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 2014

**FINANCIAL HIGHLIGHTS**

| | | **Year ended 28 February 2014** | Year ended 28 February 2013 | change | change in % |
|---|---|---|---|---|---|
| Revenue | *HK$ million* | **2,039.4** | 1,762.4 | 277.0 | 15.7 |
| Gross profit | *HK$ million* | **1,368.4** | 1,141.1 | 227.3 | 19.9 |
| Profit attributable to equity holders of the Company | *HK$ million* | **287.2** | 179.1 | 108.1 | 60.3 |
| Underlying profit attributable to equity holders of the Company | *HK$ million* | **185.1** | 152.8 | 32.3 | 21.1 |
| Basic earnings per share | *HK cents* | **44.92** | 28.02 | 16.9 | 60.3 |
| Dividends per share | | | | | |
| - interim, paid | *HK cents* | **7.0** | 4.0 | 3.0 | 75.0 |
| - final, proposed | *HK cents* | **9.0** | 8.7 | 0.3 | 3.4 |
| - special, proposed | *HK cents* | **11.0** | 1.5 | 9.5 | 6.3 times |

**For identification purpose only*

The board (the “Board”) of Directors of Le Saunda Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 28 February 2014. The consolidated results have been reviewed by the Company’s Audit Committee.

## CONSOLIDATED INCOME STATEMENT

| | | Year ended | |
|---|---|---|---|
| | *Note* | **28 February 2014** *HK$’000* | 28 February 2013 *HK$’000* |
| Revenue | *3* | **2,039,419** | 1,762,406 |
| Cost of sales | *5* | **(671,012)** | (621,289) |
| Gross profit | | **1,368,407** | 1,141,117 |
| Other income, net | *4* | **11,992** | 8,065 |
| Other gains, net | *4* | **98,573** | 23,769 |
| Selling and distribution expenses | *5* | **(882,785)** | (748,926) |
| General and administrative expenses | *5* | **(238,309)** | (190,205) |
| Operating profit | | **357,878** | 233,820 |
| Net finance income | *6* | **8,463** | 6,247 |
| Share of profit of a joint venture | | **566** | 551 |
| Profit before income tax | | **366,907** | 240,618 |
| Income tax expense | *7* | **(78,274)** | (61,863) |
| Profit for the year | | **288,633** | 178,755 |
| Profit attributable to: | | | |
| - equity holders of the Company | | **287,150** | 179,134 |
| - non-controlling interest | | **1,483** | (379) |
| | | **288,633** | 178,755 |
| Earnings per share attributable to the equity holders of the Company *(express in HK cents)* | | | |
| - Basic | *8* | **44.92** | 28.02 |
| - Diluted | *8* | **44.67** | 28.01 |
| Dividends | *9* | **172,615** | 90,782 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended | |
|---|---|---|
| | **28 February 2014** | 28 February 2013 |
| | ***HK$'000*** | *HK$'000* |
| Profit for the year | **288,633** | 178,755 |
| Other comprehensive income for the year, net of tax | | |
| Items that will not be reclassified to profit or loss | | |
| - Revaluation gain on investment properties | **-** | 94 |
| - Actuarial losses on retirement benefit obligation | **(38)** | - |
| Item that will be reclassified to profit or loss | | |
| - Currency translation differences | **8,449** | 5,335 |
| Total comprehensive income for the year | **297,044** | 184,184 |
| Total comprehensive income for the year, attributable to: | | |
| - equity holders of the Company | **295,411** | 184,420 |
| - non-controlling interest | **1,633** | (236) |
| | **297,044** | 184,184 |

## CONSOLIDATED BALANCE SHEET

| | Note | As at 28 February 2014 HK$'000 | As at 28 February 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Investment properties | | **91,586** | 89,563 |
| Property, plant and equipment | | **218,996** | 237,589 |
| Land use rights | | **26,818** | 32,629 |
| Long-term deposits and prepayments | | **15,141** | 18,137 |
| Interest in a joint venture | | **36,137** | 35,112 |
| Interest in and amount due from an available-for-sale financial asset | *10* | **-** | - |
| Deferred tax assets | | **56,627** | 51,807 |
| | | **445,305** | 464,837 |
| Current assets | | | |
| Inventories | | **483,568** | 469,492 |
| Trade and other receivables | *11* | **198,647** | 198,837 |
| Deposits and prepayments | | **46,401** | 41,618 |
| Cash and bank balances | | **696,211** | 435,661 |
| | | **1,424,827** | 1,145,608 |
| Non-current assets classified as held-for-sale | | **6,963** | - |
| | | **1,431,790** | 1,145,608 |
| Total assets | | **1,877,095** | 1,610,445 |
| **EQUITY** | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | **63,931** | 63,931 |
| Reserves | | | |
| Proposed dividend | | **127,863** | 55,620 |
| Others | | **1,308,343** | 1,170,643 |
| | | **1,500,137** | 1,290,194 |
| Non-controlling interest | | **13,471** | 11,838 |
| Total equity | | **1,513,608** | 1,302,032 |

## CONSOLIDATED BALANCE SHEET (CONTINUED)

| | *Note* | **As at 28 February 2014** ***HK$'000*** | As at 28 February 2013 *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | **38,280** | 31,743 |
| Current liabilities | | | |
| Trade payables and accruals | *12* | **262,097** | 217,773 |
| Amount due to a joint venture | | **34,119** | 37,419 |
| Current income tax liabilities | | **28,991** | 21,478 |
| | | **325,207** | 276,670 |
| Total liabilities | | **363,487** | 308,413 |
| Total equity and liabilities | | **1,877,095** | 1,610,445 |
| Net current assets | | **1,106,583** | 868,938 |
| Total assets less current liabilities | | **1,551,888** | 1,333,775 |

**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.

(i) The Group has adopted the following new and amended standards and interpretations, which are mandatory for the first time for the financial year beginning 1 March 2013 and are relevant to its operations, in the preparation of the consolidated financial statements.

