le saunda holdings ltd.

利 信 達 集 團 有 限 公 司*

(incorporated in Bermuda with limited liability)

(stock code: 0738)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2011

FINANCIAL HIGHLIGHTS

		Year ended 28 February 2011	2010	change	change in %
Revenue	HK$ million	1,319.9	1,000.0	319.9	32.0
Gross profit	HK$ million	829.8	606.3	223.5	36.9
Profit attributable to equity holders of the Company	HK$ million	168.5	123.0	45.5	37.0
Underlying profit attributable to equity holders of the Company	HK$ million	162.7	106.0	56.7	53.5
Basic earnings per share	HK cents	26.36	19.25	7.11	36.9
Dividends per share	HK cents	13.0	10.0	3.0	30.0
- interim, paid	HK cents	4.3	3.0	1.3	43.3
- final, proposed	HK cents	8.7	7.0	1.7	24.3

The board of Directors of Le Saunda Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 28 February 2011 as follows:

CONSOLIDATED INCOME STATEMENT

		Year ended 28 February	
	Note	**2011**	**2010**
		HK$'000	*HK$'000*
Revenue	3	1,319,927	1,000,018
Cost of sales	5	(490,122)	(393,727)
Gross profit		829,805	606,291
Other income	4	1,807	2,934
Other gains, net	4	2,033	15,415
Selling and distribution costs	5	(471,709)	(344,213)
General and administrative expenses	5	(160,586)	(129,619)
Operating profit		201,350	150,808
Finance income		1,894	975
Share of profit of a jointly controlled entity		8,628	386
Profit before income tax		211,872	152,169
Income tax expense	6	(42,557)	(29,167)
Profit for the year		169,315	123,002
Profit attributable to:			
- equity holders of the Company		168,500	123,002
- non-controlling interest		815	—
		169,315	123,002
Earnings per share attributable to the equity holders of the Company (express in HK cents)			
- Basic	7	26.36	19.25
- Diluted	7	26.36	19.25
Dividends	8	83,108	63,921

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 28 February	
	2011	**2010**
	HK$'000	*HK$'000*
Profit for the year	169,315	123,002
Other comprehensive income for the year, net of tax		
Currency translation differences	35,803	2,944
Total comprehensive income for the year	205,118	125,946
Total comprehensive income for the year, attributable to:		
- equity holders of the Company	203,980	125,946
- non-controlling interest	1,138	—
	205,118	125,946

CONSOLIDATED BALANCE SHEET

	Note	As at 28 February 2011 *HK$'000*	As at 28 February 2010 *HK$'000* *(Restated)*	As at 1 March 2009 *HK$'000* *(Restated)*
ASSETS				
Non-current assets				
Investment properties		47,188	43,964	100,893
Property, plant and equipment		232,127	218,990	203,718
Leasehold land and land use rights		33,834	34,226	35,014
Long-term deposits and prepayments		10,388	9,621	6,534
Interest in a jointly controlled entity		48,592	38,109	37,441
Interest in and amount due from an available-for-sale financial asset		—	4,553	22,381
Deferred tax assets		37,861	24,407	32,286
		409,990	373,870	438,267
Current assets				
Inventories		386,888	244,884	190,670
Trade and other receivables	9	134,694	141,257	107,025
Deposits and prepayments		23,311	19,394	22,340
Cash and bank balances		348,365	285,308	203,510
		893,258	690,843	523,545
Total assets		1,303,248	1,064,713	961,812

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 28 February 2011** *HK$'000*	**2010** *HK$'000* *(Restated)*	**As at 1 March 2009** *HK$'000* *(Restated)*
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital		63,931	63,926	63,906
Reserves				
Proposed final dividend		55,620	44,749	28,758
Others		923,164	802,257	740,082
		1,042,715	910,932	832,746
Non-controlling interest		11,508	—	—
Total equity		1,054,223	910,932	832,746
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		14,201	4,697	6,476
Current liabilities				
Trade payables and accruals	10	169,436	139,165	118,592
Amount due to a jointly controlled entity		47,456	—	1,016
Current income tax liabilities		14,422	9,919	2,982
Bank loans		3,510	—	—
		234,824	149,084	122,590
Total liabilities		249,025	153,781	129,066
Total equity and liabilities		1,303,248	1,064,713	961,812
Net current assets		658,434	541,759	400,955
Total assets less current liabilities		1,068,424	915,629	839,222

Notes:

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 Hong Kong, Macau and Mainland China.

