le saunda holdings ltd.
萊爾斯丹控股有限公司

Annual Report 2018

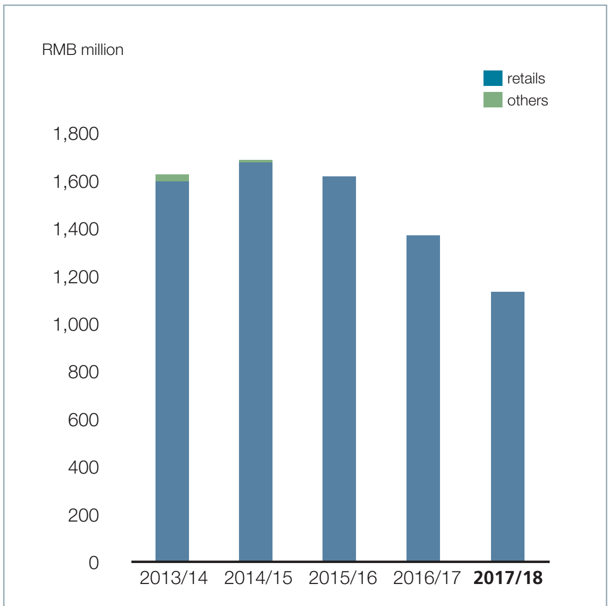
(Stock Code : 0738)

Content

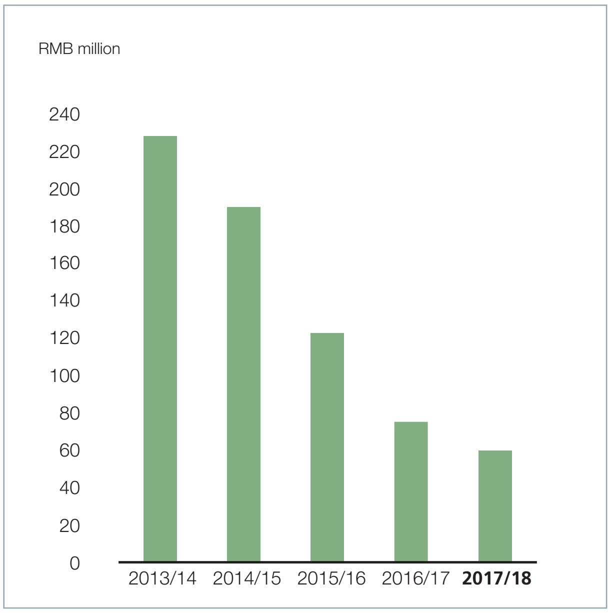
Financial Highlights

	Year ended 28 February 2018 RMB million	Year ended 28 February 2017 RMB million	Change
Profit and Loss Highlights			
Revenue	**1,130.6**	1,365.5	(17.2%)
Consolidated Profit Attributable to Owners of the Company	**59.7**	75.0	(20.4%)
Basic Earnings per Share (RMB Cents)	**8.45**	10.62	(20.4%)
Balance Sheet Highlights			
Total Equity	**1,242.8**	1,320.5	(5.9%)
Net Cash Balances	**603.1**	645.3	(6.5%)
Net Assets Value per Share (RMB)	**1.76**	1.87	(5.9%)
Net Cash per Share (RMB)	**0.85**	0.91	(6.6%)
Other Key Ratios			
Stock Turnover (Days)	**305**	298	
Quick Ratio (Times)	**5.5**	4.2	
Gearing Ratio (%)	**—**	—	

Revenue



Consolidated Profit Attributable to Owners of the Company



Corporate Information

EXECUTIVE DIRECTORS
Cheng Wang, Gary *(Chief Executive Officer)*
Chui Kwan Ho, Jacky
Liao Jian Yu
(appointed with effect from 16 March 2018)
Chu Tsui Lan *(Chief Operating Officer)*
(resigned with effect from 1 August 2017)

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

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

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

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

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

COMPANY SECRETARY
Lo Tik Man, Ophelia

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
China Construction Bank (Asia) Corporation Limited

AUDITOR
PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISER
Wilkinson & Grist
6th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suites 1104–1106, 11th Floor
1063 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)
Computershare Hong Kong Investor Services Limited
Units 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

LISTING INFORMATION
Listing: The Stock Exchange of Hong Kong Limited
Stock Code: 0738
Board Size: 2,000 Shares

INVESTOR RELATIONS
Email address: ir@lesaunda.com.hk

WEBSITE ADDRESS
http://www.lesaunda.com.hk

Shareholder Information

FINANCIAL CALENDAR

2017/18 Interim Results Announcement	30 October 2017
Payments of 2017/18 Interim Dividend and Interim Special Dividend	24 November 2017
2017/18 Annual Results Announcement	28 May 2018
Closure of Register of Members for Annual General Meeting (both days inclusive)	11–16 July 2018
Annual General Meeting	16 July 2018
Closure of Register of Members for Proposed 2017/18 Final Dividend and Final Special Dividend (both days inclusive)	23–24 July 2018
Payments of Proposed 2017/18 Final Dividend and Final Special Dividend	2 August 2018

SHAREHOLDER SERVICES

For enquiries about share transfer and registration, please contact the Company's branch share registrar in Hong Kong:

Computershare Hong Kong Investor Services Limited
Units 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Holders of the Company's ordinary shares should notify the above registrar promptly of any change of their address.

INVESTOR RELATIONS

For enquiries relating to investor relations, please email to ir@lesaunda.com.hk or write to the Company at:

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

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

Key Milestones

AUGUST 2017

The Group's new brand PITTI DONNA was officially launched at T-Mall flagship shop on 8 August. With a design concept of shoes for green life, PITTI DONNA is aimed to promote public welfare by way of fashion.

On 23 August, the Group's brands including le saunda, le saunda MEN, LINEA ROSA and PITTI DONNA jointly participated in the annual ceremony "InStyle iLady Icon Awards" held at W Hotel, a landmark of trends, in Shanghai Bund. The ceremony would present awards to those celebrities who achieved outstanding performance and the most popular celebrities and fashion brands in the year. le saunda was honoured the "Most Trusted Brand of the Year Award" of InStyle iLady Icon Awards.

Key Milestones

SEPTEMBER 2017

le saunda launched a series of 40th anniversary festivities, including the 40th Anniversary Road Show, which were held at Shanghai, Tianjin, Chengdu, Shenyang and Wuhan respectively. Ms. Ma Yili, a famous Chinese artist was invited to attend the event le saunda 40th Anniversary Fortune Journey at Yaohan, Shanghai on 30 September for celebrating le saunda's 40th anniversary together with fans.

OCTOBER 2017

To celebrate le saunda's 40th Anniversary, the Group organized a party with the theme "Love for Life" at le saunda's Lee Garden Road Shop, Causeway Bay, on 20 October. Ms. Jennifer Tse, a famous model together with over 100 guests and media, attended the party to celebrate le saunda's birthday. During the event, Mr. Gary Cheng, our CEO, together with Jennifer, had toasting and hosted the birthday cake-cutting celebration ceremony. In addition, the artists and internet celebrities KOL wore le saunda and LINEA ROSA brands' latest season footwear to attend the party, and recommended our new collections to their fans.

Key Milestones

NOVEMBER 2017

Ms. Daisy Pao, Service Associate of le saunda, won the championship at “The 32nd Service & Courtesy Award — Footwear Category (Frontline Level)” issued by the Hong Kong Retail Management Association for her swift response, positive attitude and sincere service.

FEBRUARY 2018

This year, le saunda continued to participate in the “Happiness-at-Work Promotional Scheme”. The Group was honored to be “Happy Company” in 2018.


le saunda
MEN

Chairman's Statement

Chairman's Statement

THE STORY BEHIND EVERY PAIR OF LE SAUNDA SHOES

Combining the highest quality materials with Italian craftsmanship, le saunda brings you trending footwear with design precision and paramount comfort for everyday wear.

Dear Shareholders,

On behalf of the board of directors (the "Board"), I am pleased to present the annual report on the results of Le Saunda Holdings Limited ("Le Saunda" or the "Company") and its subsidiaries (the "Group") for the financial year ended 28 February 2018 (the "year under review").

In 2017, China's gross domestic product ("GDP") grew by 6.9%, the first increase in growth rate recorded in seven years. The national per capita disposable income outperformed the GDP and increased by 7.4%. Therefore, there is still an optimistic expectation on the prospects of China's retail industry. However, in light of national consumption upgrade and demand changes in China, the threats posed by the rapid development of online retailing, the wave of bankruptcy of department stores, and the uncertainly of the global economy, as a local brand with a history of over forty years, the Group firmly believe that continuous improvement is the only path to achieve success when the opportunity occurs.

The year under review marked the fortieth anniversary of the Group. Many supporters grow up with our brand and have become our loyal customers. In addition to a series of celebration and promotion activities, the Board and senior management team are pleased with the great efforts shown by all staff of the Group in the corporate restructuring exercise as well as the supply chain optimization exercise. One thing is certain, the Group is committed to uphold the core value of the brand, which is to specialize in designing and producing high quality fashionable footwear products and related accessories. The Board and senior management team are confident that with our top-quality products, customers will continue to trust and support our brand.

Besides, the Group proactively developed new sales channels, in particular online channels, to increase customer touch points so as to improve brand exposure and awareness. With the rapid development of online businesses in China, the Group increased its resources for establishing a new online brand, developing exclusive online products, and organizing more online & offline joint promotion programs. The Group is committed to implement Omni-channel strategies and offer a comprehensive online shopping experience for our customers.

Chairman's Statement

In respect of product design and development, in the year under review, the Group focused on improving product design, quality, and comfortableness to better meet customers' demands. The creation of a new series with changeable ways of wearing for different occasions not only improved customers' value for money, but also endows the products with fashionable, interesting and practical features, which are in line with our brand positioning and image.

The year 2018 will still be full of challenges. All staff of the Group has gotten prepared and we hope that we will gradually see the achievements of arduous improvement and create better results. On behalf of the Board, I would like to express sincere gratitude to all shareholders and customers for their longstanding support. Thanks are also due to our employees for their contributions. I will continue to work with my colleagues on the Board in seizing opportunities and making innovative moves in the fast-changing retail market, with the aim of delivering solid sustainable returns to shareholders.

James Ngai
Chairman

Hong Kong, 28 May 2018


Linea Rosa
LINEA ROSA

Management's Discussion and Analysis

Management's Discussion and Analysis

FINANCIAL REVIEW

Operating Results

The Group is engaged in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and fashionable accessories in Mainland China, Hong Kong and Macau under a vertically-integrated business model. The major proprietary brands of the Group include le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and CNE, which aim to appeal to diversified target customer groups with their distinctive product lines.

In the fiscal year 2017/18, total revenue of the Group decreased by 17.2% year-on-year to RMB1,130,600,000 (2016/17: RMB1,365,500,000). Consolidated gross profit dropped by 18.1% year-on-year to RMB743,500,000 (2016/17: RMB908,000,000). The Group recorded an overall gross profit margin of 65.8%, representing a decrease of 0.7 percentage point as compared to last year. Consolidated profit attributable to owners of the Company decreased by 20.4% year-on-year to RMB59,700,000 (2016/17: RMB75,000,000).

RMB (million)	**2017/18**	2016/17	**Change**
Revenue	**1,130.6**	1,365.5	(17.2%)
Gross profit	**743.5**	908.0	(18.1%)
Gross profit margin	**65.8%**	66.5%	(0.7 percentage point)
Consolidated profit attributable to owners	**59.7**	75.0	(20.4%)
Final dividend (HK cents)	**3.6**	4.3	(16.3%)
Final special dividend (HK cents)	**4.4**	5.7	(22.8%)
Annual dividend pay-out ratio	**131.7%**	127.4%	4.3 percentage points

Management's Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis

During the year under review, the retail channel through department stores in Mainland China market remained feeble. The Group's total sales and same-store sales both recorded negative growth. The Group recorded a gross profit of RMB743,500,000 (2016/17: RMB908,000,000), representing a year-on-year decline of 18.1% and the gross profit margin decreased to 65.8%, representing a decrease of 0.7 percentage point as compared to last year.

Selling and distribution expenses decreased by 11.3% year-on-year to RMB548,500,000 (2016/17: RMB618,600,000). As the decrease in sales outweighed the effect of related expenses deduction, the ratio of selling and distribution expenses to total revenue increased by 3.2 percentage points to 48.5% (2016/17: 45.3%). During the year under review, the Group initiated a series of large promotional and brand marketing campaigns to celebrate its 40^{th} anniversary. Also, PITTI DONNA, a new online leisure brand, was launched. As a result, the ratio of the advertising and promotional expenses to sales increased to 3.6%, representing a year-on-year increase of 1.1 percentage points. Concessionaire fee and rents accounted for 25.7% of total sales, representing a year-on-year increase of 1.0 percentage point.

General and administrative expenses were cut by 6.9% to RMB178,100,000 (2016/17: RMB191,200,000) as compared to last year. The Group had proactively adopted measures to control the spending of relevant cost items in view of the continuous sluggish sales performance during the year. However, as most general and administrative expenses are fixed costs, this item as a percentage of total revenue still increased by 1.8 percentage points to 15.8% (2016/17: 14.0%).

Other income decreased by 29.6% year-on-year to RMB26,000,000 (2016/17: RMB36,900,000). This item mainly represented by the incentives from local government.

le saunda, le saunda MEN, LINEA ROSA, CNE and PITTI DONNA

At the style height of fashion-forward creativity, le saunda is an eminent player in the affordable luxury market, presenting the best of finery for the cosmopolitan consumers.

Management's Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis (Continued)

Other gain and loss mainly represented by the foreign exchange gain or loss and an one-off gain of RMB33,100,000 arising from the disposal of interest in an available-for-sale financial asset and acquisition of additional equity interest in a joint venture. During the year under review, the exchange rate of RMB appreciated, leading to a foreign exchange gain of RMB7,800,000 (2016/17: a loss of RMB8,200,000), representing an improvement of RMB16,000,000, for this financial year.

Consolidated profit attributable to owners of the Company decreased by 20.4% to RMB59,700,000 (2016/17: RMB75,000,000) as compared to last year. Basic earnings per share decreased by 20.4% year-on-year to RMB8.45 cents (2016/17: RMB10.62 cents). In return for the shareholders' longstanding support, the Board recommended a final dividend of HK3.6 cents and a final special dividend of HK4.4 cents per ordinary share (2016/17: final dividend of HK4.3 cents and a final special dividend of HK5.7 cents), together with the interim dividend of HK3.3 cents and the interim special dividend of HK1.7 cents, the total dividend for this financial year was HK13.0 cents per ordinary share, representing a high dividend payout ratio of 131.7% (2016/17: 127.4%).

Income Tax Expense

During the year under review, income tax expenses amounted to approximately RMB33,600,000 (2016/17: RMB52,100,000), representing a decrease of 35.5% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for corporations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5% to 10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the losses not subject to taxation and expenses not deductible for tax purpose, the effective tax rate of the Group for the year was 32.0% (2016/17: 31.5%).

Inventory Management

As at 28 February 2018, the Group's inventory balance was RMB331,400,000, representing a decrease of 12.8% as compared to last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 28 February 2018	As at 28 February 2017	Changes in value	Changes in %
Raw materials and work-in-progress	29.6	35.8	(6.2)	(17.3%)
Finished goods	301.8	344.4	(42.6)	(12.4%)
Total	331.4	380.2	(48.8)	(12.8%)

Management's Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Inventory Management (Continued)

Reflecting the changes in operation scale, the inventory of raw materials and work-in-progress decreased by 17.3% year-on-year while the inventory of finished goods decreased by 12.4% year-on-year. In addition, the Group's enhanced efforts in clearing up off-season products led to a drop in inventory balance of finished goods and maintained the cash on hand at high level. Since the decline in sales outweighed the inventory reduction, the inventory turnover days of finished goods slightly increased by 7 days to 305 days (28 February 2017: 298 days). The Group believes that the current inventory level is still within safety margin. In long-run, the Group will close inefficient shops to enhance its inventory turnover, adjust its merchandising plan and optimize its supply chain with a view to bring its inventory gradually to a more reasonable level.

Liquidity and Financial Resources

The Group's financial position remained very strong and healthy. As at 28 February 2018, the Group's cash and bank balances amounted to RMB603,100,000 (28 February 2017: RMB645,300,000), representing a decrease of 6.5% year-on-year. The quick ratio was 5.5 times (28 February 2017: 4.2 times). During the year, the Group had borrowed and repaid a bank loan of RMB17,800,000 and had no outstanding bank loan as at the fiscal year-end date (28 February 2017: Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the year. In addition, working capital requirements for our business operations in Mainland China will be financed by RMB loans advanced from local banks when necessary.

During the financial year ended 28 February 2018, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and RMB respectively and were deposited in leading banks with maturity of less than one year.