- HKFRSs (amendment) - Annual Improvements to HKFRSs 2009-2011 Cycle
- HKFRS 1 (amendment) - Government Loans
- HKFRS 1 (amendment) - Annual Improvements to 2013 Cycle - First Time Adoption
- HKFRS 7 (amendment) - Disclosures - Offsetting Financial Assets and Financial Liabilities
- HKFRS 10 - Consolidated Financial Statements
- HKFRS 11 - Joint Arrangements
- HKFRS 12 - Disclosure of Interests in Other Entities
- HKFRS 10, HKFRS 11 and HKFRS 12 (amendments) - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- HKFRS 13 - Fair Value Measurements
- HKFRS 13 (amendment) - Annual Improvements to 2012 Cycle - Fair Value Measurements
- HKAS 1 (amendment) - Presentation of Financial Statements
- HKAS 19 (amendment) - Employee Benefits

- HKAS 27 (2011) - Separate Financial Statements
- HKAS 28 (2011) - Investments in Associates and Joint Ventures
- Hong Kong (IFRIC) Interpretation ("HK(IFRIC)") 20 - Stripping Costs in the Production Phase of a Surface Mine

- Amendment to HKAS 1, 'Financial Statements Presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income'on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The impact of the adoption of this amendment is shown in the consolidated statement of comprehensive income.

- HKAS 28 (2011), 'Investments in Associates and Joint Ventures', includes the requirements for joint ventures and associates to be equity accounted following the issue of HKFRS 11, which is consistent with the Group's existing policy.

- HKFRS 10, 'Consolidated Financial Statements'. The objective of HKAS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- HKFRS 11, 'Joint Arrangements', focuses on the rights and obligations of the arrangement rather than its legal form. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures with no effect on the Group's results and financial position for the current and prior accounting periods.

- HKFRS 12, 'Disclosure of Interests in Other Entities'. The new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group has included the required disclosure for joint ventures and an associate in these consolidated financial statements.

- HKFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group has included the disclosure for financial assets and nonfinancial assets in these consolidated financial statements.

(ii) The following new, revised or amended standards and interpretations have been issued but are not yet effective for the financial year beginning 1 March 2013 and have not been early adopted:

- HKFRSs (amendment) - Annual Improvements to HKFRSs 2010-2012 Cycle[2]
- HKFRSs (amendment) - Improvements to HKFRSs 2011-2013 Cycle[2]
- HKFRS 7 (amendment) - Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
- HKFRS 9 - Financial Instruments[4]
- Additions to HKFRS 9 - Financial Instruments – Financial Liabilities[4]
- HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment) - Investment Entities[1]
- HKFRS 14 - Regulatory Deferral Accounts[3]
- HKAS 19 (amendment) - Defined Benefit Plans: Employee Contribution[2]
- HKAS 32 (amendment) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities[1]
- HKAS 36 (amendment) - Recoverable Amount Disclosures for Non-Financial Assets[1]
- HKAS 39 (amendment) - Novation of Derivatives and Continuation of Hedge Accounting[1]
- HK(IFRIC) Interpretation 21 - Levies[1]

1 Changes effective for annual periods beginning on or after 1 March 2014
2 Changes effective for annual periods beginning on or after 1 March 2015
3 Changes effective for annual periods beginning on or after 1 March 2016
4 The effective date to be determined

The Group has already commenced an assessment of related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

## 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 rental income, other gains, net, net finance income, 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 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 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 2014 is as follows:

| | Retail | | Export | Total |
|---|---|---|---|---|
| | **HK & Macau** | **Mainland China** | ***(Note (a))*** | |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Revenue from external customers | **234,493** | **1,793,564** | **11,362** | **2,039,419** |
| Reportable segment profit | **19,225** | **232,248** | **4,148** | **255,621** |
| Rental income | | | | **4,072** |
| Other gains, net | | | | **98,573** |
| Net finance income | | | | **8,463** |
| Share of profit of a joint venture | | | | **566** |
| Unallocated expenses | | | | **(388)** |
| Profit before income tax | | | | **366,907** |
| Income tax expense | | | | **(78,274)** |
| Profit for the year | | | | **288,633** |
| Depreciation and amortisation | **7,781** | **48,692** | **500** | **56,973** |
| Additions to non-current assets (Other than deferred tax assets) | **4,116** | **44,495** | **26** | **48,637** |

The segment information provided for the year ended 28 February 2013 is as follows:

| | Retail | | Export | Total |
|---|---|---|---|---|
| | HK & Macau | Mainland China | *(Note (a))* | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue from external customers | 206,396 | 1,519,641 | 36,369 | 1,762,406 |
| Reportable segment profit | 15,341 | 181,979 | 10,470 | 207,790 |
| Rental income | | | | 2,635 |
| Other gains, net | | | | 23,769 |
| Net finance income | | | | 6,247 |
| Share of profit of a joint venture | | | | 551 |
| Unallocated expenses | | | | (374) |
| Profit before income tax | | | | 240,618 |
| Income tax expense | | | | (61,863) |
| Profit for the year | | | | 178,755 |
| Depreciation and amortisation | 6,576 | 44,968 | 427 | 51,971 |
| Additions to non-current assets (Other than deferred tax assets) | 2,969 | 45,591 | 309 | 48,869 |

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, le saunda MEN, Linea Rosa and CNE. The export sales of shoes related to the Group's own brands and other shoe brands which are not owned by the Group.