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 Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2 **Basis of preparation**

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following revised or amended standards are mandatory for the first time for the financial year beginning 1 March 2010:

- HKAS 17 (amendment), 'Leases', removes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under ''leasehold land and land use rights'', and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 March 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 March 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as follows:

	28 February 2011	**28 February 2010**	**1 March 2009**
	HK$'000	*HK$'000*	*HK$'000*
Increase in property, plant and equipment	7,591	7,800	8,009
Decrease in leasehold land and land use rights	(7,591)	(7,800)	(8,009)

	Year ended 28 February 2011	**2010**
	HK$'000	*HK$'000*
Increase in depreciation of property, plant and equipment	209	209
Decrease in amortisation of leasehold land and land use rights	(209)	(209)

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net asssets. All acquisition-related costs are expensed.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current year, as the non-controlling interest does not have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interest.

The following new, revised or amended standards and interpretations are also mandatory for the first time for the financial year beginning 1 March 2010 but are either not relevant to the Group or have no significant impact on the Group's consolidated financial statements:

- HKAS 1 (amendment) — Presentation of financial statements[2]
- HKAS 7 (amendment) — Statement of cash flows[2]
- HKAS 32 (amendment) — Classification of rights issues[3]
- HKAS 36 (amendment) — Impairment of assets[2]
- HKAS 38 (amendment) — Intangible assets[2]
- HKAS 39 (amendment) — Financial instruments: Recognition and measurement[1]
- HKFRS 2 (amendment) — Group cash-settled share-based payment transactions[2]
- HKFRS 5 (amendment) — Non-current assets held for sale and discontinued operations[1,2]
- HKFRS 8 (amendment) — Operating segment[2]
- HK(IFRIC)-Int 9 (amendment) — Reassessment of embedded derivatives[1]
- HK(IFRIC)-Int 16 — Hedges of a net investment in a foreign operation[1]
- HK(IFRIC)-Int 17 — Distribution of non-cash assets to owners[1]
- HK(IFRIC)-Int 18 — Transfer of assets from customers[1]

[1] Changes effective for annual periods beginning on or after 1 July 2009

[2] Changes effective for annual periods beginning on or after 1 January 2010

[3] Changes effective for annual periods beginning on or after 1 February 2010

The following new, revised or amended standards and interpretations have been issued but are not effective for the financial year beginning 1 March 2010 and have not been early adopted:

- HKAS 12 (amendment) — Recovery of underlying assets[3]
- HKAS 24 (revised) — Related party transactions[2]
- HKFRS 9 — Financial instruments[4]
- HK(IFRIC)-Int 14 — Prepayments of a minimum funding requirement[2]
- HK(IFRIC)-Int 19 — Extinguishing financial liabilities with equity instruments[1]

- Improvements to HKFRSs 2010 issued in May 2010 by HKICPA[1,2]

[1] Changes effective for annual periods beginning on or after 1 July 2010

[2] Changes effective for annual periods beginning on or after 1 January 2011

[3] Changes effective for annual periods beginning on or after 1 January 2012

[4] Changes effective for annual periods beginning on or after 1 January 2013

3 Revenue and segment information

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

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

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

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

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

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

(i) The segment information provided to the Executive Directors for the reportable segments for the year ended 28 February 2011 is as follows:

	Retail		Export	Total
	HK & Macau	**Mainland China**	*(Note (a))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	158,377	1,046,238	115,312	1,319,927
Reportable segment profit	27,857	160,213	15,573	203,643
Other income				1,807
Other gains, net				2,033
Finance income				1,894
Share of profit of a jointly controlled entity				8,628
Unallocated expenses				(6,133)
Profit before income tax				211,872
Income tax expense				(42,557)
Profit for the year				169,315
Depreciation and amortisation	4,305	36,092	2,834	43,231
Additions to non-current assets (Other than financial instruments and deferred tax assets)	2,752	44,554	1,472	48,778

The segment information provided for the year ended 28 February 2010 is as follows:

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

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

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

An analysis of the Group's assets as at 28 February 2011 by reportable segment is set out below:

	Retail		Export	Total
	HK & Macau	Mainland China		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	127,681	981,467	107,419	1,216,567
Interest in a jointly controlled entity				48,592
Deferred tax assets				37,861
Unallocated assets				228
Total assets per consolidated balance sheet				1,303,248
Segment liabilities	12,472	147,244	13,210	172,926
Amount due to a jointly controlled entity				47,456
Current income tax liabilities				14,422
Deferred tax liabilities				14,201
Unallocated liabilities				20
Total liabilities per consolidated balance sheet				249,025

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

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

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

REVENUE

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	137,853	121,346
Mainland China	1,046,238	738,931
Macau	20,524	14,329
Russia	66,260	33,962
Liechtenstein	28,636	48,463
Italy	2,102	13,097
Other countries (Note (a))	18,314	29,890
Total	1,319,927	1,000,018

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

For the year ended 28 February 2011, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2010: HK$Nil).