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

Management's Discussion and Analysis

BUSINESS REVIEW

Overview

The gross domestic product (GDP) of China achieved a growth rate of 6.9% in 2017, up 0.2 percentage point as compared to the corresponding period of last year. However, the growth of total retail sales of consumer goods slowed down and traditional retail businesses were still confronted with many challenges. In particular, the rapid development of e-commerce posed the greatest threat to the traditional retail businesses, and the fierce competition among traditional retail businesses resulted in extensive close-down and surrender of tenancy. Facing the challenges posed by the economic environment, the Group proactively adjusted its strategy to close down low-profitability stores and re-adapted the e-commerce operation model. In addition, the Group adjusted its product mix and sought to continuously improve the quality its products and service with a view to coping with unfavourable market environment.

Retail Business

For the year under review, the total retail revenue of the Group decreased by 17.2% year-on-year to RMB1,130,600,000 (2016/17: RMB1,365,500,000). Same-store sales decreased by 11.3% (2016/17: decreased by 12.0%) due to the sluggish development of traditional department store businesses brought about by the following reasons: 1) the rapid development of e-commerce took up certain market share, resulting in a deep impact on the sales of physical stores; 2) the consumption pattern of traditional retail businesses has changed: shopping malls offering one-stop entertainment service experience were favoured by consumers, while the department stores gradually lost their competitiveness and customers; 3) overseas brands continuously seized domestic market share and the mainland outbound tourists increased rapidly resulting in a reduction of local consumption; and 4) the slowing down of domestic economy and the continuous rise of property price led to a drop in household disposable income. In light of the rapidly changing market environment, the Group is fully committed to improving product quality, creating customer values, enhancing consumers' shopping experience and thereby improving same-store sales.

Retail Network

Mainland China remains the key market of the Group's retail business. As at the year-end date, the Group had a retail network comprised of 687 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 109 stores compared to the end of the prior year. The number of self-owned stores dropped by 101, while the number of franchised stores decreased by 8 during the year.

As at the year-end date, there were 493 core brand le saunda stores and 35 le saunda MEN stores, representing net reductions of 70 and 17 stores respectively, as compared to the end of last year. LINEA ROSA, the Group's high-end fashionable brand saw a net decrease of 2 stores to bring the total number of stores to 72. The number of CNE stores decreased by 21 to 1.

Management's Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Retail Business (Continued)

Retail Network (Continued)

As at 28 February 2018, the breakdown of the Group's retail network was as follows:

Number of Outlets by Region	Self-owned (Year-on-year change)		Franchise (Year-on-year change)		Total (Year-on-year change)	
Mainland China	604	(-101)	71	(-8)	675	(-109)
• Northern, Northeastern & Northwestern Regions	137	(-29)	61	(-10)	198	(-39)
• Eastern Region	197	(-23)	2	(1)	199	(-22)
• Central and Southwestern Regions	126	(-32)	8	(1)	134	(-31)
• Southern Region	144	(-17)	0	(0)	144	(-17)
Hong Kong and Macau	12	(0)	—	—	12	(0)
Total	616	(-101)	71	(-8)	687	(-109)

Mainland China

Given the change in consumption pattern in the market, traditional department stores are less competitive and have lost a large volume of customers. Therefore the Group decided to change its structure of the distribution network by closing down low-profitability stores, and gradually increasing its proportion of stores in shopping malls. In consideration of the current market environment, the Group has conducted a large-scale restructuring exercise and merged some of its regional offices and warehouses, in order to reduce operating costs and improve competitiveness. In addition, the Group proactively adjusted its product mix tallying with the trend and taste of young people to attract more young customers. During the year under review, as the Group's business in Mainland China was still in the period of adjustment, the Group's sales in Mainland China decreased by 17.3% to RMB1,068,700,000 (2016/17: RMB1,291,700,000). The Group expects that the business adjustment in Mainland China will be completed in 2018 and thus the results in the coming year will improve.

Hong Kong and Macau

In the past few years, the economic growth of Hong Kong has been at a relatively low level. In order to cope with the unfavourable market environment, the Group accelerated the adjustment to its businesses in Hong Kong and Macau by closing down low-profitability stores upon expiration of lease. The Group completed the adjustment in the second half of the year under review. And with an economic growth of 3.7% in 2017, the highest for Hong Kong in 6 years, the Group recorded an apparent growth of sales performance in the fourth quarter of the year under review. During the year under review, the Group's sales in Hong Kong and Macau decreased by 16.3% year-on-year to RMB61,800,000 (2016/17: RMB73,900,000), better than the Group's overall average performance. As at the end of the year under review, the number of outlets in Hong Kong and Macau remained unchanged at 12. Given the market environment is improving, the Group will consider opening new stores at appropriate locations.

Management's Discussion and Analysis

BUSINESS REVIEW (CONTINUED)

Retail Business (Continued)

E-commerce Business

According to the Ministry of Commerce of PRC, online purchases in China grew by 32.2% in 2017, representing an increase by 6 percentage points as compared to the previous year, while the online retail sales of physical goods rose by 28%, accounted for 15% of the total retail sales of consumer goods, up by 2.4 percentage points as compared to the previous year. Obviously online retailing has become one of the major driving force for retail businesses. In view of the rapid growth of e-commerce, the Group has changed its strategy to strike a new balance between online and offline business. This year, the Group has increased the number of exclusive styles for its online business and established a new brand primarily for online customers. Although the Group's revenue from e-commerce dropped by 17.8% during the year under review, online sales has shown improvement in the fourth quarter of the year under review.

Brand Building

With the rise of Chinese economy and the continuous improvement of the public's consumption level, more and more overseas brands have entered the Chinese market to seize the market share through improving their brand package and publicity. During the year under review, the Group also proactively cooperated with famous institutions or actresses in carrying out branding activities to enhance the recognition for the Group's brands.

In 2017, the Group held large festivities in Shanghai and Hong Kong to celebrate its 40th anniversary. Ms. Ma Yili, a famous Chinese actress, and Ms. Jennifer Tse, a famous model of Hong Kong, were invited to attend these festivities. In these events, senior management of the Company and the celebrities, together with le saunda' loyal fans, enjoyed a pleasant time. le saunda gained lots of experience in the past 40 years and has become a technical expert in footwear and trustworthy brand in the market.

Last year, le saunda cooperated with Universal Picture to launch the "Minions Series" which attracted attention from the youth generation and increased their awareness of the Group's brand. In early 2018, le saunda cooperated with Universal Picture once again in respect of its popular movie "Jurassic World 2". This time, multiple brands of the Group launched products of different designs inspired by the movie. Capitalizing on the dinosaur popularity upsurge generated by the movie, the Group put in lots of effort in promoting related products and successfully raised brand reputation.

le saunda has been based in Hong Kong for 40 years and has always keeping pace with the times, creating a pleasant working environment for employees and fostering employees' sense of belonging and team spirit. This year, le saunda continued to participate in the "Happiness-at-Work Promotional Scheme". The Group was honored to be "Happy Company" in 2018. We hope all our staff enjoy working at le saunda and could gain pleasure and job satisfaction. Besides, Ms. Daisy Pao, Service Associate of le saunda, won the championship at "The 32nd Service & Courtesy Award — Footwear Category (Frontline Level)" issued by the Hong Kong Retail Management Association for her swift response, positive attitude and sincere service. le saunda's employee has won this honor for 5 consecutive years, which further proves that the frontline team of le saunda provides outstanding customer service and is highly recognized by the industry.

Management's Discussion and Analysis

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

In 2017, China's consumer goods market maintained a steady and relatively rapid growth, with a growth rate of 10.2%, which still remained at a double-digit growth, while the online retail sales of physical goods rose by 28%. Online purchase continues to be a major trend, which is both a challenge and an opportunity for the traditional retail brands. In the past two years, the Group has undergone major reforms, including the optimization of its whole organization structure, changes in its marketing strategies and product mix, warehouses consolidation and destocking, so as to rise to challenges in the market in the best state. The Group is convinced that, after these efforts in the past two years, preliminary results will appear in 2018.

The prevalence of electronic wallet and mobile phone purchase has pushed the growth rate to a peak based on the original high growth of online retail. To capitalize on this trend, the Group's e-commerce team thoroughly implemented omni-channel strategies, consolidated inventory from various channels and integrated its database, which helps to improve data transparency and the cost-effectiveness of supply chain. In addition, to cope with the fast-pace operation needs of e-commerce, the Group has significantly shortened its production cycle by half, enabling the trend-setting products to be quickly supplied to the market to meet the demand of the millennial generation and establish the brand's position among e-commerce customers. The Group firmly believes that, by virtue of the paid growth in e-commerce and an effective loyal customer cultivation plan, it is able to expand the brand's target customer base and increase brand recognition in the market. In addition to the e-commerce platforms in Mainland China, the Group is preparing to establish an official e-shop of le saunda enabling the brand to break the territorial and time restrictions to cover a wider area with the help of internet.

Furthermore, in order to effectively develop the markets in more remote provinces and regions, the Group actively seeks partners to jointly develop and operate local businesses. In view of this, the Group will increase resources to engage in franchising and wholesale business to extend our outreach to the regions not covered by physical retail stores.

As a brand with a history of over 40 years and long-term supporters all the way, the Group is full of confidence in the quality of its brand and products. Despite of the changing market and fierce competition, in 2018, the Group, on the basis of its 40-year brand value, will integrate trend and newly developed product elements into its products and apply new technologies to meet future challenges in the market.

PLEDGE OF ASSETS

As at 28 February 2018, bank deposit of RMB600,000 (28 February 2017: RMB1,300,000) has been pledged as rental deposit for a subsidiary of the Company.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of RMB202,400,000 (28 February 2017: RMB220,900,000), of which RMB3,500,000 (28 February 2017: RMB3,200,000) was utilised as at 28 February 2018.

Management's Discussion and Analysis

DIVIDEND

The Board has recommended to declare a final dividend of HK3.6 cents (the "Final Dividend") per ordinary share and a final special dividend of HK4.4 cents (the "Final Special Dividend") per ordinary share for the year ended 28 February 2018 (28 February 2017: a final dividend of HK4.3 cents and a final special dividend of HK5.7 cents) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 24 July 2018. The proposed Final Dividend and the Final Special Dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company. If passed, the Final Dividend and the Final Special Dividend are expected to be paid on or around Thursday, 2 August 2018, while a circular containing further details of notice of the AGM will be despatched to the Shareholders as soon as practicable.

The Board declared the payment of an interim dividend of HK3.3 cents (six months ended 31 August 2016: HK4.3 cents) per ordinary share and an interim special dividend of HK1.7 cents (six months ended 31 August 2016: HK1.4 cents) per ordinary share for the six months ended 31 August 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2018, the Group had a staff force of 3,653 people (28 February 2017: 4,652 people). Of this number, 90 were based in Hong Kong and Macau and 3,563 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate to the levels of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total employee benefit expenses for the twelve months ended 28 February 2018, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB332,900,000 (2016/2017: RMB369,300,000). The Group has all along organized structured and diversified training programmes for staff at different levels. Outside consultants will be invited to broaden the contents of the training programmes.

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Cheng Wang, Gary, aged 46, joined the Group in March 2016. He is an Executive Director and the Chief Executive Officer of the Company and acts as a director of certain subsidiaries of the Company. Mr. Cheng is responsible for the Group's internal audit, information technologies and investor relations, and formulating corporate development strategy. Mr. Cheng graduated from University of Manitoba with a Bachelor's degree in Commerce and a Master's degree in Accounting, The Chinese University of Hong Kong with a Master's degree in System Engineering, and University of South Australia with a Doctorate's degree in Business Administration. He is a member of American Institute of Certified Public Accountants. Prior to joining the Group, Mr. Cheng has over 17 years of experience in providing consulting services of corporate strategic planning, process improvement, cost control and financial management.

Chui Kwan Ho, Jacky, aged 54, first joined the Group in 1981 and was appointed as an Executive Director of the Company in September 1992 and left the Group in September 2010. She re-joined the Group in April 2016. She is an Executive Director of the Company and acts as a director of certain subsidiaries of the Company. Ms. Chui is responsible for the Group's manufacturing management of production facilities in Mainland China, product design and development, retail and e-commerce business operations, marketing, human resources and administration functions. She has over 32 years of experience on retail and production management. Prior to re-joining the Group, she was the chief executive officer in a renowned handbag company in Mainland China and was responsible for footwear products development, manufacturing management and retail operations.

Liao Jian Yu, aged 48, joined the Group in March 2010 as the general manager of 信蝶商業（杭州）有限公司 ("Xindie"), which is and was at the material times a 66.7% owned subsidiary of the Group, and was mainly responsible for business development and retail operation in Zhejiang and Anhui provinces in Mainland China. The remaining 33.3% of the equity interest in Xindie, of which her spouse is a director and legal representative, is and was at the material times owned by a company owned by Ms. Liao and her spouse. She was appointed as an Executive Director of the Company in March 2018 and is responsible for franchise operation and business development of the Group in Mainland China. Prior to joining the Group, she was a franchisee of the Group which operated in Zhejiang province. Ms. Liao has over 20 years of experience on business development and retail management in Mainland China and was given the award "巾幗創業帶頭人" at Hangzhou Xiacheng District in February 2018.

Board of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

James Ngai, aged 55, joined the Group in March 2011. He is a Non-Executive Director of the Company, the Chairman of the board of the Company (the "Board") and a member of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Board. He is responsible for the Group's leadership and management of the Board and the Group's strategy. Mr. Ngai graduated from University of Toronto with a Bachelor's degree in Economics. He is a Certified Public Accountant (Practising) in Hong Kong and a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He is also a fellow member of The Taxation Institute of Hong Kong. He has over 30 years of experience in accounting, auditing and taxation matters. Mr. Ngai is a director of Stable Gain Holdings Limited ("Stable Gain") which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). He is also an independent non-executive director of Max Sight Group Holdings Limited, the shares of which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Lee Tze Bun, Marces, aged 84, is the founder of the Group and a Non-Executive Director of the Company. Mr. Lee has over 39 years of experience in footwear manufacturing, factory management, retailing operations and business development. Mr. Lee was the winner of the "Owner-Operator Award" at the DHL/SCMP Hong Kong Business Awards 2009. He is the father of Mr. Li Wing Yeung, Peter, who is a senior manager of the Company. He is a director of Stable Gain and Stable Profit Holdings Limited, both of which have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon, aged 69, joined the Group in January 2006. He is an Independent Non-Executive Director of the Company, the chairman of the audit committee (the "Audit Committee") of the Board and the Remuneration Committee and a member of the Nomination Committee. Mr. Lam graduated from The University of Hong Kong in 1973. After graduation, he worked at KPMG London and Hong Kong and obtained his qualification as a chartered accountant and certified public accountant from The Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants respectively. Mr. Lam has been a practising accountant for over 28 years and is the proprietor of Messrs. S. L. Lam & Company. He has served as a member of Insider Dealing Tribunal on a number of occasions. Mr. Lam is also an independent non-executive director of Lifestyle International Holdings Limited, the shares of which are listed on the Stock Exchange.

Leung Wai Ki, George, aged 60, joined the Group in September 2004. He is an Independent Non-Executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Leung has over 30 years of experience in accounting, financial management, auditing and receivership. He is a director and financial controller of a real estate development company in Hong Kong.

Board of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Hui Chi Kwan, aged 69, joined the Group in November 2007. He is an Independent Non-Executive Director of the Company, the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Hui graduated from The University of Hong Kong with a Bachelor's degree in Laws in 1980 and has been a solicitor practicing in Hong Kong since 1983. Before joining the Group, Mr. Hui was a partner of a law firm in Hong Kong. He retired from the partnership in 2007 and remained as a consultant of the said law firm. Mr. Hui is also an independent non-executive director of Max Sight Group Holdings Limited, the shares of which are listed on the Stock Exchange.

SENIOR MANAGEMENT

Yuen Chee Wing, aged 52, joined the Group in August 2010. He is the Chief Financial Officer of the Company and is responsible for the Group's financial control and accounting, treasury, tax and legal matters. Mr. Yuen graduated from City University of Hong Kong with a Bachelor's degree in Business, The Chinese University of Hong Kong with a Master's degree in Business Administration, and Manchester Metropolitan University with a Bachelor's degree in Laws. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants. Mr. Yuen has over 23 years of experience in audit and accounting. Prior to joining the Group, he was the financial controller of a machinery manufacturer listed on the Stock Exchange.

Li Wing Yeung, Peter, aged 59, joined the Group in January 2000. He is Factory Manager of Shunde Production Plant of the Group and acts as a director of certain subsidiaries of the Company. He is responsible for the Group's production management. Mr. Li has over 12 years of experience in factory's production management. He is the son of Mr. Lee Tze Bun, Marces, a Non-Executive Director of the Company.