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

An analysis of the Group's assets as at 28 February 2014 by reportable segment is set out below:

| | Retail | | Export | Total |
|---|---|---|---|---|
| | **HK & Macau** | **Mainland China** | | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | **307,863** | **1,457,281** | **18,946** | **1,784,090** |
| Interest in a joint venture | | | | **36,137** |
| Interest in and amount due from an available-for-sale financial asset | | | | **-** |
| Deferred tax assets | | | | **56,627** |
| Unallocated assets | | | | **241** |
| Total assets per consolidated balance sheet | | | | **1,877,095** |
| Segment liabilities | **24,844** | **235,011** | **2,217** | **262,072** |
| Amount due to a joint venture | | | | **34,119** |
| Current income tax liabilities | | | | **28,991** |
| Deferred tax liabilities | | | | **38,280** |
| Unallocated liabilities | | | | **25** |
| Total liabilities per consolidated balance sheet | | | | **363,487** |

An analysis of the Group's assets as at 28 February 2013 by reportable segment is set out below:

| | Retail | | Export | Total |
|---|---|---|---|---|
| | HK & Macau *HK$'000* | Mainland China *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | 183,187 | 1,304,870 | 35,225 | 1,523,282 |
| Interest in a joint venture | | | | 35,112 |
| Interest in and amount due from an available-for-sale financial asset | | | | - |
| Deferred tax assets | | | | 51,807 |
| Unallocated assets | | | | 244 |
| Total assets per consolidated balance sheet | | | | 1,610,445 |
| Segment liabilities | 22,067 | 189,350 | 6,332 | 217,749 |
| Amount due to a joint venture | | | | 37,419 |
| Current income tax liabilities | | | | 21,478 |
| Deferred tax liabilities | | | | 31,743 |
| Unallocated liabilities | | | | 24 |
| Total liabilities per consolidated balance sheet | | | | 308,413 |

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

**REVENUE**

| | **2014** ***HK$'000*** | 2013 *HK$'000* |
|---|---|---|
| Hong Kong | **195,742** | 175,125 |
| Mainland China | **1,793,564** | 1,519,641 |
| Macau | **38,751** | 31,271 |
| Russia | **4,624** | 24,537 |
| Other countries (Note (a)) | **6,738** | 11,832 |
| Total | **2,039,419** | 1,762,406 |

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

For the year ended 28 February 2014, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue (2013: Nil).

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

**NON-CURRENT ASSETS**

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **13,993** | 31,252 |
| Mainland China | **280,966** | 293,003 |
| Macau | **93,719** | 88,775 |
| Total | **388,678** | 413,030 |

## 4 OTHER INCOME AND OTHER GAINS, NET

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Other income, net | | |
| Gross rental income from investment properties | **4,072** | 2,635 |
| Government incentives, net | **7,920** | 5,430 |
| | **11,992** | 8,065 |
| Other gain, net | | |
| Fair value gains on investment properties | **6,103** | 16,168 |
| Net exchange gain *(Note (a))* | **5,436** | 7,601 |
| Gains on disposal of a property and investment properties *(Note (b))* | **87,034** | - |
| | **98,573** | 23,769 |
| | **110,565** | 31,834 |

(a) *Net exchange 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.*

(b) *On 25 January 2014, the Group disposed of certain properties at a consideration of HK$102,800,000 and recognized a net gain of HK$87,034,000 net of transaction costs.*

## 5 EXPENSES BY NATURE

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditors' remuneration | **2,168** | 1,954 |
| Amortisation of land use rights | **922** | 913 |
| Depreciation of property, plant and equipment | **56,051** | 51,058 |
| Loss on disposal of property, plant and equipment | **1,623** | 2,841 |
| Costs of inventories sold included in cost of sales | **542,179** | 503,221 |
| Operating lease rentals in respect of land and buildings | | |
| - minimum lease payments | **128,245** | 100,392 |
| - contingent rents | **2,058** | 3,939 |
| Freight charges | **16,415** | 13,935 |
| Advertising and promotional expenses | **53,868** | 51,066 |
| Concessionaire fees | **405,803** | 331,253 |
| Direct operating expenses arising from investment properties that generated rental income | **396** | 245 |
| Employee benefit expenses (including directors' emoluments) | **454,495** | 378,012 |
| (Write back of impairment)/impairment losses for inventories | **(800)** | 348 |

## 6 NET FINANCE INCOME

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income on bank deposits | **8,581** | 6,348 |
| Interest expense on short-term bank loan | **(118)** | (101) |
| | **8,463** | 6,247 |

## 7 INCOME TAX EXPENSE

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| - Hong Kong profits tax | **-** | - |
| - People's Republic of China ("PRC") corporate income tax | **76,397** | 64,848 |
| Deferred taxation | **1,877** | (2,985) |
| | **78,274** | 61,863 |

No provision for Hong Kong profits tax has been made for the year ended 28 February 2014 (2013: Nil) as there were available tax losses brought forward from prior years to offset the assessable profits generated during the year.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2013: 25%).

