

The Directors recommend the payment of a final dividend of HK7.0 cents (2009: HK4.5 cents) per ordinary share for the year ended 28 February 2010.

CORPORATE GUARANTEES

The Company has given guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loan to the extent of HK$50.0 million (2009: HK$30.0 million) of which HK$20.4 million (2009: HK$12.9 million) was utilised as at 28 February 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2010, the Group had a staff force of 3,970 people. Of this, 161 were based in Hong Kong and 3,809 in Mainland China. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees comprises basic salaries, bonuses and long-term incentives. Total staff costs for the year ended 28 February 2010, including directors' emoluments and net pension contributions, amounted to HK$197.8 million (2009: HK$184.8 million). The Group has all along organized structured and diversified training programmes for staff of different levels. Outside consultants would be invited to broaden the content of the programmes.

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

The Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year under review.

AUDIT COMMITTEE

During the year, the Audit Committee was constituted by three independent non-executive Directors, the current members are Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. No member of the audit committee is a member of the former or external auditors of the Company. One of the members possesses recognized professional qualifications in accounting and has wide experience in audit, accounting and financial management.

The primary responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditors, review of financial information of the Group, including a review of the financial statements for the year ended 28 February 2010, overseeing of the Group's financial reporting system, internal control procedures and risk management and making relevant recommendations to the Board.

The role and authorities of the audit committee were clearly set out in its terms of reference which are available on request to shareholders of the Company and are posted on the Company's website : http://www.lesaunda.com.hk.

REMUNERATION COMMITTEE

During the year, the remuneration committee was constituted by three independent non-executive Directors, the current members are Mr. Lam Siu Lun, Simon, who presided as the chairman, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one executive Director, Mr. Lee Tze Bun, Marces.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of the Directors and senior management and to ensure that executive Directors and senior management could be retained and motivated by being fairly rewarded for their individual contribution to the Group's overall performance as measured against corporate objectives, having regard to the interests of shareholders. The principal duties include the revision of the terms of the remuneration packages of all Directors and senior management as well as reviewing and approving performance-based remuneration on the basis of their merit, qualification and competence by reference to corporate goals and objectives resolved by the Board from time to time.

The role and authorities of the remuneration committee were clearly set out in its terms of reference which are available on request to shareholders of the Company and are posted on the Company's website : http://www.lesaunda.com.hk.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 16 July 2010 to Monday, 19 July 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend which, if approved, will be payable on Monday, 26 July 2010, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Units 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm. on Thursday, 15 July 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group continues to commit itself to maintaining a high standard of corporate governance with an emphasis on enhancing transparency and accountability and ensuring the application of these principles within the Group and thereby, enhancing shareholder value and benefiting our stakeholders at large.

During the year under review, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors since 4 October 2005. The terms of the Code of Conduct are no less exacting than the standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company, who, by reason of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Having made specific enquiry of all Directors, all Directors of the Company have confirmed their compliance with the required standard set out in the Model Code throughout the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Annual Report of the Company containing all the information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) on or before 30 June 2010.

ACKNOWLEDGEMENT

On behalf of the Board, I would also like to take this opportunity to express my gratitude to all our staff for their dedication and hard work, plus my sincere appreciation to all customers, business partners and shareholders for their continuing supports.

By Order of the Board
Lee Tze Bun, Marces
Chairman

Hong Kong, 31 May 2010

As at the date of this announcement, the Company's executive Directors are Mr. Lee Tze Bun, Marces, Ms. Lau Shun Wai, Chui Kwan Ho, Jacky, Ms. Wong Sau Han, Mr. Wong Tai Chung, Kenneth and Ms. Chu Tsui Lan; independent non-executive Directors are Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan.

(All monetary values in this announcement are expressed in Hong Kong Dollars unless stated otherwise.)

* *For identification purposes only*