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

NON-CURRENT ASSETS

	2011	**2010**
	HK$'000	*HK$'000*
Hong Kong	25,863	27,399
Mainland China	302,862	277,396
Macau	43,404	40,115
Total	372,129	344,910

4 **Other income and other gains, net**

	2011	**2010**
	HK$'000	*HK$'000*
Other income		
Gross rental income from investment properties	1,807	2,934
Other gains, net		
Gains on disposal of investment properties	—	5,632
Loss on disposal of a subsidiary	(18)	—
Fair value gains on investment properties	3,224	4,671
Net exchange (loss)/gain *(Note (a))*	(1,173)	5,112
	2,033	15,415
	3,840	18,349

(a) Net exchange (loss)/gain 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.

5 **Expenses by nature**

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

	2011	**2010**
	HK$'000	*HK$'000*
		(Restated)
Auditors' remuneration	1,870	1,536
Amortisation of leasehold land and land use rights	894	889
Depreciation of property, plant and equipment	42,337	29,057
Loss on disposal of property, plant and equipment	1,006	810
Costs of inventories sold included in cost of sales	382,108	326,252
Operating lease rentals in respect of land and buildings		
- minimum lease payments	63,406	61,732
- contingent rents	2,534	1,977
Freight charges	12,608	8,411
Advertising and promotional expenses	30,660	22,859
Concessionaire fees	209,004	146,818
Direct operating expenses arising from investment properties that generated rental income	159	1,689
Employee benefit expenses (including directors' emoluments)	269,183	197,757
Impairment losses on inventories	5,591	1,241
Impairment losses on trade receivables	1,482	—

6 Income tax expense

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

	2011	2010
	HK$'000	*HK$'000*
Current income tax		
Hong Kong profits tax	36	848
People's Republic of China ("PRC") corporate income tax	46,276	22,128
Deferred taxation	(3,755)	6,191
	42,557	29,167

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at a range from 22% to 25% (2010: range from 20% to 25%), except for one of the subsidiaries of the Company established in the PRC that is entitled to two years' exemption from the PRC corporate income tax of 25% followed by three years of a 50% tax reduction, commencing from the first cumulative profit-making year net of losses carried forward (at most five years). Accordingly, the subsidiary was fully exempted from the PRC corporate income tax in 2007 and 2008, and subjected to a reduced tax rate of 12.5% in 2009, 2010 and 2011.

7 Earnings per share

Basic

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

	2011	2010
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	168,500	123,002
Weighted average number of ordinary shares in issue ('000)	639,289	639,108
Basic earnings per share (HK cents)	26.36	19.25

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 2011, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	**2010**
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	168,500	123,002
Weighted average number of ordinary shares in issue ('000)	639,289	639,108
Adjustments for share options ('000)	16	39
Weighted average number of ordinary shares for diluted earnings per share ('000)	639,305	639,147
Diluted earnings per share (HK cents)	26.36	19.25

8 **Dividends**

	2011	**2010**
	HK$'000	*HK$'000*
Interim, paid, of HK4.3 cents (2010: HK3.0 cents) per ordinary share	27,488	19,172
Final, proposed, of HK8.7 cents (2010: HK7.0 cents) per ordinary share	55,620	44,749
	83,108	63,921

At a meeting held on 26 May 2011, the Directors proposed a final dividend of HK8.7 cents per ordinary share totalling approximately HK$55,620,000. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 29 February 2012.