## 8 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.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company | **287,150** | 179,134 |
| Weighted average number of ordinary shares in issue *('000)* | **639,314** | 639,314 |
| Basic earnings per share *(HK cents)* | **44.92** | 28.02 |

### 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 years ended 28 February 2014 and 2013, 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.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit attributable to equity holders of the Company | **287,150** | 179,134 |
| Weighted average number of ordinary shares in issue (*'000*) | **639,314** | 639,314 |
| Adjustments for share options (*'000*) | **3,536** | 141 |
| Weighted average number of ordinary shares for diluted earnings per share (*'000*) | **642,850** | 639,455 |
| Diluted earnings per share (*HK cents*) | **44.67** | 28.01 |

## 9 DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim, paid, of HK7.0 cents (2013: HK4.0 cents) per ordinary share | **44,752** | 25,573 |
| Final, proposed, of HK9.0 cents (2013: HK8.7 cents) per ordinary share | **57,538** | 55,620 |
| Special, proposed, of HK11.0 cents (2013: HK1.5 cents) per ordinary share | **70,325** | 9,589 |
| | **172,615** | 90,782 |

At a meeting held on 26 May 2014, the Directors proposed a final dividend of HK9.0 cents and a special dividend of HK11.0 cents per ordinary share totalling approximately HK$127,863,000. These proposed dividends are not reflected as dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2015.

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at fair value *(Note (a))* | | |
| - Investment cost | **3,159** | 3,118 |
| - Provision for impairment | **(3,159)** | (3,118) |
| | **-** | - |
| Amount due from an available-for-sale financial asset *(Note (b))* | **9,477** | 9,355 |
| Less: Provision for impairment | **(9,477)** | (9,355) |
| | **-** | - |
| | **-** | - |

(a) Details of available-for-sale financial asset are as follows:

| Name of the company | 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（「陳村鎮碧桂園」） | PRC | Property development | 25% |

The Group's Directors do not regard 陳村鎮碧桂園 as an associate of the Group on the grounds that the Group has no participation in decision making of its financial and operating policies. Accordingly, the Group does not have any significant influence over 陳村鎮碧桂園.

(b) The amount due from an available-for-sale financial asset is unsecured, interest-free, not repayable within twelve months and is denominated in RMB.

## 11 TRADE AND OTHER RECEIVABLES

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables *(Note (a))* | **194,154** | 185,567 |
| Provision for impairment | **-** | - |
| | **194,154** | 185,567 |
| Other receivables | **4,493** | 13,270 |
| | **198,647** | 198,837 |

(a) The Group's concessionaire sales through department stores are generally collectible within 30 to 60 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 2014, the ageing analysis of the trade receivables based on invoice date is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **165,265** | 164,845 |
| 31 to 60 days | **16,400** | 14,053 |
| 61 to 90 days | **5,865** | 2,984 |
| Over 90 days | **6,624** | 3,685 |
| | **194,154** | 185,567 |

## 12 TRADE PAYABLES AND ACCRUALS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **90,582** | 80,242 |
| Accruals | **171,515** | 137,531 |
| | **262,097** | 217,773 |

The credit periods granted by suppliers are generally ranged from 7 to 60 days. At 28 February 2014, the ageing analysis of the trade creditors is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current to 30 days | **53,855** | 23,626 |
| 31 to 60 days | **20,672** | 26,158 |
| 61 to 90 days | **5,698** | 15,630 |
| 91 to 120 days | **4,525** | 6,687 |
| Over 120 days | **5,832** | 8,141 |
| | **90,582** | 80,242 |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## I. FINANCIAL REVIEW

### Operating Results

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

In the 2013/14 fiscal year, total revenue of the Group increased by 15.7% year-on-year to HK$2,039.4 million (2012/13: HK$1,762.4 million). Benefited by a optimized product mix and cost control initiatives, consolidated gross profit rose by 19.9% to HK$1,368.4 million (2012/13: HK$1,141.1 million). The Group recorded an overall gross profit margin of 67.1%, representing an year-on-year improvement by 2.4 percentage points. The underlying profit attributable to equity holders of the Company, representing the performance of the Group's core footwear business, increased by 21.1% year-on-year to HK$185.1 million (2012/13: HK$152.8 million). Added other non-recurring items, consolidated profit attributable to equity holders of the Company rose by 60.3% to HK$287.2 million (2012/13: HK$179.1 million) compared to last year.

| **HK$ million** | **2013/14** | **2012/13** | **Change** |
|---|---|---|---|
| Revenue | 2,039.4 | 1,762.4 | 15.7% |
| Gross profit | 1,368.4 | 1,141.1 | 19.9% |
| Gross profit margin | 67.1% | 64.7% | 2.4 percentage points |
| Operating profit | 357.9 | 233.8 | 53.1% |
| Consolidated profit attributable to equity holders | 287.2 | 179.1 | 60.3% |
| Underlying profit attributable to equity holders | 185.1 | 152.8 | 21.1% |
| Final dividend (HKcents) | 9.0 | 8.7 | 3.4% |
| Special dividend (HKcents) | 11.0 | 1.5 | 6.3 times |
| Annual dividend pay-out ratio | 60.1% | 50.7% | 9.4 percentage points |

*Note:* *Underlying profit attributable to equity holders is an indicator of the sales performance of the Group's core footwear business, arrived at by deducting attributable profit of joint venture, rental income, profit arising from the disposal of a property and investment properties, net exchange gain, unrealized fair value gain on investment properties from profit for the year attributable to equity holders of the Company.*

**Gross Profit & Profitability Analysis**

During the year under review, the retail markets of Hong Kong and China remained weak. However, the Group has focused on the relatively stable mid-to-high-end footwear market for office ladies, where lower discount rates and less-frequent promotional activities are employed as compared to the market for low-to-mid-end products. Moreover, the Group has been consolidating its supply chain over the past two years to increase the weighting of replenishment orders and to boost the sales of new products by supplying more market-oriented merchandises. As a result, the Group recorded a gross profit of HK$1,368.4 million (2012/13: HK$1,141.1 million), representing a year-on-year growth of 19.9% that outpaced the growth rate of revenue. Gross profit margin was high at 67.1%, an improvement of 2.4 percentage points compared to last year.