Li Ying Ying, aged 49, joined the Group in September 1997. She is General Manager (Southern China) of the Group and is responsible for the Group's retail business operations in the southern region of Mainland China. Ms. Li has over 21 years of retail experience in Mainland China.

Xiao Kun Min, aged 43, joined the Group in March 2004. She is General Manager (Southwestern China) of the Group and is responsible for the Group's retail business operations in southwestern region of Mainland China. Ms. Xiao has over 22 years of retail experience in Mainland China.

Yang Xiao Hui, aged 40, joined the Group in February 2012. He is General Manager of e-Commerce of the Group and is responsible for the e-commerce business operation and development of the Group in Mainland China. Mr. Yang has over 19 years of experience in online brand development and e-commerce business management.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

During the year, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for deviation from code provision A.6.7 of the CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Lee Tze Bun, Marces, a Non-Executive Director, was unable to attend the annual general meeting of the Company held on 10 July 2017.

The Board will continue to enhance the Group's corporate governance practices appropriate to the conduct and growth of the Group's business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

Board Composition

During the year ended 28 February 2018, the Board comprised two to three executive Directors, two non-executive Directors and three independent non-executive Directors. The Board has established three Board committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee"), to oversee different areas of the Company's affairs. The composition of the Board and the Board committees are given below and their respective responsibilities and work performed during the year are discussed elsewhere in this report.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

During the year ended 28 February 2018 and up to the date of this report, the Board comprises the following members:

Executive Directors
Mr. Cheng Wang, Gary *(Chief Executive Officer)*
Ms. Chui Kwan Ho, Jacky
Ms. Liao Jian Yu
(appointed with effect from 16 March 2018)
Ms. Chu Tsui Lan *(Chief Operating Officer)*
(resigned with effect from 1 August 2017)

Non-Executive Directors
Mr. James Ngai *(Chairman)*
Mr. Lee Tze Bun, Marces

Independent Non-Executive Directors
Mr. Lam Siu Lun, Simon
Mr. Leung Wai Ki, George
Mr. Hui Chi Kwan

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

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

(b) Both Mr. Lee Tze Bun, Marces and Mr. James Ngai are the directors of Stable Gain Holdings Limited ("Stable Gain"), a controlling shareholder of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust, of which Mr. Lee Tze Bun, Marces was the founder and an eligible beneficiary thereunder. Mr. Lee Tze Bun, Marces was also the sole director of Stable Profit; and

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

The biographical details of each Director are set out in the section headed "Board of Directors and Senior Management" on pages 24 to 26 of this report.

Each Director possesses the necessary expertise and experience and provides checks and balances for safeguarding the interests of the Group and the Shareholders as a whole. During the year, the Independent Non-Executive Directors provided the Group with a wide range of expertise and experience. Their active participation in the Board and committee meetings brought independent judgment on issues relating to the Group's strategy, performance and management process, taking into account the interests of all Shareholders.

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Board Composition (Continued)

During the year and up to the date of this report, the Company has three Independent Non-Executive Directors representing not less than one-third of the Board. Mr. Lam Siu Lun, Simon, one of the Independent Non-Executive Directors, has the appropriate professional qualifications, or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company has received from each of the Independent Non-Executive Directors a written confirmation of his independence and has satisfied itself of such independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

Board Meetings

The Board conducts meetings on a regular basis and on an ad hoc basis of at least four times a year to discuss the overall strategy as well as the operational and financial performance of the Group, and to review and approve the Group's annual and interim results. The Board members are served with notices of at least 14 days and provided with all agendas and adequate information for their review at least 3 days before the meetings. After the meetings, draft minutes are circulated to all Directors for comments before confirmation and sign-off. Minutes of board meetings and meetings of board committees are kept by the company secretary of the Company (the "Company Secretary") and are available for inspection by any Director at any reasonable time on reasonable notice. Each Director is entitled to seek independent professional advice under appropriate circumstances at the expense of the Company. During the year, the Board held 6 physical meetings and 3 written resolutions were signed and passed by all Directors. The attendance records of each Director at the Board meetings are set out on page 36 of this report.

Responsibilities and Delegation

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

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

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package covering the summary of the operations and business, constitutional documents, the latest published financial reports of the Company, "A Guide on Directors' Duties" issued by the Companies Registry of Hong Kong and the Guidelines for Directors and the Guide for Independent Non-Executive Directors published by the Hong Kong Institute of Directors to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizing seminars on the professional knowledge and latest development of regulatory requirements related to directors' duties and responsibilities.

During the year and up to the date of this report, all Directors pursued continuous professional development and relevant details are set out below:

Name of Directors	Types of training
Executive Directors:	
Mr. Cheng Wang, Gary	A, B
Ms. Chui Kwan Ho, Jacky	B
Ms. Liao Jian Yu *(appointed with effect from 16 March 2018)*	A, B
Ms. Chu Tsui Lan *(resigned with effect from 1 August 2017)*	B
Non-Executive Directors:	
Mr. James Ngai	A, B
Mr. Lee Tze Bun, Marces	B
Independent Non-Executive Directors:	
Mr. Lam Siu Lun, Simon	A, B
Mr. Leung Wai Ki, George	B
Mr. Hui Chi Kwan	A, B

Remarks:

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

Directors' and Officers' Liability Insurance

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

Corporate Governance Report

BOARD OF DIRECTORS (CONTINUED)

Appointment and Re-election of Directors

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

According to bye-laws of the Company (the "Bye-Laws"), each Director so appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting (the "AGM") of the Company in case of an addition to the Board and shall then be eligible for re-election at such meeting. Moreover, one-third of the Directors for the time being, (or, if their number is not a multiple of three, then the number nearest to but not less than one-third), shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall retire from office by rotation no later than the third AGM after he was last elected or re-elected. The rotating Directors who are subject to retirement and re-election at the forthcoming AGM are set out on page 46 of this report.

All Non-Executive Directors (including the Independent Non-Executive Directors) of the Company were appointed for a specific term of 2 years but subject to the relevant provisions of the Bye-Laws or any other applicable laws whereby the Directors shall vacate or retire from their office but be eligible for re-election.

CHAIRMAN AND CHIEF EXECUTIVE

In order to maintain a balance of power and authority, the roles of the Chairman and the Chief Executive Officer of the Company are segregated and assumed by separate individuals who have no relationship with each other. During the year, Mr. James Ngai, being the Chairman of the Board, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company and ensuring that all Directors are properly briefed on issues arising at the Board meetings and receive adequate information, which must be complete and reliable, in a timely manner. Mr. Cheng Wang, Gary, being the Chief Executive Officer, is responsible for the implementation of the Company's overall strategies and coordination of overall business operation. The day-to-day operations and administration of the Group are delegated to the Executive Directors and the management responsible for different aspects of the business.

BOARD COMMITTEES

The Company has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All board committees have clear and specific written terms of reference, report their work to the Board after each meeting and are provided with sufficient resources to discharge their respective duties. Copies of minutes of all meetings and written resolutions passed at the board committees are kept by the Company Secretary.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Audit Committee

The Audit Committee was established with written terms of reference (as amended) since 1999. As at 28 February 2018 and up to the date of this report, the Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditor, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, risk management and internal control systems of the Group, and review the accounting principles and practices adopted by the Group. The full terms of reference of the Audit Committee are posted on the respective websites of the Stock Exchange and the Company.

During the year, the Audit Committee held 5 physical meetings with the external auditor, internal auditor and independent consultants. The Chairman of the Board, the Chief Executive Officer, Executive Director and the Chief Financial Officer were invited to attend the meetings. The attendance records of each member of the Audit Committee are set out on page 36 of this report. A summary of work performed by the Audit Committee during the year was as follows:

(i) review of the audit plan, terms of engagement, independence and qualification of the external auditor and the remuneration paid to the external auditor;

(ii) review of the financial information of the Group including the annual and interim financial statements and related documents before submission to the Board for approval;

(iii) review of the management letters and reports issued by the external auditor;

(iv) review of accounting principles and practices adopted by the Group and the potential impacts of the change in accounting standards to the Group's financial statements;

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

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

Remuneration Committee

The Remuneration Committee was established with written terms of reference (as amended) since 2005. As at 28 February 2018 and up to the date of this report, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Remuneration Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one Non-Executive Director, namely Mr. James Ngai.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

The primary functions and duties of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, determine the terms of specific remuneration package of the Executive Directors and senior management, and review and approve the performance-based remuneration proposals with reference to the corporate goals and objective resolved by the Board from time to time. The full terms of reference of the Remuneration Committee are posted on the respective websites of the Stock Exchange and the Company.

During the year, the Remuneration Committee held 1 physical meeting. The attendance records of each member of the Remuneration Committee are set out on page 36 of this report. In the meeting, the Remuneration Committee (i) reviewed the remuneration of the Executive Directors and senior management of the Company; (ii) approved performance-based remuneration with reference to the corporate goals and objective resolved by the Board and/or the senior management from time to time; and (iii) ensured that no Director or senior management or any of his/her associates was involved in deciding his/her own remuneration. Details of the emoluments for Directors, chief executive and five highest paid individuals, and senior management remuneration by band during the year are set out in note 11 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established with written terms of reference (as amended) since 19 March 2012. As at 28 February 2018 and up to the date of this report, the Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Hui Chi Kwan (chairman of the Nomination Committee), Mr. Lam Siu Lun, Simon and Mr. Leung Wai Ki, George, and one Non-Executive Director, namely Mr. James Ngai.

The primary functions and duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies, and identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The full terms of reference of the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

During the year, the Nomination Committee held 1 physical meeting. The attendance records of each member of the Nomination Committee are set out on page 36 of this report. In the meeting, the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board; (ii) assessed the independence of the Independent Non-Executive Directors; (iii) made recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting; and (iv) reviewed the diversity of the Board's composition.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The Board adopted a board diversity policy with the aim of achieving diversity on the Company's board of directors in August 2013. The Company recognizes the benefits of having a diverse Board, and sees diversity of perspectives at the Board level as essential in achieving a sustainable and balanced development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills, knowledge, industry experience and expertise. All Board appointments are based on meritocracy, and candidates will be considered against a variety of criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board of Directors for examination and approval.

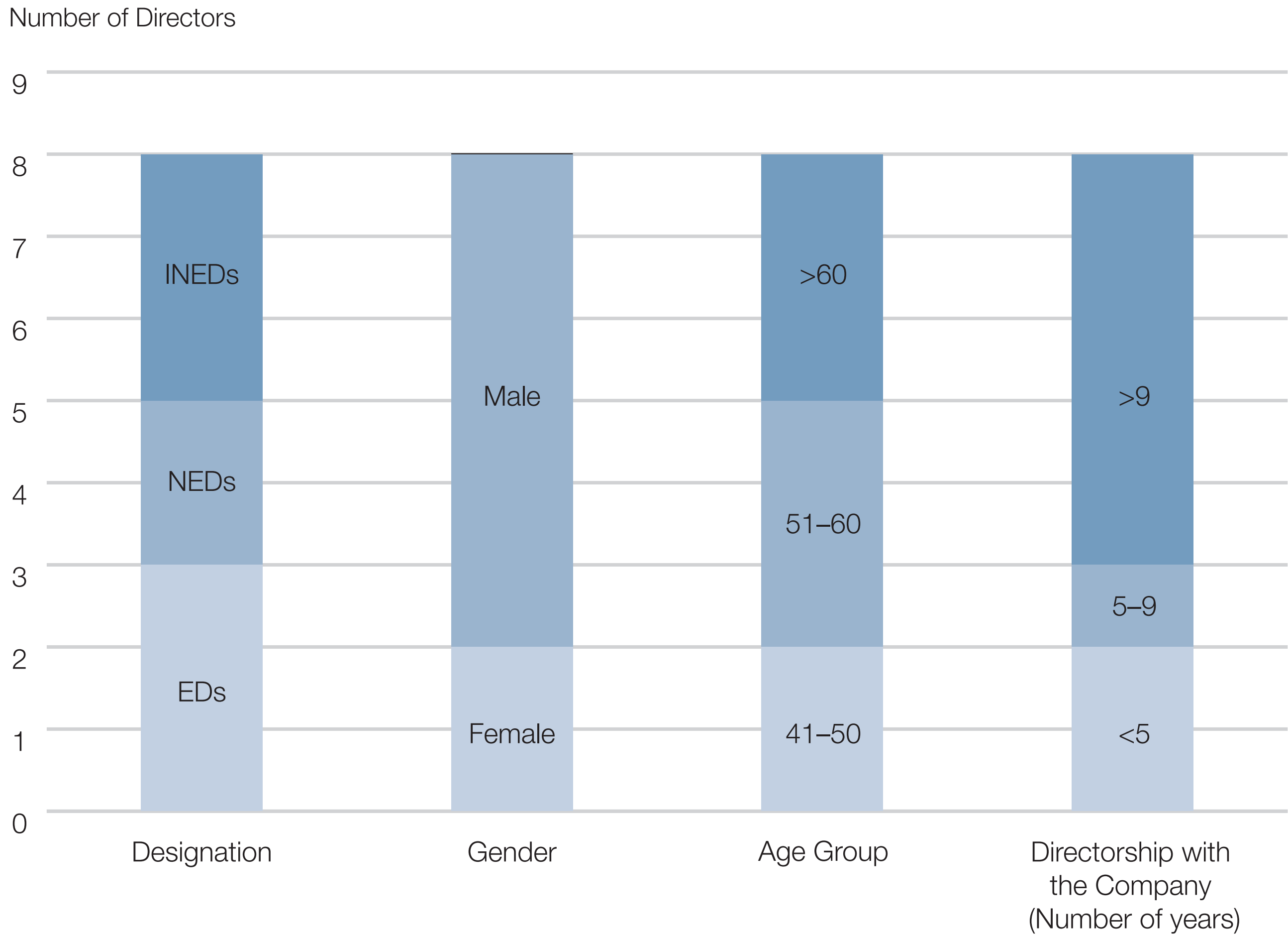
The Board contains individuals who have diverse educational background, professional experience, skills, knowledge, industry experience and expertise. Coming from diverse business and professional backgrounds, the Non-Executive Directors actively bring their valuable experience to the Board for promoting the best interests of the Company and the Shareholders. On the other hand, the Independent Non-Executive Directors contribute to ensuring that the interests of all Shareholders of the Company are taken into account by the Board and that relevant issues are subject to objective and dispassionate consideration by the Board. The biographical details of the Directors are set out on pages 24 to 26 of this report. In implementing the board diversity policy, the Board aims to have a balanced composition in each of the following areas in the graph below, but recognizing at the same time that all Board appointments must be based on meritocracy having regard to the best interests of the Company and the Shareholders.

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

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



Remarks:

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

Corporate Governance Report

BOARD COMMITTEES (CONTINUED)

Attendance Records

The individual attendance records of each Director at the physical meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and annual general meeting of the Company ("2017 AGM") during the year ended 28 February 2018 are set out below:

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

Notes:

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

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

3. Mr. James Ngai attended the Audit Committee meetings as an invitee.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

The details of the corporate governance functions reviewed and performed by the Board during the year are further disclosed and explained elsewhere in this report.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements of the Group for the year ended 28 February 2018, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the applicable disclosure requirements of the Listing Rules. In preparing the financial statements, the Directors have adopted HKFRSs and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Board is not aware of any material uncertainties relating to any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern during the course of preparing and reviewing the financial statements for the year under review.

The reporting responsibilities of the external auditor of the Company, PricewaterhouseCoopers, on the consolidated financial statements of the Group are set out in the section headed "Independent Auditor's Report" on pages 58 to 63 of this report.

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

Corporate Governance Report

ACCOUNTABILITY AND AUDIT (CONTINUED)

Auditor's Remuneration

For the year ended 28 February 2018, the fees in respect of audit and non-audit services (the non-audit services being comprised of agreed upon procedures and tax advisory services only) provided to the Group by the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$2,050,000 (2016/17: HK$2,020,000) and HK$329,000 (2016/17: HK$237,000) respectively. The Audit Committee was of the view that the non-audit services provided by the external auditor of the Company did not impair its independence and objectivity.

COMPANY SECRETARY

Ms. Lo Tik Man, Ophelia ("Ms. Lo") was appointed as Company Secretary on 27 May 2015. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. In her capacity as the Company Secretary, Ms. Lo reports to the Board and is responsible for advising the Board on corporate governance matters. In compliance with Rule 3.29 of the Listing Rules, Ms. Lo took not less than 15 hours of relevant professional training during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the Code of Conduct and the required standard set out in the Model Code during the year ended 28 February 2018 and up to the date of this report.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

Risk Management and Internal Control Systems

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

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

Main Features of Risk Management and Internal Control Systems

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

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

Process used to identify, evaluate and manage significant risks

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

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

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

Further, the Board has engaged an independent consulting firm (the "Consultant") to conduct a thorough review of the effectiveness of the Group's risk management and internal control systems for the period from 1 March 2017 to 28 February 2018 in accordance with the requirements under Code Provision C.2 of the CG Code, according to the scope of review agreed and approved by the Audit Committee.