9 Trade and other receivables

	2011	2010
	HK$'000	*HK$'000*
Trade receivables (Note (a))	132,420	138,772
Provision for impairment	(1,523)	—
	130,897	138,772
Other receivables	3,797	2,485
	134,694	141,257

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

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

At 28 February 2011, the ageing analysis of the trade receivables based on invoice date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	115,312	111,277
31 to 60 days	11,644	23,859
61 to 90 days	2,605	2,354
Over 90 days	1,336	1,282
	130,897	138,772

10 **Trade payables and accruals**

	2011	2010
	HK$'000	*HK$'000*
Trade payables	49,289	54,726
Accruals	120,147	84,439
	169,436	139,165

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2011, the ageing analysis of the trade creditors was as follows:

	2011	2010
	HK$'000	*HK$'000*
Current to 30 days	18,331	33,823
31 to 60 days	17,494	14,745
61 to 90 days	6,301	3,928
91 to 120 days	2,777	695
Over 120 days	4,386	1,535
	49,289	54,726

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

For the year ended 28 February 2011, the Group's consolidated revenue reached HK$1,319.9 million, which marked a solid growth of 32.0% compared to the corresponding period of the previous year. This growth was mainly attributable to a remarkable increase in retail sales generated by the China market. Consolidated gross profit jumped by 36.9% year-on-year to HK$829.8 million, while gross profit margin rose 2.3 percentage points to 62.9%. Gross profit margin increased as a result of higher margins driven by positive retail sentiment and strengthening purchasing power. Consolidated operating profit increased 33.5% year-on-year to HK$201.4 million while consolidated profit attributable to equity holders reached HK$168.5 million, a year-on-year increase of 37.0%. Underlying profit, which indicates the profitability of the Group's footwear business, also increased by a remarkable growth of 53.5% to HK$162.7 million.

The Board resolved to declare a final dividend of HK8.7 cents per ordinary share (2009/10: HK7.0 cents). Together with the interim dividend of HK4.3 cents (2009/10: HK3.0 cents), total dividend for fiscal year 2010/11 amounted to HK13.0 cents per ordinary share (2009/10: HK10.0 cents), a 30.0% increase from the previous year.

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

BUSINESS REVIEW

Retail Operations and Sales Network

Retail operations continued to be the Group's major revenue contributor, accounting for 91.3% of consolidated revenue. The Group's total consolidated revenue for the retail segment increased by 37.7% year-on-year to HK$1,204.6 million, thanks to strong sales growth in Hong Kong, Macau and Mainland China. During the year under review, overall same store sales grew about 14%.

Consolidated Revenue	Year ended 28 February 2011 (HK$ Million)	% to Total	Year-on-year Growth (%)
Retail Operations:			
Mainland China	1,046.2	79.3	41.6
Hong Kong and Macau	158.4	12.0	16.7
Retail Sub-total	**1,204.6**	**91.3**	**37.7**
Export	**115.3**	**8.7**	**(8.1)**
Group's Total Revenue	**1,319.9**	**100.0**	**32.0**

During the year under review, the Group continued to expand its footprint nationwide to capture the market opportunities brought along by China's rapid urbanization and increasing purchasing power, particularly in the country's lower-tier cities. As at 28 February 2011, the Group had a network of 766 retail outlets in Hong Kong, Macau and Mainland China, 198 more than a year earlier.

	As at 28 February 2011		
Number of Outlets by Region	**Self-owned**	**Franchise**	**Total**
Mainland China	**569**	**182**	**751**
● Northern, Northern East & Northern West	106	118	224
● Eastern	176	12	188
● Central & Southern West	121	35	156
● Southern	166	17	183
Hong Kong and Macau	**15**	**—**	**15**
Total	**584**	**182**	**766**

Product Mix & Offerings

In terms of product mix, ladies' footwear remained the Group's major revenue driver by product category, achieving a year-on-year growth of 45.3% during the year under review. Men's footwear also grew by a remarkable 22.8% in revenue.

Product Category	Year-on-year Growth %	Sales Mix %
Ladies' footwear	45.3	76.6
Men's footwer	22.8	12.9
Ladies' handbags	15.1	10.5
Total		**100.0**

The Group stepped up its efforts and invested heavily in product development in a move to enrich its product portfolio during the reporting year. As a result, on top of our existing Le Saunda and CnE brands, the Group launched a new series of modern prestige men's footwear named "Itauomo", which from design, selection of materials to craftsmanship all employ Italian experts. Through this new series the Group hopes to enhance Le Saunda's brand image in the men's footwear market and tap the high end segment.

Geographical Review

Hong Kong and Macau

With improving retail sentiment and a notable increase in consumer spending, total revenue generated from Hong Kong and Macau reached HK$158.4 million, representing a year-on-year increase of 16.7%.