Selling and distribution expenses increased by 17.9% year-on-year to HK$882.8 million (2012/13: HK$748.9 million) and outpaced the growth rate of revenue. In terms of sales ratio, selling and distribution expenses accounted for 43.3% of total revenue (2012/13: 42.5%), representing an increase of 0.8 percentage points, attributable mainly to the increase of front-line sales staff's salary and department stores' concessionaire expenses. Most of the stores of the Group in China are located in department stores whose concessionaire rates are raised every year. During the year under review, the increase of concessionaire rate slowed down as compared to the prior year. Rental expenses for lease renewal in Hong Kong also experienced significant increase in the past year. During the year under review, advertising and promotional expenses accounted for 2.6% of revenue, decreasing by 0.3 percentage point compared to the prior year. During the year, popular Asian movie star Mr. Louis Koo Tin Lok and latest pop diva G.E.M. (Miss Gloria Tang Tsz-kei) were engaged to be the brand representatives of le saunda and CNE, respectively. The engagements have enjoyed positive response from the market, resulting in better brand recognition and higher retail sales, which partially offset the impact of increase in advertising expenses.

General and administrative expenses increased by 25.3% to HK$238.3 million (2012/13: HK$190.2 million) compared to last year. General and administrative expenses as a percentage of total revenue increased to 11.7% (2012/13: 10.8%), representing a year-on-year increase of 0.9 percentage point. During the year under review, the Group recruited more professional personnel and expanded its office and warehouse operations to meet the development of existing business and e-commerce division.

Other gain grew by 3.1 times to HK$98.6 million (2012/13: HK$23.8 million). During the year under review, the Group disposed of a few properties in Hong Kong and booked net profit of HK$87.0 million. On the other hand, the revaluation gain on investment properties decreased by 62.3% to HK$6.1 million (2012/13: HK$16.2 million).

Driven by the growth in core footwear business and other non-recurring gains, consolidated profit attributable to equity holders of the Company, increased by 60.3% year-on-year to HK$287.2 million (2012/13: HK$179.1 million). Basic earnings per share increased by 60.3% year-on-year to HK44.92 cents (2012/13: HK28.02 cents). In return for the shareholders' trust and longstanding support, the Board recommended to declare a final dividend of HK9.0 cents and a special dividend of HK11.0 cents per ordinary share (2012/13: a final dividend of HK8.7 cents). Together with the interim dividend of HK7.0 cents, the total dividend for this fiscal year was HK27.0 cents per ordinary share, representing dividend payout ratio as high as 60.1% (2012/13: 50.7%).

**Income Tax Expense**

During the year under review, income tax expenses amounted to approximately HK$78.3 million (2012/13: HK$61.9 million), representing an increase of 26.5% 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 the Hong Kong business maintains at 16.5%. Pursuant to the Enterprise Income Tax Law of the People's Republic of China, a withholding income tax of 5-10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. As the weighting of profit contribution from China business has been increasing, effective income tax rate is expected to grow further.

In recognition of the Group's contributions to local economic development and the creation of job opportunities, the Group is entitled to some supportive and preferential policies by local governments in certain regions where the Group operates. The Group expects to credit certain local governmental incentives under "Other Income" for the fiscal year, although the overall tax rate will not be lowered. Taking into account the incentives of local governments, the effective tax rate of the Group would be approximately 25.9% (2012/13: 24.0%).

**Inventory & Supply Chain Management**

As at 28 February 2014, the Group's inventory balance was HK$483.6 million, up 3.0% from HK469.5 million as at the same date last year. Inventory turnover days remained at 220 days (28 February 2013: 220 days). A breakdown of inventory balance was as follows:

| HK$ (million) | As at 28 February 2014 | As at 28 February 2013 | Changes in value | Changes in % |
|---|---|---|---|---|
| Raw materials and work-in-progress | 67.6 | 74.9 | (7.3) | (9.7%) |
| Finished goods | 416.0 | 394.6 | 21.4 | 5.4% |
| Total | 483.6 | 469.5 | 14.1 | 3.0% |

During the year under review, the inventory of raw materials and work-in-progress decreased by 9.7% year-on-year, benefitting mainly from the more efficient supply chain. Inventory of finished goods increased slightly as compared to last year, and the growth pace was lower than that of total revenue, indicating the inventory management was improved. Moreover, the Group continued to maintain strict control over the stock age of its inventory. As at 28 February 2014, approximately 82% of the Group's finished goods were of stock aging less than one year.

**Liquidity and Financial Resources**

The Group's financial position remained very strong and healthy. As at 28 February 2014, the Group's cash and bank balance amounted to HK$696.2 million (28 February 2013: HK$435.7 million), an increase of 59.8% year-on-year. This was attributable to a one-off gains from the disposal of certain properties. Without the one-off gain, the cash and bank balance amounted to HK$594.6 million, representing an increase of 36.5% year-on-year. The quick ratio was 2.8 times (28 February 2013: 2.3 times). As at the fiscal year-end date, the Group had no bank loan (28 February 2013: HK$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 business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

During the year ended 28 February 2014, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity of less than one year.