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

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

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

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

SHAREHOLDERS' RIGHTS

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

1. Procedures for convening a special general meeting ("SGM")

   Pursuant to Bye-Law 58 of the Bye-Laws, Shareholders (the "Requisitionists") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to call a SGM by a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition. The requisition must be signed by the Requisitionists and deposited with the Company Secretary at the Company's head office and principal place of business in Hong Kong at Suites 1104–1106, 11th Floor, 1063 King's Road, Quarry Bay, Hong Kong. Before convening the SGM of the Company, the requisition will be verified with the Company's Share Registrars in Bermuda or Hong Kong to obtain their confirmation that the request is proper and in order. The SGM shall be held within 2 months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the Requisitionists themselves may do so in the same manner in accordance with Section 74 of the Companies Act 1981 of Bermuda (as amended).

Corporate Governance Report

SHAREHOLDERS' RIGHTS (CONTINUED)

2. Procedures for putting forward proposals at Shareholders' meetings

Pursuant to Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended), (i) the shareholders holding not less than one-twentieth of the total voting rights; or (ii) not less than 100 shareholders, are entitled to request the Company to give shareholders notice of a resolution which is intended to be moved at the next AGM or SGM. A written notice to that effect signed by the Requisitionist(s) with contact information must be deposited at the Company's head office and principal place of business in Hong Kong at Suites 1104–1106, 11th Floor, 1063 King's Road, Quarry Bay, Hong Kong (addressed to the Company Secretary). The notice shall contain, *inter alia*, a description of the proposed resolution desired to be put forward at the meeting, the reasons for such a proposal and any material interest of the proposing shareholder in such a proposal. The request will be verified with the Company's Share Registrars in Bermuda or Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

If a Shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the Shareholder should follow the "Procedures for Shareholders to propose a person for election as a Director", which is posted on the website of the Company.

3. Procedures for raising enquiries to the Board

The Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

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

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Corporate Governance Report

INVESTOR RELATIONS

Communication with the Shareholders and Investors

The Board recognizes that effective communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors and enhancing their understanding of the Group's performance, strategies and future direction. To foster effective communication with the Shareholders and potential investors of the Company, the Company endeavors to provide accurate, clear, comprehensive and timely information of the Group through the publication of the interim and annual reports, announcements, circulars, press interviews and press releases on the website of the Company.

The AGM provides a useful platform for the Shareholders to exchange views with the Board. The Chairman of the Board and the Chairman of each Board Committees are available at the AGM to answer questions from the Shareholders in respect of the matters that they are responsible and accountable for. The external auditor of the Company is also available at the AGM to assist the directors in addressing any relevant queries by the Shareholders. To ensure the Board is maintaining an on-going dialogue with the Shareholders, the Shareholders are encouraged to attend the AGM or other general meetings of the Company. The notice of AGM is sent to the Shareholders at least 20 clear business days before the AGM and posted on the respective websites of the Stock Exchange and the Company.

In addition to the AGM, the Board designates specialized personnel to maintain close communication with research analysts, fund managers, the Shareholders and media outlets via regular one-on-one meetings, luncheons, factory visits, press conferences and road shows to keep them informed of the Group's business performance and developments.

Constitutional Documents

There was no change in the Memorandum of Association and the Bye-Laws of the Company during the year ended 28 February 2018.

Report of the Directors

The board of directors (the "Board") of Le Saunda Holdings Limited (the "Company") has pleasure in presenting to the shareholders of the Company (the "Shareholders") its report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 28 February 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 18 to the consolidated financial statements. The Group is principally engaged in manufacturing and sale of footwear.

Details of the analysis of the Group's performance for the year ended 28 February 2018 by business and geographical segments are set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required pursuant to Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), comprising analysis of the Group performance during the year, description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year as well as indication of likely future development in the business of the Group are set out in the Chairman's Statement on pages 8 to 11 of this report and Management's Discussion and Analysis on pages 12 to 23 of this report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the Financial Highlights on page 2 of this report.

(I) Environmental Policies and Performance

The Group understands that its business has an impact on the environment and recognizes the importance of sound environmental management and sustainable development. It is committed to comply with the relevant environmental legislations and standards related to its business operations as set by the authorities in the People's Republic of China ("PRC") and Hong Kong where it operated.

The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to production plant, retail shops, warehouses and offices. The Group will prioritize the purchase of eco-friendly materials and also manage the environmental performance of its supply chain. During manufacturing, the Group deals with air emission by active carbon treatment. In daily operations, the Group advocates "paperless office" and actively promotes electronic management information system. It also sets up the equipment necessary for different kinds of meeting including teleconference and video conference, resulting in savings in time and resources. For retails shops, the Group has implemented energy saving practices by using LED lighting fixtures.

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

Report of the Directors

BUSINESS REVIEW (CONTINUED)

(II) Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and the risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of PRC and Hong Kong that have significant impact on the operations of the Group for the year ended 28 February 2018.

(III) Key Relationships

(a) Employees

The Group believes that employees are a key element to the success of its business, so it strives to maintain a high staff retention rate by providing competitive remuneration packages and developing a harmonious workplace. To enhance the capabilities and productivity of its employees, the Group provides a comprehensive training program to instill them with quality service skills, product knowledge and language and interpersonal skills. In addition, the Group would organize regular retail staff gatherings to promote team spirits and award retail staff with outstanding sales performance.

(b) Consumers

The Group provides direct service to consumers in its retail shops. To ensure continuous improvement of the quality of products and services, the Group regularly conducts internal and external market surveys to interact with consumers and to gain more market insights and feedback.

(c) Suppliers

The Group has established long business relationship with certain suppliers. It selects its suppliers prudently. The relevant suppliers need to fulfil certain assessment criteria of the Group, including, among others, track record, experience, financial capability, reputation and history of meeting our standards for raw materials or finished products. The Group has established anti-bribery policies which are required to be observed by all parties with business dealings with the Group.

(d) Shareholders and Investors

The Board believes effective communication and the disclosure of accurate and timely information builds the confidence of Shareholders and investors, and also facilitates the flow of constructive feedback and ideas that are beneficial for investor relations and future corporate development. For details, please refer to the Shareholders' Rights and Investor Relations of the Corporate Governance Report on pages 40 to 42 of this report.

Report of the Directors

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2018 are set out in the consolidated income statement on page 64 of this report.

The Board declared an interim dividend of HK3.3 cents (2016/17: HK4.3 cents) per ordinary share and an interim special dividend of HK1.7 cents (2016/17: HK1.4 cents) per ordinary share for the year ended 28 February 2018, totaling approximately RMB30,879,000 (2016/17: approximately RMB34,034,000), which was paid to the Shareholders on 24 November 2017.

The Board has resolved to recommend the payment of a final dividend of HK3.6 cents (the "Final Dividend") (2016/17: HK4.3 cents) per ordinary share and a final special dividend of HK4.4 cents (the "Final Special Dividend") (2016/17: HK5.7 cents) per ordinary share, totaling approximately RMB47,698,000 in respect of the year ended 28 February 2018 (2016/17: a final dividend of RMB26,428,000 and a final special dividend of RMB35,032,000). Subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on 16 July 2018 (the "AGM"), the proposed Final Dividend and Final Special Dividend will be payable on 2 August 2018 to the Shareholders whose names appear on the register of members of the Company on 24 July 2018.

FIVE-YEAR FINANCIAL SUMMARY

The five-year financial summary of the Group is set out on pages 136 to 137 of this report. The summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year available for distribution to the Shareholders are set out in note 30 to the consolidated financial statements.

DONATIONS

The Group did not make any charitable donation during the year (2016/17: RMB89,000).

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

PRINCIPAL SUBSIDIARIES AND JOINT VENTURE

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

Report of the Directors

DIRECTORS

The directors of the Company (the "Directors") during the year and up to the date of this report were:

Executive Directors
Mr. Cheng Wang, Gary *(Chief Executive Officer)*
Ms. Chui Kwan Ho, Jacky
Ms. Liao Jian Yu
(appointed with effect from 16 March 2018)
Ms. Chu Tsui Lan *(Chief Operating Officer)*
(resigned with effect from 1 August 2017)

Non-Executive Directors
Mr. James Ngai *(Chairman)*
Mr. Lee Tze Bun, Marces

Independent Non-Executive Directors
Mr. Lam Siu Lun, Simon
Mr. Leung Wai Ki, George
Mr. Hui Chi Kwan

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 24 to 26 of this report.

RE-ELECTION OF DIRECTORS

In accordance with Bye-Law 87 of the Bye-Laws, Mr. James Ngai, Ms. Chui Kwan Ho, Jacky and Mr. Leung Wai Ki, George shall retire from office by rotation at the AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Pursuant to Bye-Law 86(2) of the Bye-Laws, Ms. Liao Jian Yu, who has been appointed as an Executive Director, will hold office only until the forthcoming AGM and, being eligible, will offer herself for re-election at the forthcoming AGM.

INDEPENDENCE CONFIRMATION

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

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation). During the year, the service contract of Mr. James Ngai, who acted as Non-Executive Director, and the service contracts of Mr. Leung Wai Ki, George, Mr. Hui Chi Kwan and Mr. Lam Siu Lun, Simon, who all acted as Independent Non-Executive Directors, were renewed for a fixed term of 2 years with the Company with effect from 25 March 2017, 1 November 2017, 26 November 2017 and 16 January 2018 respectively. In addition, Ms. Liao Jian Yu, who was appointed as Executive Director on 16 March 2018, entered into a service contract with an indirect wholly-owned subsidiary of the Company with effect from 16 March 2018. None of the service contracts between the Company and the Executive Directors proposed for re-election has a fixed term.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Except for the connected transaction as detailed below, no transactions, arrangements or contracts of significance to the Company in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Except for the connected transaction as detailed below, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in or were interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year.

Report of the Directors

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

The changes in directorship and other changes in the information of the Director of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, subsequent to the publication of the annual report of the Company for the year ended 28 February 2017 are set out below:

Name of Directors	Details of change
Executive Directors:	
Ms. Chu Tsui Lan	• Resigned as an Executive Director and the Chief Operating Officer with effect from 1 August 2017
Ms. Liao Jian Yu	• Appointed as an Executive Director with effect from 16 March 2018
	• Entered into a service contract with an indirect wholly-owned subsidiary without fixed term commencing on 16 March 2018
Non-Executive Director:	
Mr. James Ngai	• Renewed service contract with the Company with a fixed term of 2 years commencing on 25 March 2017 and ending on 24 March 2019
	• Appointed as an independent non-executive director of Max Sight Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8483) with effect from 8 February 2018
Independent Non-Executive Directors:	
Mr. Leung Wai Ki, George	• Renewed service contract with the Company with a fixed term of 2 years commencing on 1 November 2017 and ending on 31 October 2019
Mr. Hui Chi Kwan	• Renewed service contract with the Company with a fixed term of 2 years commencing on 26 November 2017 and ending on 25 November 2019
	• Appointed as an independent non-executive director of Max Sight Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8483) with effect from 8 February 2018
Mr. Lam Siu Lun, Simon	• Renewed service contract with the Company with a fixed term of 2 years commencing on 16 January 2018 and ending on 15 January 2020
	• Resigned as an independent non-executive director of Sansheng Holdings (Group) Co. Ltd. (formerly known as Lifestyle Properties Development Limited), the shares of which are listed on the Stock Exchange (stock code: 2183) with effect from 31 May 2017

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

Report of the Directors

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

As at 28 February 2018, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares of HK$0.10 each in the capital of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

(I) Long positions in Shares

(a) The Company

	Number of Shares					
Name of Directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the issued share capital of the Company**
Mr. Lee Tze Bun, Marces ("Mr. Lee")	54,061,000	–	36,600,000 *(Notes 1 & 2)*	280,500,000 *(Notes 3 & 4)*	371,161,000	52.58%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	3,527,000	–	–	55,000,000	58,527,000 *(Note 5)*	8.29%
Mr. Leung Wai Ki, George ("Mr. Leung")	–	–	–	1,700,000	1,700,000 *(Note 6)*	0.24%

Notes:

1. Succex Limited, a corporation which was controlled and wholly owned by Mr. Lee, held 33,000,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.

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

Report of the Directors

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

(I) Long positions in Shares (Continued)

(a) The Company (Continued)

Notes: (Continued)

3. Stable Gain Holdings Limited ("Stable Gain") held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust, of which Mr. Lee was the founder (as defined in section 308 of the SFO) and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, Mr. Lee was deemed to be interested in these Shares.

4. The Lee Keung Charitable Foundation (the "Charitable Foundation"), of which Mr. Lee was the founder (as defined in section 308 of the SFO), held 55,000,000 Shares, representing approximately 7.79% of the issued share capital of the Company. Therefore, Mr. Lee was deemed to be interested in these Shares.

5. Ms. Chui personally held 3,527,000 Shares and was deemed to be interested in 55,000,000 Shares jointly held by her, Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee") and Ms. Tsui Oi Kuen ("Ms. Tsui") as trustees of the Charitable Foundation.

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

(b) Associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Percentage of the issued voting shares of the associated corporation
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares *(Note 1)*	0%

Note:

1. Mr. Lee beneficially owned 20,000 non-voting deferred shares in L. S. Retailing Limited. All voting shares in L. S. Retailing Limited are wholly-owned by the Company.

Report of the Directors

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

(II) Long positions in underlying shares and debentures of the Company

Interests in share options

		Adjusted number of Shares *(Note 3)*							
Name of Director	Date of share options granted *(Notes 1 & 2)*	Balance as at 1 March 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Total outstanding as at 28 February 2018	Adjusted exercise price per Share *(Note 3)* HK$	Exercise period
Ms. Chu Tsui Lan	27 June 2011	1,100,000	–	–	–	(1,100,000)	–	4.300	27 June 2014 – 26 June 2021
(resigned with effect	27 June 2011	1,100,000	–	–	–	(1,100,000)	–	4.300	27 June 2015 – 26 June 2021
from 1 August 2017)	27 June 2011	1,100,000	–	–	–	(1,100,000)	–	4.300	27 June 2016 – 26 June 2021
	10 July 2012	880,000	–	–	–	(880,000)	–	2.185	10 July 2014 – 9 July 2022
	10 July 2012	880,000	–	–	–	(880,000)	–	2.185	10 July 2015 – 9 July 2022
	10 July 2012	880,000	–	–	–	(880,000)	–	2.185	10 July 2016 – 9 July 2022
Total		5,940,000	–	–	–	(5,940,000)	–		

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.

2. The closing prices of the Shares immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK$4.65 and HK$2.41 per Share respectively.

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

Save as disclosed above, as at 28 February 2018, none of the Directors or chief executive (including their spouse and children under 18 years of age) of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above and the paragraph headed "Share Option Scheme" below, during the year ended 28 February 2018, (a) at no time was the Company or a specified undertaking (as defined in the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) of the Company a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and (b) none of the Directors, their respective spouses nor their respective children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights.

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

As at 28 February 2018, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the following persons or corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(I) Interests and short positions of substantial shareholders in the Shares and underlying Shares

Long positions in Shares

		Number of Shares and nature of interests				
Name of Shareholders	*Note*	**Beneficial owner**	**Interests of controlled corporation**	**Other interests**	**Total**	**Approximate percentage of the issued Share capital of the Company**
Stable Gain	*1*	225,500,000	—	—	225,500,000	31.94%
Stable Profit	*1*	—	225,500,000	—	225,500,000	31.94%
HSBC Trustee	*1*	—	—	225,500,000	225,500,000	31.94%

Note:

1. Stable Gain held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee was a founder and an eligible beneficiary thereunder. Mr. Lee was also the sole director of Stable Profit. Therefore, HSBC Trustee was deemed to be interested in these Shares in its capacity as trustee (other than a bare trustee) and Stable Profit was deemed to be interested in these Shares by virtue of the interest of its controlled corporation (being Stable Gain). The respective interests of Stable Gain, Stable Profit and HSBC Trustee were thus duplicated.

Report of the Directors

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

(II) Interests and short positions of other persons in the Shares and underlying Shares

Long positions in Shares

		Number of Shares and nature of interests			
Name of Shareholders	*Note*	**Personal interests**	**Other interests**	**Total**	**Approximate percentage of the issued Share capital of the Company**
Ms. Lee	*1*	6,985,000	55,000,000	61,985,000	8.78%
Ms. Tsui	*2*	1,287,000	55,000,000	56,287,000	7.97%
Ms. Lee, Ms. Tsui and Ms. Chui as trustees of the Charitable Foundation	*3*	—	55,000,000	55,000,000	7.79%

Notes:

1. Ms. Lee was interested in an aggregate of 61,985,000 Shares (comprising 6,985,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held by her, Ms. Tsui and Ms. Chui as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.