In view of the competitive operating environment in Hong Kong and Macau the Group has adopted flexible and responsive store optimization strategies to set up outlets in prime locations with reasonable rental costs. Amongst the 3 new retail outlets opened during the reporting year, one is located at Haiphong Road, Tsim Sha Tsui one of the famous spots for tourists.

Apart from gaining a foothold in tourist districts, the Group also actively carried out a series of promotional activities and marketing campaigns to enhance our brand image and recognition. In March 2010, the Group staged a fashion show in Festival Walk, Kowloon Tong, where the Group has a retail outlet, to showcase its 2010 Spring/Summer collections. Another fashion show was held at Harbour Grand Hotel Hong Kong in November 2010 for the unveiling of the Group's 2010 Fall/Winter designs and product offerings. All the shows were performed by famous celebrities and top models while numerous celebrities also attended as honorable guests. As a result of Hong Kong's proximity to Mainland China, especially Southern China, the promotional activities and marketing campaigns in Hong Kong also spilled over the border where they had generated extra exposure for the brand.

Mainland China

Over 79% of the Group's turnover was generated from the PRC market. Benefiting from the fast-growing consumer market, the Group generated a total revenue of HK$1,046.2 million from Mainland China, representing an increase of 41.6% year-on-year. The CnE brand swung back to profitability in the fiscal year with a moderate profit. The revitalization of the CnE business, including the closing down of underperforming stores, will continue with the goal of successfully re-positioning it as a mid-end fashionable footwear brand while improving its competitiveness in the market.

The Group continued to expand its footprint during the reporting year by setting up more retail outlets and counters, particularly in second- and third-tier cities. The Group set up 195 self-owned outlets and 65 franchised outlets during the year and tapped into new markets such as Yixing, Xuzhou, Liuzhou, Nantong, Jingjiang and Guilin. As at 28 February 2011, the Group had a nationwide network of 569 self-owned outlets and 182 franchised outlets.

Meanwhile, the Group increased heavily its investment in marketing and advertising campaigns in Mainland China in a bid to maintain and enhance its nationwide brand exposure. They included the staging of various star-studded fashion shows, store opening events, road shows and extensive advertising campaigns across the country during the reporting year. Recently, the Group held a super fashion show at a chic location called "1933" in Shanghai to spotlight the 2011 Spring/Summer collections of Le Saunda's ladies and men's products and to introduce the new high-end brand Linea Rosa targeted at young and glamorous customers. Hong Kong pop star Ms. Miriam Yeung was one of the guest models of the event, which had generated much publicity in Mainland China and Hong Kong.

Export Business

The export market remained sluggish during the year under review as a result of weak demand from European countries. The Group's revenue in the OEM segment dropped 37.9% year-on-year. To cope with this decline, the Group is exploring the OBM market in order to make a push into overseas markets and establish Le Saunda as an international brand. Nevertheless, OEM and OBM orders as a whole represented less than 10% of total orders during the year under review and the Group expects no significant upside in this segment in the foreseeable future.

Inventory & Supply Chain Management

As at 28 February 2011, the inventory balance was HK$386.9 million, up 58.0% from HK$244.9 million at the same date last year. A breakdown of the increase in inventory balance is as follows:

HK$ (million)	As at 28 February 2011	As at 28 February 2010	Increase in value	Year-on-year increase %
Raw materials & work-in-progress	106.9	68.2	38.7	56.7
Finished goods	280.0	176.7	103.3	58.5
Total	386.9	244.9	142.0	58.0

The increase in raw materials and work-in-progress inventory held by our manufacturing plants in Guangdong Province was mainly attributable to (i) the Group's policy of stocking up on basic materials in order to shorten production lead time and (ii) an increase in annual production by more than 20% during the year under review.

Our finished goods increased at a rate faster than our sales growth, and the Group had closely monitored the composition of the inventory. As at year end date, nearly 90% of the finished goods inventory was less than a year old. These inventories included next season items as our financial year end date falls on a period straddling of the current and next seasons. The continuous improvement in gross profit margin indicated that most of the inventories are popular items. As the Group has been growing rapidly in the past few years, keeping a relatively high inventory level is one of the ways for us to grasp the often fleeting sales opportunities in the market. As at 28 February 2011, the Group stock turnover days was 170 days (28 February 2010: 148 days).