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

## II. BUSINESS REVIEW

**Overall Retail Business**

During the year under review, retail business remained the Group's principal revenue contributor. Total revenue of the retail segment increased by 17.5% year-on-year to HK$2,028 million (2012/13: HK$1,726 million). The Group's retail business recorded growth both in China and Hong Kong and Macau, which was attributable mainly to continuing improvements in single-store performance. For the year under review, our same-store sales grew by 13.8% (2012/13: 6.1%). The contribution of the retail business to the Group's total revenue was increased to 99.4%, while the export business was further phased out.

| **Consolidated Revenue** | **Year ended 28 February 2014** *(HK$ million)* | **% to Total** | **Year ended 28 February 2013** *(HK$ million)* | **% to Total** | **Year-on-year Growth** *(%)* |
|---|---|---|---|---|---|
| Retail business: | | | | | |
| China | 1,793.5 | 87.9% | 1,519.6 | 86.2% | 18.0 |
| Hong Kong and Macau | 234.5 | 11.5% | 206.4 | 11.7% | 13.6 |
| Retail Sub-total | 2,028.0 | 99.4% | 1,726.0 | 97.9% | 17.5 |
| Export | 11.4 | 0.6% | 36.4 | 2.1% | (68.8) |
| Group's Total Revenue | 2,039.4 | 100.0% | 1,762.4 | 100.0% | 15.7 |

**Retail Network**

The China market remained the focus of the Group's retail business. As at 28 February 2014, the Group had a retail network comprising 928 outlets in China, Hong Kong and Macau, representing a net reduction of 56 outlets compared to the same date of the prior year. This was attributable to the restructuring of CNE brand that CNE stores were gradually closed when related leases expired. In order to increase single store performance, the core brand le saunda not only opened new stores with good potential but also closed down those underperforming stores.

As at 28 February 2014, the retail network breakdown by region was as follows:

| Number of Outlets by Region | Self-owned (Year-on-year change) | | Franchise (Year-on-year change) | | Total (Year-on-year change) | |
|---|---|---|---|---|---|---|
| China | 739 | (-56) | 167 | (-3) | 906 | (-59) |
| • Northern, Northeastern & Northwestern Regions | 187 | (-2) | 100 | (-4) | 287 | (-6) |
| • Eastern Region | 225 | (-24) | 2 | (-) | 227 | (-24) |
| • Central and Southwestern Regions | 138 | (-) | 49 | (+3) | 187 | (+3) |
| • Southern Region | 189 | (-30) | 16 | (-2) | 205 | (-32) |
| Hong Kong and Macau | 22 | (+3) | - | - | 22 | (+3) |
| Total | 761 | (-53) | 167 | (-3) | 928 | (-56) |

**Product Mix**

Ladies' footwear remained the major revenue contributor and growth engine by product category. During the year under review, revenue from ladies' footwear grew by 19.1% year-on-year and accounted for 78.6% of the Group's retail revenue, representing an year-on-year increase of 1.2 percentage points. Revenue from men's footwear rose by 7.2% year-on-year but its share of the Group's retail revenue declined slightly to 12.8%. Meanwhile, sales revenue from handbags and accessories increased by 17.0% year-on-year, which was attributable to the Group's increased supply of handbags with greater variety in designs.

| Product Category | Year-on-year Growth (%) | Sales Mix for the year ended 28 February 2014 (%) | Sales Mix for the year ended 28 February 2013 (%) | Change |
|---|---|---|---|---|
| Ladies' Footwear | 19.1 | 78.6 | 77.4 | 1.2 percentage points |
| Men's Footwear | 7.2 | 12.8 | 14.0 | (1.2) percentage points |
| Handbags and Accessories | 17.0 | 8.6 | 8.6 | - |
| Total | | 100.0 | 100.0 | |

## China

In 2013, China's GDP growth was 7.7%, the lowest growth rate reported for more than a decade. Total retail sales of consumer goods grew at a nominal rate of 13.1% while urban disposal income per capita increased by 9.7% year-on-year. The further slowing down of growth rates indicated continued weakness in the retail market, resulting in a difficult operational environment to retailers. Notwithstanding, the Group reported a year-on-year increase of 18.0% to HK$1,793.5 million in retail sales in China, thanks to its strategies introduced two years ago to stay focused on its core business with a special emphasis on improving single store performance and leveraging its brand awareness. This sales growth was attributable mainly to three factors: Firstly, store optimization was conducted to phase out stores with low single-store profitability, resources were re-allocated to stores with sound performance to attain stronger single-store profitability and more effective deployment of staff and products. Secondly, product supply was enhanced and continuous improvements were made to the supply chain through several measures, such as reducing the weighting of first orders and supplying popular items on an ongoing basis, which was the main reason of the substantial increase in gross profit margin. Moreover, a product planning team was in place to add new varieties to best-selling items, ensuring that trendy elements were featured to enhance creativity in style. Thirdly, we have focused on the development of our three main brands through enhancement of the uniqueness of their brand positioning in the market.

As at the end of the year under review, the core brand le saunda had 665 outlets, representing an addition of 53 outlets as compared to that of last year. The total number of stores of le saunda MEN was 88, which was 18 less as compared to that of last year. Enjoying strong market recognition since its launch more than 2 years ago, Linea Rosa, our high-end fashion brand, operated 23 outlets in various prime shopping malls as at the end of the year under review.