2. Ms. Tsui was interested in an aggregate of 56,287,000 Shares (comprising 1,287,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held by her, Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 7.97% of the issued share capital of the Company.

3. Ms. Lee, Ms. Tsui and Ms. Chui jointly held 55,000,000 Shares as trustees of the Charitable Foundation, representing approximately 7.79% of the issued share capital of the Company. Therefore, all of them were deemed to be interested in these Shares which were duplicated amongst their respective interests.

Save as disclosed above, as at 28 February 2018, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) or corporation who had interests directly or indirectly and/or short positions in the Shares and underlying Shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Report of the Directors

SHARE OPTION SCHEME

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

The purpose of the Scheme was to enable the Board to grant options to selected eligible persons (as defined under the Scheme) as incentives or rewards for their contribution or potential contribution to the Group. The total number of the Shares available for issue upon exercise of all options granted under the Scheme must not exceed 1,756,700 Shares, representing approximately 0.25% of the total number of issued Shares of the Company as at the date of this report. The aggregate number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company must not exceed 30% of the Shares in issue from time to time.

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

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

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

The price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant; and (iii) the nominal value of a Share.

The Scheme expired on 21 July 2012.

Report of the Directors

SHARE OPTION SCHEME (CONTINUED)

Pursuant to the Scheme, the Company granted 14,100,000 and 17,440,000 share options to certain Directors and employees of the Company to subscribe for up to a total of 31,540,000 ordinary shares of HK$0.10 each in the capital of the Company on 27 June 2011 and 10 July 2012 respectively. Particulars of such share options and their movement during the year ended 28 February 2018 were as follows:

		Adjusted number of share options *(Note 4)*							
Name or Category of Participant	Date of share options granted *(Notes 1 & 2)*	Balance as at 1 March 2017	Granted during the year *(Note 3)*	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 28 February 2018	Adjusted exercise price per Share *(Note 4)* HK$	Exercise period
Director	27 June 2011	1,100,000	–	–	–	(1,100,000)	–	4.300	27 June 2014 – 26 June 2021
(Note 5)	27 June 2011	1,100,000	–	–	–	(1,100,000)	–	4.300	27 June 2015 – 26 June 2021
	27 June 2011	1,100,000	–	–	–	(1,100,000)	–	4.300	27 June 2016 – 26 June 2021
	10 July 2012	880,000	–	–	–	(880,000)	–	2.185	10 July 2014 – 9 July 2022
	10 July 2012	880,000	–	–	–	(880,000)	–	2.185	10 July 2015 – 9 July 2022
	10 July 2012	880,000	–	–	–	(880,000)	–	2.185	10 July 2016 – 9 July 2022
Sub-total		5,940,000	–	–	–	(5,940,000)	–		
Employees	27 June 2011	366,300	–	–	–	–	366,300	4.300	27 June 2014 – 26 June 2021
	27 June 2011	366,300	–	–	–	–	366,300	4.300	27 June 2015 – 26 June 2021
	27 June 2011	367,400	–	–	–	–	367,400	4.300	27 June 2016 – 26 June 2021
	10 July 2012	115,500	–	–	–	(4,400)	111,100	2.185	10 July 2014 – 9 July 2022
	10 July 2012	686,400	–	–	–	(95,700)	590,700	2.185	10 July 2015 – 9 July 2022
	10 July 2012	2,072,400	–	–	–	(613,800)	1,458,600	2.185	10 July 2016 – 9 July 2022
Sub-total		3,974,300	–	–	–	(713,900)	3,260,400		
Total		9,914,300	–	–	–	(6,653,900)	3,260,400		

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.

2. The closing prices of the Shares immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK$4.65 and HK$2.41 per Share respectively.

3. Upon grant of 17,440,000 share options to eligible persons by the Company on 10 July 2012, there were 1,960 shares options available for grant under the Scheme. The Scheme expired on 21 July 2012.

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

5. For a detailed breakdown of the Director's interest in share options, please refer to page 51 of this report.

Report of the Directors

CONNECTED TRANSACTION

On 20 February 2017, Blooming On Limited, being an indirect wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement, as a purchaser, with Freedom Resources Limited, which is a company wholly and beneficially owned by Mr. Lee, as a vendor, and Mr. Lee as the vendor's guarantor, to acquire the entire issued share capital of Super Billion Properties Limited ("Super Billion"), which solely owns the Units 3005–3009, 30th Floor, Metro Plaza, 183–187 Tian He North Road, Guangzhou, PRC (the "Guangzhou Premises 3005–3009"), at a cash consideration of RMB10,800,000 (the "Acquisition"). The Acquisition was completed on 1 March 2017. Upon completion of the Acquisition, Super Billion became an indirect wholly-owned subsidiary of the Company and the Group would continue to use the Guangzhou Premises 3005–3009 as office. For details, please refer to the announcement of the Company dated 20 February 2017.

RELATED PARTY TRANSACTIONS

Save as disclosed above, related party transactions disclosed in note 35 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions (as defined in the Listing Rules). The Company confirmed that it has complied with the requirements in Chapter 14A of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 28 February 2018.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur in or about the execution of their duty or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any matter in respect of fraud or dishonesty which may attach to any of the Directors.

MANAGEMENT CONTRACTS

No contracts (other than service contracts with Directors as disclosed) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 1.3% of the total revenue from sales of goods for the year and sales to the largest customer included therein amounted to approximately 0.5% of the total revenue from sales of goods for the year. Purchases from the Group's five largest suppliers accounted for approximately 33.3% of the total purchases for the year and purchases from the largest supplier amounted to approximately 9.1%.

None of the Directors or any of their respective associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and/or five largest suppliers.

CORPORATE GOVERNANCE PRACTICE

A corporate governance report is set out on pages 27 to 42 of this report.

Report of the Directors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 28 February 2018 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company will be proposed at the forthcoming AGM.

By Order of the Board

James Ngai
Chairman

Hong Kong, 28 May 2018

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Le Saunda Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 135, which comprise:

- the consolidated balance sheet as at 28 February 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 28 February 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

- Recognition of deferred income tax assets arising from unused tax losses
- Provision for impairment of inventories

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Recognition of deferred income tax assets arising from unused tax losses Refer to Note 4(b) and Note 21 to the consolidated financial statements. As at 28 February 2018, the Group had significant unused tax losses from its subsidiaries in Hong Kong and Mainland China. Total deferred income tax assets on unused tax losses of RMB5,150,000 was recorded by these entities as at 28 February 2018. As described in the accounting policies in Note 2.15 to the consolidated financial statements, the Group recognised deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the unused tax losses and the deductible temporary differences would be utilised. Management prepared profit forecast to assess the probability of generating sufficient taxable profits in the foreseeable future involving assumptions of revenue growth and profit margin. We focused on this area due to the significant value of deferred income tax assets and the critical estimates made by management in the profit forecasts.	Our procedures for assessing the appropriateness of management's judgements applied in the profit forecast included: • Obtained management's assessment on the recognition of deferred income tax assets arising from unused tax losses for the subsidiaries of the Group and compared the management's profit forecast prepared in last year against the actual result for current year. • Tested mathematical accuracy of the management's calculation on the recognition of deferred income tax assets arising from unused tax losses and agreed to the underlying documents, such as the annual tax filing, for the amount of unused tax losses. • Assessed management's assumptions in respect of revenue growth and profit margin by comparing them against external economy and industry forecast. • Evaluated management's sensitivity analysis to assess the impact of fluctuations in the key assumptions within a reasonable range on the forecast results. Based on the above audit procedures performed, we found that management's assessments were supported by the evidence that we obtained.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of inventories Refer to Note 4(c) and Note 22 to the consolidated financial statements. At 28 February 2018, the Group's gross inventories and provision for impairment of inventories amounted to RMB352,147,000 and RMB20,792,000, respectively. As described in the accounting policies in Note 2.10 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. The Group is engaged in the retail business of footwear and is subject to changing consumer demands and fashion trends. Management's judgement is required for assessing the appropriate level of inventory provision in light of the current trading environment. Management determines the appropriate provisions for obsolete or slow-moving inventories based on a detailed ageing analysis of inventories and the Group's plans for future sale of inventory in consideration of fashion trends and estimate of future demand for products. We focused on this area due to the significant value of inventories and the critical estimates made by management on the provision for obsolete or slow-moving inventories.	Our procedures for assessing the appropriateness of management's judgements applied in assessing the provision for impairment of inventories included: • Evaluated management's estimations made in prior years by reference to the level of inventories write-off during the year in relation to stock loss. • Evaluated analysis and assessment made by management with respect to slow-moving inventories. • Performed audit analytics on stock holding and movement data during the year and after year end to identify products with indications of obsolescence. • Compared the net realisable value of inventories sold subsequent to the year end to the cost of inventories. • Tested the mathematical accuracy of management's year end calculation of provision for impairment of inventories. • Evaluated the future sales plans with reference to historical sales performance of similar products through different sales channels, external market data and the Group's business strategies identified through enquiries with management. Based on the above audit procedures performed, we found that management's assessments were supported by the evidence that we obtained.

Independent Auditor's Report

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 May 2018

Consolidated Income Statement

For the year ended 28 February 2018

	Note	**Year ended 28 February 2018 RMB'000**	Year ended 28 February 2017 RMB'000
Revenue	5	**1,130,560**	1,365,545
Cost of sales	7	**(387,065)**	(457,536)
Gross profit		**743,495**	908,009
Other income	6	**25,958**	36,863
Other gains/(losses), net	6	**42,682**	(10,989)
Selling and distribution expenses	7	**(548,478)**	(618,566)
General and administrative expenses	7	**(178,127)**	(191,229)
Operating profit		**85,530**	124,088
Finance income, net	8	**8,239**	4,006
Share of profit of a joint venture	19	**74**	423
Profit before income tax		**93,843**	128,517
Income tax expense	12	**(33,600)**	(52,113)
Profit for the year		**60,243**	76,404
Profit for the year attributable to:			
— owners of the Company		**59,676**	74,977
— non-controlling interest		**567**	1,427
		60,243	76,404
Earnings per share attributable to the owners of the Company (express in RMB cents)			
— Basic	13	**8.45**	10.62
— Diluted	13	**8.45**	10.62
Dividends	14	**78,577**	95,494

The notes on pages 70 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 28 February 2018

	Year ended 28 February 2018 RMB'000	Year ended 28 February 2017 RMB'000
Profit for the year	**60,243**	76,404
Other comprehensive income for the year, net of tax		
Item that will not be reclassified to consolidated income statement		
— Actuarial gains on retirement benefit obligation	**24**	154
Items that will be reclassified to consolidated income statement		
— Currency translation differences	**(45,985)**	27,409
— Reversal of impairment of interest in an available-for-sale financial asset	**2,500**	—
— Disposal of an available-for-sale financial asset	**(2,500)**	—
Total comprehensive income for the year	**14,282**	103,967
Total comprehensive income for the year, attributable to:		
— owners of the Company	**13,715**	103,052
— non-controlling interest	**567**	915
	14,282	103,967

The notes on pages 70 to 135 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 28 February 2018

	Note	As at 28 February 2018 RMB'000	As at 28 February 2017 RMB'000
ASSETS			
Non-current assets			
Investment properties	15	128,594	142,404
Property, plant and equipment	16	94,391	101,332
Land use rights	17	21,239	14,947
Long-term deposits and prepayments		5,898	7,105
Interest in a joint venture	19	—	35,156
Interest in and amount due from an available-for-sale financial asset	20	—	—
Deferred income tax assets	21	53,538	55,283
		303,660	356,227
Current assets			
Inventories	22	331,355	380,183
Trade and other receivables	23	116,705	120,816
Deposits and prepayments		49,705	34,094
Pledged bank deposit	24	624	1,313
Cash and bank balances	24	603,123	645,264
		1,101,512	1,181,670
Total assets		1,405,172	1,537,897
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	27	59,979	59,979
Reserves			
Proposed dividends	30	47,698	61,460
Others	30	1,124,653	1,187,841
		1,232,330	1,309,280
Non-controlling interest		10,451	11,175
Total equity		1,242,781	1,320,455

The notes on pages 70 to 135 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 28 February 2018

	Note	As at 28 February 2018 RMB'000	As at 28 February 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	30,086	34,394
Current liabilities			
Trade and other payables	26	127,173	148,003
Amount due to a joint venture	19	—	33,000
Current income tax liabilities		5,132	2,045
		132,305	183,048
Total liabilities		162,391	217,442
Total equity and liabilities		1,405,172	1,537,897

The consolidated financial statements on page 64 to 135 were approved by the Board of Directors on 28 May 2018 and were signed on its behalf.

James Ngai
Chairman

Cheng Wang, Gary
Director

The notes on pages 70 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 28 February 2018

	Attributable to owners of the Company				
	Share capital RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
Balance at 1 March 2016	59,979	1,240,819	1,300,798	11,723	1,312,521
Comprehensive income					
Profit for the year	—	74,977	74,977	1,427	76,404
Other comprehensive income					
Currency translation differences	—	27,921	27,921	(512)	27,409
Actuarial gains on retirement benefit obligation	—	154	154	—	154
Total comprehensive income for the year	—	103,052	103,052	915	103,967
Transactions with owners					
Share option scheme:					
— value of service provided	—	924	924	—	924
Dividends	—	(95,494)	(95,494)	(1,463)	(96,957)
Total transactions with owners for the year	—	(94,570)	(94,570)	(1,463)	(96,033)
Balance at 28 February 2017	59,979	1,249,301	1,309,280	11,175	1,320,455
Balance at 1 March 2017	**59,979**	**1,249,301**	**1,309,280**	**11,175**	**1,320,455**
Comprehensive income					
Profit for the year	**—**	**59,676**	**59,676**	**567**	**60,243**
Other comprehensive income					
Currency translation differences	**—**	**(45,985)**	**(45,985)**	**—**	**(45,985)**
Actuarial gains on retirement benefit obligation	**—**	**24**	**24**	**—**	**24**
Reversal of impairment of interest in an available-for-sale financial asset	**—**	**2,500**	**2,500**	**—**	**2,500**
Disposal of an available-for-sale financial asset	**—**	**(2,500)**	**(2,500)**	**—**	**(2,500)**
Total comprehensive income for the year	**—**	**13,715**	**13,715**	**567**	**14,282**
Transactions with owners					
Share option scheme:					
— value of service provided	**—**	**—**	**—**	**—**	**—**
Dividends	**—**	**(90,665)**	**(90,665)**	**(1,291)**	**(91,956)**
Total transactions with owners for the year	**—**	**(90,665)**	**(90,665)**	**(1,291)**	**(91,956)**
Balance at 28 February 2018	**59,979**	**1,172,351**	**1,232,330**	**10,451**	**1,242,781**

The notes on pages 70 to 135 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 28 February 2018

	Note	Year ended 28 February 2018 RMB'000	Year ended 28 February 2017 RMB'000
Operating activities			
Net cash generated from operations	25(a)	74,725	276,425
Hong Kong and overseas taxation paid		(33,086)	(56,468)
Net cash generated from operating activities		41,639	219,957
Investing activities			
Interest income on bank deposits		7,039	4,006
Interest income on structured bank deposits		1,229	—
Purchases of property, plant and equipment		(29,433)	(35,149)
Net cash outflow arising on acquisition of assets	33	(10,800)	—
Net proceeds from the disposal of an available-for-sale financial asset	34	35,676	—
Dividend received from available-for-sale financial asset		6,797	—
Dividend received from a joint venture		18,004	—
Decrease in amount due to joint venture		(1,000)	—
Decrease in term deposits with initial term over three months		20,000	6,000
Purchases of equity instrument		(11,428)	—
Proceeds from disposal of equity instrument		13,101	—
Decrease in pledged deposit		689	1,021
Net cash generated from/(used in) investing activities		49,874	(24,122)
Financing activities			
Interest expense on short-term bank loan		(29)	—
Proceeds from short-term bank loan		17,802	—
Repayment of short-term bank loan		(17,802)	—
Dividends paid		(89,575)	(95,447)
Dividends paid to non-controlling interest		(1,291)	(1,463)
Net cash used in financing activities		(90,895)	(96,910)
Net increase in cash and cash equivalents		618	98,925
Effect of foreign exchange rate changes, net		(22,759)	11,207
Cash and cash equivalents at beginning of year		625,264	515,132
Cash and cash equivalents at end of year	24	603,123	625,264

The notes on pages 70 to 135 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and an available-for-sale financial asset, which are carried at fair value.

The preparation of consolidated 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.