The Group seeks to manage its stock in the early stage at the upstream of the value chain. The inventory level at the Group's production plants is optimized through continuous improvement in the supply chain, procurement and logistics arrangements. Upgrades to a more efficient ERP management system, recruiting logistic talents or engaging external consultant's assistance are also part of the enhancement program. On the shop level, an optimization process is in place to retire underperforming stores in order to maintain a healthy turnover of stock. Last but not the least, the Group also operated 31 factory outlets during the year under review to clear off-season items. This operation turned out to be profitable and had a stable and healthy margin. By taking these measures the Group is confident that it will sustain inventory at a healthier and more optimal level.

FINANCIAL REVIEW

Operating results

Revenue increased by 32.0% to HK$1,319.9 million (2009/10: HK$1,000.0 million). Although the Chinese government introduced a series of credit tightening and austerity measures in the latter half of 2010 to check the expansionary credit growth, continuing robust rebound of the Hong Kong economy in 2010 help the Group maintain its growth momentum in the second half of the fiscal year. In fact, the Group recorded a 33.8% growth in revenue in the second half of the fiscal year, 4.4% higher than the growth rate achieved in the first half.

Cost of sales increased by 24.5% to HK$490.1 million (2009/10: HK$393.7 million). During the year under review, materials cost on average increased by a moderate single-digit. With the appreciation of the RMB, the pressure from rising materials costs was partially offset, as major materials were mostly imported. Labour cost on average increased by a moderate double digit during the year under review. On one hand, rising wages affected all enterprises in the PRC without exception. On the other hand, an inflationary environment has made it easier for companies to pass the increased cost to consumers who already have high inflationary expectations and whose purchasing power has increased as a result of higher wages. Still, the Group is committed to keeping its operation lean and effective at all times and regards rising wages as an opportunity for making it even more efficient and competitive.

Other gains, net decreased by HK$13.4 million to HK$2.0 million in 2010/11 (2009/10: HK$15.4 million). The decrease was attributable to (i) a HK$5.6 million gain from the disposal of investment properties in previous fiscal year and (ii) net exchange loss of HK$1.2 million for the year ended 28 February 2011 compared to a net exchange gain of HK$5.1 million in previous year.

Selling and distribution costs increased by 37.0% to HK$471.7 million (2009/10: HK$344.2 million). The costs were mainly comprised of concessionaire fees and shop rentals, sales staff salaries and commissions, depreciation of shop fittings, advertising and promotional expenses and merchandise freight cost. The costs increased at a rate that outstripped the increase in sales because (i) there was a change in the business mix as export sales, which generally incur lower selling and distribution costs, accounted for only 8.7% of total revenue versus 12.5% in fiscal 2009/10; and (ii) it took time for the new stores to achieve operational efficiency as they incurred fixed costs such as salaries, depreciation of shop fittings and additional advertising and promotional expenses. In terms of sales ratio, selling and distribution costs accounted for 35.7% of revenue (2009/10: 34.4%)

General and administrative expenses increased by 23.9% to HK$160.6 million (2009/10: HK$129.6 million). In terms of sales ratio, general and administrative expenses was 12.2% of revenue (2009/10: 13.0%). The expenses consisted of mostly fixed costs and in theory they should drop as a percentage to sales as revenue increases. However, as the Group is undergoing a relatively fast expansion period and it has set up new facilities such as regional offices and warehouses, expenses were increased as a result and it will take time to achieve an optimal return.

Income tax expense increased by HK$13.4 million to HK$42.6 million (2009/10: HK$29.2 million) for the year under review while the effective tax rate increased marginally to 20.1% during the year versus 19.2% in fiscal 2009/10. All the PRC tax benefits enjoyed by the Group currently will expire by the end of 2011 and it is expected that the effective tax rate will gradually increase to close to 25%. For our Hong Kong business, the applicable tax rate is maintained at 16.5%.

Share of profit of a jointly controlled entity amounted to HK$8.6 million (2009/10: HK$0.4 million) during the year under review. This jointly controlled entity is principally engaged in property development business in the PRC. As at 28 February 2011, it had completed the project on hand and there was no plan to launch new projects. It is expected that the profit contributed by this jointly controlled entity will be insignificant in the coming years.

OUTLOOK

In its 12th five-year-plan, the Chinese Government included the "expansion of domestic demand" as one of its main development priorities. The implementation will speed up further the transition from an export-led economy to one that is led by domestic consumption. Continued urbanization and reforms in income distribution also will further support the rise of middle class in China. All these in the medium- to long-term are expected to have positive impacts on the fast-growing consumer market in China.