## Hong Kong and Macau

During the year under review, Mainland tourists under the Individual Visit Scheme remained a major driving force for Hong Kong's retail market, although they appeared to be more cautious in spending. Notwithstanding, the Group reported solid performance in its retail businesses in Hong Kong and Macau, with sales rising by 13.6% year-on-year to HK$234.5 million, driven mainly by sales from outlets in tourist areas such as in Tsimshatsui. During the year under review, 3 new outlets were opened in Hong Kong and Macau to take the total number of outlets to 22, including 9 street stores and 13 stores located in shopping malls.

## E-commerce Business

E-commerce has quickly emerged in China in recent years. According to statistics announced by the PRC Ministry of Commerce, online purchases in China grew by 31.9% in 2013, a growth rate significantly higher than that of physical purchases. The Group's e-commerce business has developed rapidly since its debut three years ago and the Group has already accumulated adequate experience in online sales. Revenue from our e-commerce business for the year under review increased by over 117% year-on-year.

*Transformation of CNE into an online brand*

The Group is well aware that social networking platforms and shopping websites will have an impact on future consumption patterns and distribution channels. To build up an online brand will inevitably compromise the offline sales operations. In line with its decision to develop its e-commerce operation vigorously, the Group has decisively closed its physical CNE stores. During the year under review, there was a net closure of 105 CNE outlets. As at the end of February this year, there were 57 CNE outlets, which are planned to be closed in the coming year.

New CNE products were launched online at competitive prices, with the aim of passing the saved operating cost to end-consumers and allowing customers to buy premium genuine leather shoes at bargain prices. The new CNE adopted a fast fashion model to maintain continuous supply of new products to the market. Same marketing strategies were applied to online and offline operations, with the aim of directing online consumers to offline stores and ultimately achieving mutually supportive development for both online and offline operations. On February 14, the new CNE was relaunched on the electronic platform and received overwhelming response. In April this year, the Group transformed its CNE store at May Flower Plaza in Guangzhou to greet customers in a new image, providing online and offline services simultaneously.

*E-commerce business of le saunda*

Since starting e-commerce business in 2011, the Group has focused on cooperation with sophisticated platforms. This business model not only secured customer base from the platforms but also allowed the Group to deploy its resources more efficiently. As a result, the e-commerce business has contributed considerable growth in profit in the last three years. In fiscal year 2013/14, e-commerce sales, derived mainly from le saunda brand, grew by 117%. Offline outlets will remain the core channel for le saunda, although the development of online channels is set to become the prevailing trend, which will be conducive to explore markets in remote cities and townships in future. To mitigate the impact of e-commerce on the offline business, the Group has enhanced exclusive designs for e-commerce and supplied different styles for the online and offline markets, with a view to avoiding cannibal effect on both business models.

**Export Business**

For the year under review, the Group's overall export revenue decreased substantially by 68.8% to HK$11.4 million (2012/13: HK$36.4 million), which accounted for 0.6% of the Group's total revenue (2012/13: 2.1%). The drop was mainly attributable to the Group's move to focus on its retail business.

## III. FUTURE OUTLOOK AND LONG-TERM STRATEGIES

The further slowdown in China's economic growth in the past year signifies the end of a high-growth period for the retail sector. Traditional department stores are losing their customers, so retailers must enhance their competitiveness instead of resorting to the opening of new stores to achieve growth. The Group remains cautiously optimistic about the coming year, with the view that opportunities always exists amid crises. In the face of adverse business conditions, we must enhance our competitiveness in order to foster a firm foundation for sustainable and stable development in the future. As such, the Group will continue to focus on the healthy development of its three major brands in adherence to the principle of offering shoes of superb quality and attractive styles, optimizing its management structure and improving its efficiency in a dedicated effort to sustain long-term stable growth in its core businesses.

### Brand Planning

The Group focuses on the development of its three main brands and enhances the uniqueness of their brand positioning in the market to maintain its competitive edge. Famous movie stars have been invited to become brand representatives of le saunda to highlight its brand positioning for elites; while trendy pioneers and fashion models have been invited to exchange design ideas with our trendsetter brand, Linea Rose, and CNE has been transformed into a fast fashion model offering quality products at reasonable prices.

As the core brand of the Group, le saunda has always enjoyed a sound reputation in the mid-to-high-end market. As the Group has successfully been transformed from a retailer to a brand operator, the brand value of le saunda brand has enhanced its customer loyalty, and its ladies' and men's series have both won wide market recognition as a result. In the coming year, le saunda will continue to optimize its product mix and increase the sales of popular items at higher margin. Further efforts will be made in store optimization to enhance the efficiency and profitability of individual stores, while we will continue to increase brand recognition by leveraging the celebrity effect. In connection with channel development, with a view to optimizing the operating system and improving marketing efficiency, the weighting of self-owned outlet will be increased in future. Though department stores have been undergoing a difficult period in recent years, department stores remain a key offline channel for expansion into second- and third-tier cities. Meanwhile, the Group will also establish multi-brands shops in shopping malls in first-tier cities to showcase a better brand image and a wide range of products. Currently, our e-commerce sales is mainly from le saunda brand, which is conducive to e-commerce business development because of its nationwide reputation. The Group is aware that offline business will remain the principal source of profit, therefore exclusive series are developed for online business to increase product differentiation from the offline business, with a view to achieving mutual beneficial development of both online and offline operations.

le saunda MEN elevated its positioning as a mild luxury brand for fashionable urban elites and enhanced its most comfortable business series that highlights the shrewdness of successful businessmen. The brand does not have many direct competitors in the market. The brand recognition has been enhanced following the invitation of celebrities as brand representatives since the Fall/Winter season of 2012, complemented by various types of fashion shows. In 2013, the Group completed the design of new store image for le saunda MEN, which has further enhanced the uniqueness and flair of the brand. In the future, le saunda MEN's outlets will welcome its patrons in the new image and enhance its business elite and casual footwear series with higher quality, underpinning bright prospects for the development of men's footwear segment.