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards that have been issued and effective for the Group's financial year beginning on or after 1 March 2017:

HKAS 7 (Amendment)	Disclosure Initiative
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 — 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[2]
HKAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendment)	Transfers of Investment Property[1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[5]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendment)	Clarifications to HKFRS15[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]

(1) Effective for the accounting period beginning on or after 1 March 2018
(2) Effective for the accounting period beginning on or after 1 March 2019
(3) Effective for the accounting period beginning on or after 1 March 2021
(4) Effective date to be determined
(5) Effective for the accounting period beginning on or after 1 March 2018 or when the entity first applies HKFRS 9

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

(i) HKFRS 9 Financial Instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

(i) HKFRS 9 Financial Instruments (Continued)

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets because a fair value through other comprehensive income ("FVOCI") election is available for the equity instrument which is currently classified as available-for-sale and the Group does not have the following financial assets:

— Debt instrument that is classified as available-for-sale financial asset;

— Debt instrument classified as held-to-maturity and measured at amortised cost; and

— Equity investment measured at fair value through profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to its impairment provisions.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

(ii) HKFRS 15 Revenue from Contracts with Customers

This new standard will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements and considered there would be no material changes to the existing revenue recognition policy in this regard. Since HKFRS 15 is mandatory for financial years commencing on or after 1 March 2018, the Group does not intend to adopt the standard before its effective date.

(iii) HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB58,442,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for annual reporting periods beginning on or after 1 March 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

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

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

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

(c) Disposal of subsidiaries

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangement

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

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Investment properties

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

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

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

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

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

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

2.5 Property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised when replaced. All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (Continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, at the following annual rates:

Leasehold land classified as finance lease	Over the lease period
Buildings	3–4% or over the lease period, whichever is shorter
Leasehold improvements	5–20% or over the lease period, whichever is shorter
Plant and machinery	10%
Furniture and fixtures	20%–33.3%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2.6 Land use rights

Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 to 70 years from the date the respective right was granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the leases.

2.7 Impairment of non-financial assets

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "pledged bank deposit" and "cash and bank balances" in the consolidated balance sheet.

(b) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories are also included in the available-for-sale category. The financial assets are presented as non-current assets unless the investments mature or management intends to dispose of the investment within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists.

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

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

(ii) Assets classified as available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of financial assets (Continued)

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

If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Trade and other payables

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

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

2.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable consolidated income statement. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint arrangement, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Current and deferred income tax (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

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

Borrowing costs are recognised in the profit or loss in the period in which there are incurred.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

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

(c) Dividend income is recognised when the right to receive payment is established.

(d) Operating lease rental income is recognised on a straight-line basis over the lease period.

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

2.19 Employee benefits

(a) Employee benefit entitlements

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

(b) Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(c) Pension obligations

The Group contributes to a mandatory provident fund scheme which is a defined contribution retirement scheme and available to all Hong Kong employees. Both the Company and the staff are required to contribute 5% of the employees' relevant income. Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments

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

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

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

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

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

(b) *Share-based payment transactions among group entities*

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

(c) *Social security contributions on share options gains*

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

2.21 Operating leases

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

2.22 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

(c) *Group companies*

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Foreign currency translation (Continued)

(c) Group companies (Continued)

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

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

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders, or directors, where appropriate.

2.25 Government grants

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

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China with most of the transactions settled in HK$, RMB and United States dollars ("US$"). The Group is exposed to foreign exchange risk arising mainly from the exposure of HK$ and US$ against RMB as the majority of the Group's financial assets and liabilities including deposits in banks, trade receivables and trade payables are denominated in HK$, RMB and US$.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and it has not hedged its foreign exchange rate risk.

At 28 February 2018 and 2017, if HK$ had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately RMB2,515,000 (2017: RMB8,884,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ denominated deposits in banks, trade receivable and trade payables.

At 28 February 2018 and 2017, if US$ had strengthened/weakened by 3% against the RMB with all other variables held constant, profit for the year would have been approximately RMB4,044,000 (2017: RMB132,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated deposits in banks and trade payables.

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

(ii) Interest rate risk

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

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

Sales to retail customers are made in cash or via major credit cards. The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days from the invoice date while credit sales are generally on credit terms within 90 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

At 28 February 2018 and 2017, substantially all the deposits with banks are held in international financial institutions located in Hong Kong and Mainland China, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any losses arising from non-performance by these counterparties.

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash, which is mainly generated from the operating cash flow, and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	As at 28 February 2018 RMB'000	As at 28 February 2017 RMB'000
Less than 1 year		
Trade and other payables	**103,313**	124,122
Amount due to a joint venture	**—**	33,000
	103,313	157,122

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, obtain new bank borrowings, return capital to shareholders or issue new shares.

3.3 Fair value estimation

Financial instruments that are measured in the consolidated balance sheet at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) *Financial instrument level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

(b) *Financial instrument level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) *Financial instrument level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

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

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

The impairment loss for property, plant and equipment is recognised as the amount by which the carrying amount exceeds its recoverable amount in accordance with the accounting policy stated in Note 2.5. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, which are based on the best information available to reflect the amount obtainable at each balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs to disposal.

(b) Taxes

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

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

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Net realisable value of inventories

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

(d) Estimate of fair values of investment properties

The Group has investment properties in Macau and Mainland China. In accordance with HKAS 40 "Investment property", all investment properties are carried at fair value. The fair value is based on active market prices which in turn depend on the property market conditions and the economic environment in the area in which such properties are located. As the movements in the fair value of investment properties are recognised in the consolidated income statement, the Group's results are exposed to the risk of fluctuation of such fair values.

5 REVENUE AND SEGMENT INFORMATION

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

The executive directors review the Group's financial information mainly from a retail and non-retail perspective. For the retail business, the executive directors further assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau). 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 (excluding government incentives), other gains/(losses), net, finance income, net, share of profit of a joint venture and unallocated expenses.

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

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

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

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(ii) The segment information provided to the executive directors for the reportable segments for the year ended 28 February 2017 is as follows:

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

For the years ended 28 February 2018 and 2017, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and CNE.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	994,979	321,049	140	1,316,168
Interest in a joint venture				–
Interest in and amount due from an available-for-sale financial asset				–
Deferred income tax assets				53,538
Unallocated assets				35,466
Total assets per consolidated balance sheet				1,405,172
Segment liabilities	116,962	9,364	11	126,337
Amount due to a joint venture				–
Current income tax liabilities				5,132
Deferred income tax liabilities				30,086
Unallocated liabilities				836
Total liabilities per consolidated balance sheet				162,391

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(iv) An analysis of the Group's assets and liabilities as at 28 February 2017 by reportable segment is set out below:

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

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

Revenue	**2018 RMB'000**	2017 RMB'000
Mainland China	**1,068,724**	1,291,663
Hong Kong	**56,512**	64,615
Macau	**5,324**	9,267
Total	**1,130,560**	1,365,545

For the years ended 28 February 2018 and 2017, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Non-current assets		
Mainland China	167,096	207,734
Hong Kong	14,870	15,007
Macau	68,156	78,203
Total	250,122	300,944

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

	2018 RMB'000	2017 RMB'000
Other income		
Gross rental income from investment properties	164	4,212
Government incentives	18,997	32,651
Dividend income from an available-for-sale financial asset	6,797	—
	25,958	36,863
Other gains/(losses), net		
Fair value losses on investment properties	(7,455)	(2,736)
Net exchange gains/(losses) (Note)	7,833	(8,253)
Write back of impairment on amount due from an available-for-sale financial asset (Note 20)	7,500	—
Gain on disposal of interest in an available-for-sale financial asset (Note 34)	33,131	—
Gain on disposal of equity investment	1,673	—
	42,682	(10,989)

Note: 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.

Notes to the Consolidated Financial Statements

7 EXPENSES BY NATURE

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

	2018 RMB'000	2017 RMB'000
Auditors' remuneration		
— Audit services	**1,713**	1,741
— Non-audit services	**707**	720
Amortisation of land use rights (Note 17)	**809**	487
Depreciation of property, plant and equipment (Note 16)	**34,522**	42,888
Loss on disposal of property, plant and equipment	**3,073**	2,746
Cost of sales	**387,065**	457,536
Operating lease rentals in respect of land and buildings		
— minimum lease payments	**65,123**	85,952
— contingent rents	**1,929**	1,497
Freight charges	**8,373**	8,874
Postage and express charges	**4,335**	5,686
Advertising and promotional expenses	**40,235**	34,216
Concessionaire fees	**223,395**	255,190
Direct operating expenses arising from investment properties that generated rental income (Note 15a)	**28**	432
Employee benefit expenses (including directors' emoluments) (Note 9)	**332,901**	369,275
Impairment losses/(write back of impairment) on inventories	**8,933**	(5,446)
Write back of impairment of trade receivables (Note 23)	**—**	(918)

8 FINANCE INCOME, NET

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**7,039**	4,006
Interest income on structured bank deposits	**1,229**	—
Interest expense on short-term bank loan	**(29)**	—
	8,239	4,006

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 RMB'000	2017 RMB'000
Wages and salaries	**279,088**	306,702
Staff welfare and other benefits	**15,626**	18,816
Pension costs — defined contribution plans (Note)	**38,187**	42,833
Share-based payment expenses	**—**	924
	332,901	369,275

Note:

Employees of the Group's subsidiaries in Hong Kong participated in a mandatory provident fund scheme ("MPF Scheme") which is a defined contribution scheme. The assets of the MPF scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in Mainland China contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated on certain percentages of the average employee salaries as agreed by the municipal governments. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Retirement benefit scheme costs amounting to RMB38,187,000 (2017: RMB42,833,000) were paid by the Group during the year. Forfeited contributions totaling RMB1,158,000 (2017: RMB239,000) were refunded and credited in the employee benefit expenses during the year.

Notes to the Consolidated Financial Statements

10 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the emoluments paid or receivable in respect of the services provided as a director and the chief executive, whether of the company or its subsidiaries undertaking for the year are as follows:

	2018				
Name	Fees RMB'000	Salary, bonus, other allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Share option benefits (Note) RMB'000	Total RMB'000
Executive director and chief executive					
Mr. Cheng Wang, Gary	–	1,927	15	–	1,942
Executive directors					
Ms. Chui Kwan Ho, Jacky	–	2,519	15	–	2,534
Ms. Chu Tsui Lan *(resigned on 1 August 2017)*	–	4,888	7	–	4,895
Non-executive directors					
Mr. James Ngai	206	–	–	–	206
Mr. Lee Tze Bun, Marces ("Mr. Lee")	–	–	–	–	–
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	206	–	–	–	206
Mr. Leung Wai Ki, George	206	–	–	–	206
Mr. Hui Chi Kwan	206	–	–	–	206
	824	9,334	37	–	10,195

Notes to the Consolidated Financial Statements

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	2017				
Name	Fees RMB'000	Salary, bonus, other allowances and benefits in kind RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Share option benefits (Note) RMB'000	Total RMB'000
Executive directors and chief executives					
Mr. Cheng Wang, Gary *(appointed on 1 September 2016)*	—	840	8	—	848
Ms. Lau Shun Wai *(resigned on 31 August 2016)*	—	1,262	8	319	1,589
Executive directors					
Ms. Chui Kwan Ho, Jacky *(appointed on 8 April 2016)*	—	2,265	14	—	2,279
Ms. Chu Tsui Lan	—	2,267	16	199	2,482
Ms. Wong Sau Han *(resigned on 1 February 2017)*	—	1,727	14	173	1,914
Non-executive directors					
Mr. James Ngai	207	—	—	—	207
Mr. Lee	—	—	—	—	—
Independent non-executive directors					
Mr. Lam Siu Lun, Simon	207	—	—	—	207
Mr. Leung Wai Ki, George	207	—	—	—	207
Mr. Hui Chi Kwan	207	—	—	—	207
	828	8,361	60	691	9,940

Note:

Share option benefits are non-cash compensation which were determined based on the fair value of share options granted to the relevant directors at the date of grant and recognised over the vesting period (Note 28).

(b) Directors' retirement benefits

During the year ended 28 February 2018, no retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2017: Nil).

Notes to the Consolidated Financial Statements

10 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(c) Directors' termination benefits

During the year ended 28 February 2018, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: Nil).

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

During the year ended 28 February 2018, no consideration was provided to or receivable by third parties for making available Directors' services (2017: Nil).

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

During the year ended 28 February 2018, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporates and connected entities (2017: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: Nil).

11 SENIOR MANAGEMENT'S EMOLUMENTS

(a) Five highest paid individuals

The directors' emoluments presented above include the emoluments of 3 (2017: 4) highest paid individuals in the Group. The emoluments of the remaining 2 (2017: 1) highest paid individual during the year ended 28 February 2018 were:

	2018 RMB'000	2017 RMB'000
Salaries, bonus, other allowances and benefits in kind	3,185	1,278
Employer's contributions to retirement benefits scheme	45	16
Share option benefits	—	18
	3,230	1,312

Emolument band	Number of individuals 2018	 2017
RMB1,000,001–RMB1,500,000	—	1
RMB1,500,001–RMB2,000,000	2	—

Notes to the Consolidated Financial Statements

11 SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) No emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors or the five highest paid individuals has waived or agreed to waive any emoluments during the year.

(c) Senior management's emoluments by band

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

Emolument bands	**Number of individuals**	
	2018	2017
RMB0–RMB500,000	**2**	3
RMB500,001–RMB1,000,000	**2**	4
RMB1,000,001–RMB1,500,000	**—**	1
RMB1,500,001–RMB2,000,000	**1**	—

12 INCOME TAX EXPENSE

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

	2018 RMB'000	2017 RMB'000
Current income tax		
— Hong Kong profits tax	**—**	—
— People's Republic of China ("PRC") corporate income tax	**36,173**	47,508
Deferred income taxation (Note 21)	**(2,573)**	4,605
	33,600	52,113

The applicable rate of Hong Kong profits tax is 16.5% (2017: 16.5%). No provision for Hong Kong profits tax has been made in the financial statement as the Group does not have any assessable profit arising in Hong Kong during each of the two years ended 28 February 2018 and 2017.

The applicable rate of Macau complementary tax is 12% (2017: 12%). No provision for Macau complementary tax has been made in the financial statement as the Group does not have any assessable profit arising in Macau during each of the two years ended 28 February 2018 and 2017.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2017: 25%).

Notes to the Consolidated Financial Statements

12 INCOME TAX EXPENSE (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
Profit before income tax and before share of profit of a joint venture	**93,769**	128,094
Tax calculated at domestic tax rates applicable to profits in the respective geographical areas	**27,630**	37,301
Income not subject to tax	**(7,155)**	(1,286)
Expenses not deductible for tax purposes	**3,136**	6,652
Tax losses for which no deferred income tax asset was recognised	**4,187**	3,742
Utilisation of previously unrecognised tax losses	**(327)**	(443)
Derecognition of previously recognised tax losses	**–**	2,580
Withholding tax	**6,129**	3,567
Income tax expense	**33,600**	52,113

There was no tax charge relating to components of other comprehensive income for the year ended 28 February 2018 (2017: Nil).

13 EARNINGS PER SHARE

Basic

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

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**59,676**	74,977
Weighted average number of ordinary shares in issue ('000)	**705,895**	705,895
Basic earnings per share (RMB cents)	**8.45**	10.62

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 2018 and 2017, the Company had share options outstanding which were anti-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.

Notes to the Consolidated Financial Statements

13 EARNINGS PER SHARE (CONTINUED)

Diluted (Continued)

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.

	2018	2017
Profit attributable to owners of the Company (RMB'000)	**59,676**	74,977
Weighted average number of ordinary shares in issue ('000)	**705,895**	705,895
Adjustments for share options ('000)	**—**	—
Weighted average number of ordinary shares for diluted earnings per share ('000)	**705,895**	705,895
Diluted earnings per share (RMB cents)	**8.45**	10.62

14 DIVIDENDS

	2018 RMB'000	2017 RMB'000
Interim, paid, of HK3.3 cents (2017: HK4.3 cents) per ordinary share	**20,380**	25,675
Interim special, paid, of HK1.7 cents (2017: HK1.4 cents) per ordinary share	**10,499**	8,359
Final, proposed, of HK3.6 cents (2017: HK4.3 cents) per ordinary share	**21,464**	26,428
Final special, proposed, of HK4.4 cents (2017: HK5.7 cents) per ordinary share	**26,234**	35,032
	78,577	95,494

At a meeting held on 28 May 2018, the directors proposed a final dividend of HK3.6 cents per ordinary share and a final special dividend of HK4.4 cents per ordinary share totaling approximately RMB47,698,000. These proposed dividends are not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of contribution surplus of the Company for the year ending 28 February 2019.