As such, the Group will continue to focus on growing our retail business in Mainland China, with a target of setting up a total of 1,000 outlets by August 2012. Geographically, in addition to developing the Pearl River Delta and Yangzi River Delta markets, the Group will allocate more resources to expand to other potentially promising markets such as Fujian, Liaoning, Yunnan, Hunan and Anhui provinces.

To meet the increasing demand of its retail business, the Group has expanded the scale of its production bases in Shunde and Gaoming. The new production base in Gaoming, equipped with a new production line, started pilot production in July 2010 to supplement Shunde's production capacity. The Gaoming plant has a maximum operating capacity of 3 production lines in total.

The plant in Shunde is undergoing a series of programs aimed at enhancing its operational efficiency on various fronts, including sample development, materials sourcing and purchasing, production planning, quality control and warehouse management. Experienced and knowledgeable industry professionals have been recruited to carry out the programs. The Group believes enhanced efficiency is the best defense against any negative impacts brought by rising labour and materials costs.

Despite the many opportunities ahead, the Group expects 2011/12 to be a challenging year. Chief among these challenges are growing inflationary pressures and increasing operating expenses, plus an uncertain global economy and operating environment in China. High rental expenses for retail outlets also is a big challenge for us. Despite these challenges, the Group will continue to move forward its strategies of operational enhancement, and implement stringent cost control measures. We are well-placed to capture market opportunities and are well-equipped to overcome any challenges in the operating environment on the strength of our responsiveness to market changes and nimble operational strategies. By leveraging our competitive edges, we believe Le Saunda will be able to continue to achieve remarkable results and hence create greater value for our shareholders in the year ahead.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity Ratio

As at 28 February 2011, the Group's cash position remains strong and healthy with net cash balances of HK$348.4 million (28 February 2010: HK$285.3 million). Total equity is maintained at HK$1,054.2 million (28 February 2010: HK$910.9 million), along with a quick ratio of 2.1 times (28 February 2010: 2.9 times).

Capital Structure and Financial Resources of the Group

During the year ended 28 February 2011, the Group's cash and bank balances were in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity dates falling within one year. The Group borrows HK$3.5 million (28 February 2010: HK$Nil) bank loans during the year under review. Forward contracts will be used, if necessary, for hedging of purchases from overseas, related debts and bank borrowings. The Group did not enter into any forward contract to hedge its foreign exchange risk during the year. In addition, working capital requirements for business operations in Mainland China will be financed, if necessary, by local bank loans, denominated in Renminbi.

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

Pledge of Assets

As at 28 February 2011, bank deposit of HK$2.2 million (28 February 2010: HK$1.7 million) have been pledged as rental deposits for certain subsidiaries of the Group.

DIVIDEND

The Directors declared an interim dividend of HK4.3 cents (2010: HK3.0 cents) per ordinary share in respect of the year ended 28 February 2011.

The Directors recommend the payment of a final dividend of HK8.7 cents (2010: HK7.0 cents) per ordinary share for the year ended 28 February 2011.

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 HK$120.0 million (2010: HK$50.0 million) of which HK$19.0 million (2010: HK$20.4 million) was utilised as at 28 February 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2011, the Group had a staff force of 5,072 people (28 February 2010: 3,970 people). Of this, 168 were based in Hong Kong and 4,904 in Mainland China. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total staff costs for the year ended 28 February 2011, including Directors' emoluments and net pension contributions, amounted to HK$269.2 million (2010: HK$197.8 million). The Group has all along organized structured and diversified training programmes for staff of different levels. Outside consultants would be invited to broaden the contents of the programmes.

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

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

AUDIT COMMITTEE

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

The primary responsibilities of the Audit Committee include overseeing the relationship with the Company's external auditors, review of financial information of the Group, including a review of the financial statements for the year ended 28 February 2011, overseeing of the Group's financial reporting system, internal control procedures and risk management and making relevant recommendations to the Board.

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

REMUNERATION COMMITTEE

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

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

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 15 July 2011 to Monday, 18 July 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend which, if approved, will be payable on Tuesday, 26 July 2011, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited, Units 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 pm. on Thursday, 14 July 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

The Annual Report of the Company containing all the information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) on or before 30 June 2011.

ACKNOWLEDGEMENT

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

By Order of the Board
Lee Tze Bun, Marces
Chairman

Hong Kong, 26 May 2011

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

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

* *For identification purposes only*