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
At beginning of year	**142,404**	141,505
Fair value losses recognised in the consolidated income statement (Note 6)	**(7,455)**	(2,736)
Exchange differences	**(6,355)**	3,635
At end of year	**128,594**	142,404

Investment properties are stated at the professional valuation made on an open market value basis at 28 February 2018 and 2017 by an independent professional valuer, Ascent Partners Valuation Service Limited. The revaluation losses are included in "other gains/(losses), net" in the consolidated income statement.

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

	2018 RMB'000	2017 RMB'000
Rental income (Note 6)	**164**	4,212
Direct operating expenses from investment properties that generated rental income (Note 7)	**(28)**	(432)
	136	3,780

As at 28 February 2018, the Group had no unprovided contractual obligations for future repairs and maintenance (2017: Nil).

The Group's investment properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties (Note 21).

(b) Valuation basis

The Group obtains independent valuations for its investment properties at least annually. In the current year, the valuations are performed by Ascent Partners Valuation Service Limited, an independent professional qualified valuers. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available the directors consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows; or

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Fair value hierarchy

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

	Fair value measurements at 28 February 2017 using		
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurements			
Investment properties:			
PRC	–	–	64,630
Macau	–	–	77,774
	–	–	142,404

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

There were no transfers among levels 1, 2 and 3 during the years ended 28 February 2018 and 2017.

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Fair value measurements using significant unobservable inputs (level 3)

	PRC RMB'000	Macau RMB'000	Total RMB'000
At 1 March 2016	64,350	77,155	141,505
Gains/(losses) from fair value adjustment	280	(3,016)	(2,736)
Exchange differences	—	3,635	3,635
At 28 February 2017	64,630	77,774	142,404
At 1 March 2017	**64,630**	**77,774**	**142,404**
Losses from fair value adjustment	**(4,030)**	**(3,425)**	**(7,455)**
Exchange differences	**—**	**(6,355)**	**(6,355)**
At 28 February 2018	**60,600**	**67,994**	**128,594**
Total losses for the year included in the consolidated income statement for assets held at the end of the year, under "other gains/(losses), net"	**(4,030)**	**(3,425)**	**(7,455)**
Change in unrealised losses for the year included in the consolidated income statement for assets held at the end of the year	**(4,030)**	**(3,425)**	**(7,455)**

Valuation processes of the Group

The Group's investment properties were valued at 28 February 2018 and 2017 by independent professional qualified valuers, Ascent Partners Valuation Service Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Hold discussions with the independent valuer.

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Valuation techniques

Fair value measurements using significant unobservable inputs (level 3)

For certain investment properties located in PRC and Macau, the valuations were determined by using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

For other investment properties in PRC, the valuations were based on income capitalization approach (term and reversionary method) which largely used unobservable inputs (e.g. market rent, yield, etc) and taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties.

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

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES (CONTINUED)

(b) Valuation basis (Continued)

Valuation techniques (Continued)

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

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

There were no changes to the valuation techniques during the year ended 28 February 2018 (2017: No changes).

Notes to the Consolidated Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 March 2016						
Cost	84,354	169,802	109,173	23,883	4,821	392,033
Accumulated depreciation	(43,017)	(138,956)	(81,089)	(16,754)	(3,845)	(283,661)
Net book amount	41,337	30,846	28,084	7,129	976	108,372
Year ended 28 February 2017						
Opening net book amount	41,337	30,846	28,084	7,129	976	108,372
Exchange differences	(161)	280	3,212	105	9	3,445
Additions	—	25,374	368	8,757	650	35,149
Disposals	—	(2,002)	(322)	(354)	(68)	(2,746)
Depreciation	(1,932)	(26,332)	(9,839)	(4,376)	(409)	(42,888)
Closing net book amount	39,244	28,166	21,503	11,261	1,158	101,332
At 28 February 2017						
Cost	81,775	175,225	107,899	27,785	4,207	396,891
Accumulated depreciation	(42,531)	(147,059)	(86,396)	(16,524)	(3,049)	(295,559)
Net book amount	39,244	28,166	21,503	11,261	1,158	101,332
Year ended 28 February 2018						
Opening net book amount	**39,244**	**28,166**	**21,503**	**11,261**	**1,158**	**101,332**
Exchange differences	**(413)**	**(304)**	**—**	**(35)**	**(27)**	**(779)**
Additions	**—**	**24,969**	**1,370**	**2,427**	**667**	**29,433**
Acquisition of assets (Note 33)	**2,000**	**—**	**—**	**—**	**—**	**2,000**
Disposals	**—**	**(1,552)**	**(1,120)**	**—**	**(401)**	**(3,073)**
Depreciation	**(1,947)**	**(24,016)**	**(3,040)**	**(5,142)**	**(377)**	**(34,522)**
Closing net book amount	**38,884**	**27,263**	**18,713**	**8,511**	**1,020**	**94,391**
At 28 February 2018						
Cost	**81,915**	**187,187**	**105,643**	**26,967**	**4,120**	**405,832**
Accumulated depreciation	**(43,031)**	**(159,924)**	**(86,930)**	**(18,456)**	**(3,100)**	**(311,441)**
Net book amount	**38,884**	**27,263**	**18,713**	**8,511**	**1,020**	**94,391**

Notes to the Consolidated Financial Statements

17 LAND USE RIGHTS

	2018 RMB'000	2017 RMB'000
At beginning of year	14,947	14,880
Acquisition of assets (Note 33)	8,800	–
Amortisation	(809)	(487)
Exchange differences	(1,699)	554
At end of year	21,239	14,947

18 PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 28 February 2018 which, in the opinion of the directors, principally affect the results or form a substantial portion of the net assets of the Group:

Name of subsidiary	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group	Ownership interest held by non-controlling interest
Blooming On Limited	Hong Kong, limited liability company	HK$2	Property holding/ PRC	100% (2017: 100%)	– (2017: –)
Brightly Investment Limited	Hong Kong, limited liability company	HK$2	Property holding/ PRC	100% (2017: 100%)	– (2017: –)
Grandmark Holdings Limited	Hong Kong, limited liability company	HK$1	Investment holding/ Hong Kong	100% (2017: 100%)	– (2017: –)
Great Sino Enterprises Limited	Hong Kong, limited liability company	HK$10,000	Provision of management services and investment holding/Hong Kong	100% (2017: 100%)	– (2017: –)
Le Saunda (B.V.I.) Limited (Note (a))	British Virgin Islands, limited liability company	31,500 ordinary shares of US$1 each	Investment holding/ Hong Kong	100% (2017: 100%)	– (2017: –)
Le Saunda Calcado, Limitada	Macau, limited liability company	MOP200,000	Retailing of shoes/ Macau	100% (2017: 100%)	– (2017: –)
Le Saunda China Investment Limited	Hong Kong, limited liability company	HK$100	Investment Holding/ Hong Kong	100% (2017: 100%)	– (2017: –)

Notes to the Consolidated Financial Statements

18 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group	Ownership interest held by non-controlling interest
Le Saunda Licensing Limited*	Bahamas, limited liability company	US$5,000	Holding and licensing of trade-marks and names/Hong Kong	100% (2017: 100%)	— (2017: —)
Le Saunda Management Limited	Hong Kong, limited liability company	HK$2	Provision of management services/Hong Kong	100% (2017: 100%)	— (2017: —)
Le Saunda Real Estate Limited	Hong Kong, limited liability company	HK$2	Investment holding/ Hong Kong	100% (2017: 100%)	— (2017: —)
L. S. Retailing Limited	Hong Kong, limited liability company	HK$2,000 ordinary shares and HK$20,000,000 non-voting deferred shares	Retailing of shoes/ Hong Kong	100% (2017: 100%)	— (2017: —)
Maior Limited	Hong Kong, limited liability company	HK$2,000,000	Trading of shoes and investment holding/Hong Kong	100% (2017: 100%)	— (2017: —)
Master Benefit Limited	Hong Kong, limited liability company	HK$3,000,000	Investment holding/ Hong Kong	100% (2017: 100%)	— (2017: —)
Super Billion Properties Limited (Note 33)	Hong Kong, limited liability company	HK$100	Property holding/ PRC	100% (2017: N/A)	— (2017: N/A)
Trend Door Company Limited	Hong Kong, limited liability company	HK$2	Investment holding/ Hong Kong	100% (2017: 100%)	— (2017: —)
Trend Light Trading Company Limited	Hong Kong, limited liability company	HK$2	Investment holding/ Hong Kong	100% (2017: 100%)	— (2017: —)
昶信貿易（天津）有限公司	PRC, limited liability company	US$100,000	Wholesales and trading of shoes/ PRC	100% (2017: 100%)	— (2017: —)

Notes to the Consolidated Financial Statements

18 PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and kind of legal entity	Particular of issued share capital and debt securities	Principal activities/ place of operation	Ownership interest held by the Group	Ownership interest held by non-controlling interest
利信達商業（中國）有限公司	PRC, limited liability company	RMB53,000,000	Retailing of shoes/ PRC	100% (2017: 100%)	— (2017: —)
利信達貿易（深圳）有限公司	PRC, limited liability company	HK$10,000,000	Retailing of shoes/ PRC	100% (2017: 100%)	— (2017: —)
億才商業（上海）有限公司	PRC, limited liability company	US$6,500,000	Retailing of shoes/ PRC	100% (2017: 100%)	— (2017: —)
灝信達商業（北京）有限公司	PRC, limited liability company	US$2,200,000	Retailing of shoes/ PRC	100% (2017: 100%)	— (2017: —)
昶盈貿易（天津）有限公司	PRC, limited liability company	US$800,000	Retailing of shoes/ PRC	100% (2017: 100%)	— (2017: —)
信蝶商業（杭州）有限公司	PRC, limited liability company	RMB27,000,000	Retailing of shoes/ PRC	66.67% (2017: 66.67%)	33.33% (2017: 33.33%)
佛山市順德區利信達鞋業有限公司	PRC, limited liability company	US$3,800,000	Manufacturing and trading of shoes/ PRC	100% (2017: 100%)	— (2017: —)
佛山市順德區盈達鞋業有限公司	PRC, limited liability company	US$1,050,000	Manufacturing and trading of shoes/ PRC	100% (2017: 100%)	— (2017: —)
佛山市順德區盈毅鞋業有限公司	PRC, limited liability company	US$1,500,000	Manufacturing and trading of shoes/ PRC	100% (2017: 100%)	— (2017: —)
佛山市高明區盈信達鞋業有限公司	PRC, limited liability company	RMB55,000,000	Property holding/ PRC	100% (2017: 100%)	— (2017: —)
佛山市順德區雙強房地產開發有限公司 (Note 34)	PRC, limited liability company	US$200,000	Inactive/PRC	100% (2017: 50% as a joint venture) (Note 19)	— (2017: 50% as a joint venture)

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

* For identification purpose only

Notes to the Consolidated Financial Statements

19 INVESTMENT IN AND AMOUNT DUE TO A JOINT VENTURE

(a) Investment in a joint venture

	2018 RMB'000	2017 RMB'000
Registered capital at cost, unlisted	–	689
Share of undistributed post-acquisition reserves	–	34,467
Share of net assets	–	35,156
At beginning of the year	35,156	34,733
Share of profit of a joint venture	74	423
Dividends received	(18,004)	–
Disposal of investment in a joint venture on acquisition of control (Note 34)	(17,226)	–
At end of year	–	35,156

Details of the joint venture as at 28 February 2017 was follows:

Name	Place of establishment/ operation	Principal activities	Group's equity interest
佛山市順德區雙強房地產開發有限公司 ("SSQ")	PRC	Inactive	50%

The joint venture was held indirectly by the Company as at 28 February 2017.

By virtue of a joint venture agreement dated 23 February 1994, the Company's subsidiary, Le Saunda Real Estate Limited ("LSRE"), and Shunde Hongye Real Estate Company ("SHREC"), a company established in the PRC, agreed to form a limited liability company known as SSQ in accordance with the rules and regulations of the PRC. The joint venture period is 20 years from the date of issue of business licence, i.e. 21 April 1994. A supplementary agreement was signed by LSRE and SHREC on 15 November 2013 to extend the joint venture to 20 April 2019.

The joint venture agreement was revised on 13 November 2007 and 1 December 2010, whereby the total registered share capital of SSQ was reduced to US$200,000 (approximately RMB1,380,000). The applications of capital reduction were approved on 3 March 2008 and 15 March 2011, respectively.

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

Notes to the Consolidated Financial Statements

19 INVESTMENT IN AND AMOUNT DUE TO A JOINT VENTURE (CONTINUED)

(a) Investment in a joint venture (Continued)

A summary of the operating results and financial position of SSQ for the year ended 28 February 2017 was as follows:

Summarised balance sheet

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

Summarised statement of comprehensive income

	2017 RMB'000
Revenue	—
Profit before income tax	1,003
Income tax expense	(157)
Post-tax profit from continuing operations	846
Other comprehensive loss	—
Total comprehensive income	846

As at 28 February 2017, there were no commitments and contingent liabilities relating to the Group's interest in the joint venture.

(b) Amount due to a joint venture

As at 28 February 2017, the amount due to a joint venture was unsecured, non-interest bearing and repayable on demand.

The carrying amount approximated its fair value and was denominated in RMB.

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

	2018 RMB'000	2017 RMB'000
Unlisted shares, at fair value (Note (a))		
— Investment cost	–	2,500
— Provision for impairment	–	(2,500)
	–	–
At beginning of year	–	–
Reversal of impairment of interest in an available-for-sale financial asset	**2,500**	–
Disposal of interest in an available-for-sale financial asset (Note 34)	**(2,500)**	–
At end of year	–	–
Amount due from an available-for-sale financial asset (Note (b))	–	7,500
Less: Provision for impairment	–	(7,500)
	–	–
At beginning of year	–	–
Write back on impairment on amount due from an available-for-sale financial asset (Note 6)	**7,500**	–
Disposal of interest in an available-for-sale financial asset (Note 34)	**(7,500)**	–
At end of year	–	–

Notes to the Consolidated Financial Statements

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

(a) Details of the available-for-sale financial asset as at 28 February 2017 were 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 ("FCCG")	PRC	Property development	25%

As at 28 February 2017, the Group's directors did not regard FCCG as an associate of the Group on the grounds that the Group had no participation in decision making of its financial and operating policies. Accordingly, the Group did not have any significant influence over FCCG.

(b) As at 28 February 2017, the amount due from the available-for-sale financial asset was unsecured, interest-free, not repayable within twelve months and was denominated in RMB.

21 DEFERRED INCOME TAXATION

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

	2018 RMB'000	2017 RMB'000
Deferred income tax assets	53,538	55,283
Deferred income tax liabilities	(30,086)	(34,394)
	23,452	20,889

Deferred income taxation is calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

	2018 RMB'000	2017 RMB'000
At beginning of year	20,889	25,438
Credited/(charged) to consolidated income statement (Note 12)	2,573	(4,605)
Exchange realignment	(10)	56
At end of year	23,452	20,889

Notes to the Consolidated Financial Statements

21 DEFERRED INCOME TAXATION (CONTINUED)

The movement on deferred income tax assets and liabilities are as follows:

	Unrealised profits on inventories		Tax losses		Revaluation of investment properties		Withholding tax on dividend for undistributed profits (Note a)		Other provision		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
At beginning of year	46,347	53,704	7,491	12,759	(12,979)	(12,810)	(21,415)	(31,565)	1,445	3,350	20,889	25,438
(Charged)/credited to consolidated income statement	1,297	(7,635)	(1,946)	(5,539)	1,303	435	1,985	10,150	(66)	(2,016)	2,573	(4,605)
Exchange realignment	(517)	278	(395)	271	1,020	(604)	–	–	(118)	111	(10)	56
At end of year	47,127	46,347	5,150	7,491	(10,656)	(12,979)	(19,430)	(21,415)	1,261	1,445	23,452	20,889

(a) Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, withholding income tax of 10% shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. All dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding income tax. As at 28 February 2018, the Group did not accrue withholding income tax for a portion of the earnings of RMB300,650,000 (2017: RMB300,650,000) of its PRC subsidiaries because the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at 28 February 2018, the Group had unrecognised tax losses of approximately RMB88,700,000 (2017: RMB67,669,000) to be carried forward against future taxable income.

The expiry of unrecognised tax losses are as follows:

	2018 RMB'000	2017 RMB'000
Tax losses without expiry date	83,689	66,419
Tax losses expiring in 5 years	5,011	1,250
	88,700	67,669

Notes to the Consolidated Financial Statements

22 INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	22,252	24,750
Work in progress	14,740	18,028
Finished goods	315,155	350,887
	352,147	393,665
Less: Provision for impairment of inventories	(20,792)	(13,482)
	331,355	380,183

23 TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	113,739	112,125
Provision for impairment	(980)	(980)
	112,759	111,145
Other receivables	3,946	9,671
	116,705	120,816

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

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

	2018 RMB'000	2017 RMB'000
Current to 30 days	100,491	100,215
31 to 60 days	4,947	6,252
61 to 90 days	2,849	2,028
Over 90 days	4,472	2,650
	112,759	111,145

Notes to the Consolidated Financial Statements

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
RMB	112,648	110,942
HK$	108	183
Other currency	3	20
	112,759	111,145

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

As at 28 February 2018, trade receivables of RMB4,720,000 (2017: RMB2,374,000) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	2018 RMB'000	2017 RMB'000
61 to 90 days	1,998	964
Over 90 days	2,722	1,410
	4,720	2,374

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

	2018 RMB'000	2017 RMB'000
At beginning of year	980	1,898
Written back of impairment (Note 7)	—	(918)
At end of year	980	980

The impairment loss recognised on trade receivables is mainly for customers who have financial difficulties. At 28 February 2018, trade receivables of RMB980,000 (2017: RMB980,000) were individually determined to be impaired. The individually impaired trade receivables relate to receivables which are expected not to be recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Notes to the Consolidated Financial Statements

24 CASH AND BANK BALANCES AND PLEDGED BANK DEPOSIT

	2018 RMB'000	2017 RMB'000
Cash at bank and on hand	309,102	376,572
Short-term bank deposits (Note (a))	294,021	268,692
Cash and bank balances	603,123	645,264
Pledged bank deposit	624	1,313
	603,747	646,577
Less: Term deposits with initial term over three months (Note (a))	–	(20,000)
Pledged bank deposit (Note (b))	(624)	(1,313)
Cash and cash equivalents	603,123	625,264

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

	2018 RMB'000	2017 RMB'000
RMB	328,398	340,394
HK$	103,531	296,140
US$	167,971	6,933
Other currencies	3,847	3,110
	603,747	646,577

Note:

(a) The effective interest rate on short-term bank deposits and term deposits was 1.92% (2017: 1.14%) per annum; these deposits have a maturity ranging from 7 to 90 days (2017: 7 to 365 days).

(b) Bank deposit of RMB624,000 (2017: RMB1,313,000) has been pledged as rental deposit for a subsidiary of the Company.

The effective interest rate on pledged bank deposit was 1.33% per annum (2017: 0.95%).

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

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

Notes to the Consolidated Financial Statements

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

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

	2018 RMB'000	2017 RMB'000
Cash flow from operating activities		
Profit before income tax	93,843	128,517
Adjustments for:		
Exchange difference	(7,833)	8,300
Share of profit of a joint venture	(74)	(423)
Dividend income from interest in an available-for-sale financial asset	(6,797)	–
Fair value losses on investment properties	7,455	2,736
Write back of impairment on amount due from an available-for-sale financial asset	(7,500)	–
Gain on disposal of interest in an available-for-sale financial asset	(33,131)	–
Gain on disposal of equity investment	(1,673)	–
Depreciation of property, plant and equipment	34,522	42,888
Loss on disposal of property, plant and equipment	3,073	2,746
Amortisation of land use rights	809	487
Write back of impairment of trade receivables	–	(918)
Impairment losses/(write back of impairment) on inventories	8,933	(5,446)
Finance income, net	(8,239)	(4,006)
Share-based payment	–	924
	83,388	175,805
Changes in working capital:		
– Inventories	35,368	67,081
– Trade and other receivables	4,111	42,796
– Deposits and prepayments	(16,403)	12,720
– Trade and other payables	(31,739)	(21,977)
Net cash generated from operations	74,725	276,425

Notes to the Consolidated Financial Statements

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Cash and cash equivalents RMB'000
Net cash as at 1 March 2016	515,132
Cash flows	98,925
Foreign exchange adjustments	11,207
Net cash as at 28 February 2017	625,264
Cash flows	618
Foreign exchange adjustments	(22,759)
Net cash as at 28 February 2018	603,123

26 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	36,429	45,254
Other payables	90,744	102,749
	127,173	148,003

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

	2018 RMB'000	2017 RMB'000
Current to 30 days	15,114	29,238
31 to 60 days	17,933	12,264
61 to 90 days	948	1,882
91 to 120 days	—	163
Over 120 days	2,434	1,707
	36,429	45,254

Notes to the Consolidated Financial Statements

26 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 RMB'000	2017 RMB'000
RMB	34,986	42,735
US$	1,162	2,519
EUR	225	—
HK$	56	—
	36,429	45,254

27 SHARE CAPITAL

	2018 Number of ordinary shares	2018 Share capital HK$'000	2017 Number of ordinary shares	2017 Share capital HK$'000
Ordinary shares of HK$0.10				
Authorised:				
At the beginning of year and at the end of year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
At the beginning of year and at the end of year	705,895,060	59,979	705,895,060	59,979

28 SHARE OPTIONS

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

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

Notes to the Consolidated Financial Statements

28 SHARE OPTIONS (CONTINUED)

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

	2018		2017	
	Average exercise price per share (HK$)	**Number of share options (thousands)**	Average exercise price per share (HK$)	Number of share options (thousands)
At beginning of year	**3.124**	**9,914**	3.223	24,511
Lapsed	**2.185**	**(3,354)**	2.185	(5,797)
Lapsed	**4.300**	**(3,300)**	4.300	(8,800)
At end of year	**2.899**	**3,260**	3.124	9,914

The Group has no legal or constructive obligation to repurchase or settle the options in cash. 14,100,000 share options at an exercise price of HK$4.73 each and 17,440,000 share options at an exercise price of HK$2.404 were granted on 27 June 2011 and 10 July 2012 respectively. For the year ended 28 February 2018, 3,354,000 (2017: 5,797,000) shares at an adjusted exercise price of HK$2.185 and 3,300,000 (2017: 8,800,000) shares at an adjusted exercise price of HK$4.300 were lapsed.

(b) Share options outstanding at the end of the reporting period have the following expiry dates and exercise prices:

	(Adjusted) Exercise price per price (HK$)	**Number of share as at 28 February 2018 (thousands)**	(Adjusted) Exercise price per price (HK$)	Number of share as at 28 February 2017 (thousands)
Expiry date at:				
26 June 2021 (Note (a))	**4.300**	**1,100**	4.300	4,400
9 July 2022 (Note (b))	**2.185**	**2,160**	2.185	5,514

Note:

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

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

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

For the year ended 28 February 2018, no amount was recognised and included in "employee benefit expenses" (2017: HK$1,072,000 (equivalent to RMB924,000)).

29 RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined benefit pension plan in Hong Kong based on employee pensionable remuneration and length of service.

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

	2018 RMB'000	2017 RMB'000
Present value of defined benefit obligations	232	368
Liability in the consolidated balance sheet	232	368

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

	2018 RMB'000	2017 RMB'000
At beginning of year	368	485
Interest cost	5	6
Current service cost	7	11
Payment	(99)	—
Actuarial gains	(24)	(154)
Exchange difference	(25)	20
At end of year	232	368

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

	2018 RMB'000	2017 RMB'000
Interest cost included in staff costs	5	6

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	2.03%	1.81%
Future salary increase rate	4.70%	3.50%

Notes to the Consolidated Financial Statements

30 RESERVES

	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000 (Note (a))	Contributed surplus RMB'000	Retained earnings RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Employee Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000
At 1 March 2017	88,982	145	(14,624)	47,145	265,522	812,574	4,812	11,070	33,060	615	1,249,301
Comprehensive income											
Profit for the year	–	–	–	–	–	59,676	–	–	–	–	59,676
Other comprehensive income											
Currency translation differences	–	–	(45,985)	–	–	–	–	–	–	–	(45,985)
Retirement benefit obligation	–	–	–	–	–	–	–	–	–	24	24
Reversal of impairment of interest in an available-for-sale financial asset	–	–	–	–	–	–	–	–	–	2,500	2,500
Disposal of an available-for-sale financial asset	–	–	–	–	–	–	–	–	–	(2,500)	(2,500)
Transaction with owners											
Share option scheme — share option lapsed	–	–	–	–	–	10,484	–	–	(10,484)	–	–
Dividends	–	–	–	–	–	(90,665)	–	–	–	–	(90,665)
At 28 February 2018	88,982	145	(60,609)	47,145	265,522	792,069	4,812	11,070	22,576	639	1,172,351

Representing:	
2018 proposed dividend	47,698
Others	1,124,653
	1,172,351

Notes to the Consolidated Financial Statements

30 RESERVES (CONTINUED)

	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Statutory reserves RMB'000 (Note (a))	Contributed surplus RMB'000	Retained earnings RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Employee Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000
At 1 March 2016	88,982	145	(42,545)	47,145	326,982	770,931	4,812	11,070	32,836	461	1,240,819
Comprehensive income											
Profit for the year	–	–	–	–	–	74,977	–	–	–	–	74,977
Other comprehensive income											
Currency translation differences	–	–	27,921	–	–	–	–	–	–	–	27,921
Retirement benefit obligation	–	–	–	–	–	–	–	–	–	154	154
Transaction with owners											
Share option scheme											
– value of service provide	–	–	–	–	–	–	–	–	924	–	924
– share option lapsed	–	–	–	–	–	700	–	–	(700)	–	–
Dividends	–	–	–	–	(61,460)	(34,034)	–	–	–	–	(95,494)
At 28 February 2017	88,982	145	(14,624)	47,145	265,522	812,574	4,812	11,070	33,060	615	1,249,301
Representing:											
2017 proposed dividend											61,460
Others											1,187,841
											1,249,301

Note:

(a) Statutory reserves represent enterprise expansion and general reserve funds set up by subsidiaries established and operated in the PRC. As stipulated by regulation in the PRC, the subsidiaries are required to appropriate to statutory reserves an amount of not less than 5% or 10% of the amount of profit after income tax of respective PRC subsidiaries, calculated based on PRC accounting standards. Should the accumulated total of the statutory reserves reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. Pursuant to relevant PRC regulations, the general reserve fund may be used to make up losses or to increase the capital of the corresponding subsidiaries whilst the enterprise expansion fund may be used to expand the corresponding subsidiaries' production operations or to increase the capital of the corresponding subsidiaries.

31 BANKING FACILITIES AND GUARANTEES

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

	2018 Available facilities RMB'000	2018 Facilities utilised RMB'000	2017 Available facilities RMB'000	2017 Facilities utilised RMB'000
Banking facilities granted to subsidiaries of the Group	**162,515**	**4,159**	177,997	4,454

Notes to the Consolidated Financial Statements

32 COMMITMENTS

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for, in respect of		
— purchase of property, plant and equipment	1,553	154

(b) Commitments under operating leases

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

	2018 RMB'000	2017 RMB'000
Land and buildings:		
Not later than one year	36,240	54,701
Later than one year and not later than five years	22,202	31,824
	58,442	86,525

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

(ii) The Group, as lessor, had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	2018 RMB'000	2017 RMB'000
Land and buildings:		
Not later than one year	38	121

33 ACQUISITION OF ASSETS

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

During the year ended 28 February 2017 and prior to the acquisition of Super Billion, the Group rented the Property from Super Billion as office and incurred rental expenses charged by it (Note 35(b)(ii)).

Notes to the Consolidated Financial Statements

33 ACQUISITION OF ASSETS (CONTINUED)

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

	RMB'000
Cash and cash equivalent	12,272
Amount due from the Group	22,998
Other current liabilities	(817)
Fair value of net assets of SSQ	34,453
Less:	
— Interest in a joint venture	(17,226)
— Cash consideration paid	(847)
Gain arising from acquisition of additional interests in a joint venture	**16,380**
Cash consideration received for disposal of interest in an available-for-sale financial asset	24,251
Total consideration	40,631
Less:	
— Amount due from an available-for-sale financial asset	(7,500)
— Interest in an available-for-sale financial asset	(2,500)
Add:	
— Derecognition of available for sale reserve previously recognised	2,500
Gain on disposal of interest in an available-for-sale financial asset	**33,131**
Net cash inflow arising from the transactions:	
Cash and cash equivalent acquired	12,272
Net cash consideration received	23,404
Net cash inflow	35,676

35 RELATED PARTY TRANSACTIONS

(a) Related parties

As at 28 February 2018, Stable Gain Holdings Limited held 31.94% (2017: 31.94%) equity interest in the Company as the single largest shareholder.

Notes to the Consolidated Financial Statements

35 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:

	2018 RMB'000	2017 RMB'000
Rental expenses charged by:		
— a related party (Note (i))	2,548	3,309
— a former related company (Note (ii))	—	794
Assets acquired from a related company (Note (iii))	10,800	—

Note:

(i) During the year ended 28 February 2018 and 2017, the Group rented a shop located in Macau from Mr. Lee, a substantial shareholder and a non-executive director of the Company, as a retail outlet in Macau.

(ii) During the year ended 28 February 2017, the Group rented office premises located in Mainland China from Super Billion, which was controlled by Mr. Lee.

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

(c) Year-end balance with a related party

	2018 RMB'000	2017 RMB'000
Amount due to a joint venture (Note 19(b))	—	33,000

(d) Key management compensation

	2018 RMB'000	2017 RMB'000
Salaries and other short-term employee benefits	10,158	8,361
Employer's contributions to retirement scheme	37	60
Share option benefits	—	691
	10,195	9,112

Notes to the Consolidated Financial Statements

36 BALANCE SHEET AND RESERVE OF THE COMPANY

(a) Balance sheet of the Company

	Note	As at 28 February 2018 RMB'000	As at 28 February 2017 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		438,021	539,485
Current assets			
Other receivables		200	218
Cash and bank balances		4,560	1,975
		4,760	2,193
Total assets		442,781	541,678
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		59,979	59,979
Reserves		381,998	480,917
Total equity		441,977	540,896
LIABILITIES			
Current liabilities			
Accruals		804	782
Total liabilities		804	782
Total equity and liabilities		442,781	541,678

The balance sheet of the Company was approved by the Board of director on 28 May 2018 and was signed on its behalf.

James Ngai
Chairman

Cheng Wang, Gary
Director

Notes to the Consolidated Financial Statements

36 BALANCE SHEET AND RESERVE OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

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

	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Employee share-based compensation reserve RMB'000	Total RMB'000
At 1 March 2016	88,982	145	(30,475)	335,755	6,851	32,836	434,094
Comprehensive income							
Profit for the year	–	–	–	–	141,393	–	141,393
Transactions with owners							
Share option scheme							
– value of service provided	–	–	–	–	–	924	924
– share option lapsed	–	–	–	–	700	(700)	–
Dividends	–	–	–	(61,460)	(34,034)	–	(95,494)
At 28 February 2017	88,982	145	(30,475)	274,295	114,910	33,060	480,917
Representing:							
2017 proposed dividend							61,460
Others							419,457
							480,917

Five-Year Financial Summary

RESULTS OF THE GROUP

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**1,130,560**	1,365,545	1,621,414	1,683,008	1,609,822
Operating profit	**85,530**	124,088	169,492	244,140	282,492
Finance income, net	**8,239**	4,006	8,858	8,546	6,680
Share of profit of a Joint Venture	**74**	423	376	5,761	447
Profit before income tax	**93,843**	128,517	178,726	258,447	289,619
Income tax expense	**(33,600)**	(52,113)	(54,999)	(67,335)	(61,786)
Profit for the years	**60,243**	76,404	123,727	191,112	227,833
Profit attributable to:					
— owners of the Company	**59,676**	74,977	122,073	189,282	226,662
— non-controlling interest	**567**	1,427	1,654	1,830	1,171
	60,243	76,404	123,727	191,112	227,833

Five-Year Financial Summary

ASSETS AND LIABILITIES OF THE GROUP

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Investment properties, property, plant and equipment and land use rights	**244,224**	258,683	264,757	262,051	267,004
Interest in Joint Venture	**—**	35,156	34,733	34,357	28,596
Long-term deposits and prepayments	**5,898**	7,105	8,961	13,575	11,983
Interest in and amount due from an available-for-sale financial assets	**—**	—	—	—	—
Deferred income tax assets	**53,538**	55,283	69,813	56,879	44,812
Net current assets	**969,207**	998,622	978,632	935,651	875,706
	1,272,867	1,354,849	1,356,896	1,302,513	1,228,101
Total equity	**1,242,781**	1,320,455	1,312,521	1,266,741	1,197,808
Deferred income tax liabilities	**30,086**	34,394	44,375	35,772	30,293
	1,272,867	1,354,849	1,356,896	1,302,513	1,228,101

Investment Properties

	Location	Type	Tenure
(a)	Shop Nos.5 & 6, 215–217 Qi Sha Road, Block 1, Hao Jing Hua Yuan, West District, Shi Qi Zhen, Zhongshan, Guangdong Province, People's Republic of China	Shop	Medium lease
(b)	Unit B on G/F, Nos.26, 28, 28A Rua De. S. Domingos, Macau	Shop	Privately owned
(c)	No.87 Gaofu Road, Hecheng Jiedao, Gaoming District, Foshan City, Guangdong Province, People's Republic of China	Land and buildings	Medium lease