The rapid development of e-commerce and the changing patterns of consumption are threatening sales of local brands in physical stores, with a particularly profound impact on mid-to-low-end brands. With the belief that opportunities always exist amid crises and that boundless opportunities are available online, the Group has resolved to convert its mid-end brand CNE to an internet-oriented brand with the aim of delivering maximum long-term benefits to shareholders. The new CNE has been relaunched in a young and fashionable image, offering genuine leather products with superb quality at attractive prices. Apart from online sales on large e-commerce platforms, we are also targeting to open physical image stores at shopping malls in first-tier cities, aiming to direct online sales to offline sales, or even attaining the mutually beneficiary development of both online and offline operations.

Since its launch in the Fall/Winter season of 2011, Linea Rosa, our high-end fashion brand, has been well received by the market and a loyal customer base has been formed. As at the end of February 2014, there were 26 Linea Rosa outlets, which reported the highest single-store sales growth among all brands of the Group. The Group is of the view that Linea Rosa has grown into a mature name in terms of brand recognition and market perception. Given the fact that an offline operation is more favourable for high-end brands, Linea Rosa will be mainly involved in the offline business in the future, and will open self-owned outlets in premium department stores and shopping malls.

**Optimizing Management Structure and Enhancing Operating Efficiency**

Following a range of reforms over the past two years, the Group has reported satisfactory same-store sales growth for six consecutive quarters. In the future, the Group will continue to consolidate its reforms and enhance its core competitiveness to achieve long-term development of its core footwear business.

Our business focus for the coming year will remain on store optimization and improvement of single-store performance. Meanwhile, the Group, leveraging the restructuring of CNE brand, will commit strong efforts to the development of online sales, with the aim of achieving parallel development of physical stores and e-commerce.

Product and inventory management is crucial for the success of a fashion brand. The Group has always adhered to the principle of offering products with superb quality and attractive styles. To achieve a continuous improvement of product quality, we have always emphasized the importance of enhancing production skills and quality control. Having delivered satisfactory results on the back of merchandising reforms in last year, the Group will continue in the future to strengthen its product and inventory management. Through product development and segmented product offerings, the Group aims to increase sales by supplying products that the market demands. By these means, gross profit should be increased, inventory mix should become more healthy with shortened inventory turnover days.

The Group has always regarded its brands as long-term assets and has been constantly committed to the enhancement of market awareness and recognition for its existing brands. The Group will continue to improve its three leading brands' added value, uniqueness and differentiation, in a bid to increase the brands' influence and customer loyalty so as to become consumers' first choices for premium footwear.

Though the macro-economy remains weak with little signs of recovery in retail market in Hong Kong and the PRC, the Group believes that a vision for the future, a clear development direction, high-calibre personnel, premium products, and an updated management framework will be the key to success. In the coming year, the Group will assess the abilities of various internal systems to support its future development, especially in relation to the IT system, production capacity & supply chains and middle management training system. The Group will persist in ongoing optimization and pursue healthy and sustainable development in line with its upheld principle of "conservative development and steady progress".

**PLEDGE OF ASSETS**

As at 28 February 2014, bank deposits of HK$3.0 million (28 February 2013: HK$2.9 million) have been pledged as rental deposits for certain subsidiaries of the Group.

**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$230.0 million (28 February 2013: HK$230.0 million), of which HK$5.6 million (28 February 2013: HK$9.4 million) was utilised as at 28 February 2014.

**DIVIDEND**

The Board has recommended to declare a final dividend of HK9.0 cents and a special dividend of HK11.0 cents per ordinary share for the year ended 28 February 2014 (2013: a final dividend of HK8.7 cents) to the shareholders of the Company (the "Shareholders") whose names appear on the Register of Members of the Company on Tuesday, 15 July 2014. The final dividend and the special dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting (the "AGM") of the Company and is expected to be paid on or around Wednesday, 23 July 2014.

The Board declared the payment of an interim dividend of HK7.0 cents per ordinary share for the six months ended 31 August 2013 (2013: interim dividend of HK4.0 cents and special dividend of HK1.5 cents).

## EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2014, the Group had a staff force of 5,446 people (28 February 2013: 5,453 people). Of this number, 187 were based in Hong Kong and Macau and 5,259 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 staff costs for the twelve months ended 28 February 2014, including Directors' emoluments, net pension contributions and the value of employee services, amounted to HK$454.5 million (2013: HK$378.0 million). 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.

## 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 2014.

## AUDIT COMMITTEE

During the year, the audit committee (the "Audit Committee") of the Board 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, internal control and risk management 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 websites of the Stock Exchange and the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, reviewed the annual results of the Group for the year ended 28 February 2014 and discussed the overall effectiveness of the internal control system of the Group with the management of the Company.

## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM of the Company is scheduled to be held on Monday, 7 July 2014. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 4 July 2014 to Monday, 7 July 2014 (both days inclusive) during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 3 July 2014.

## CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND AND SPECIAL DIVIDEND

The proposed final dividend and special dividend are subject to the approval of the Shareholders at the AGM. The record date for entitlement to the proposed final dividend and special dividend is 15 July 2014. In order to ascertain the entitlement to the proposed final dividend and special dividend for the year ended 28 February 2014, the register of members of the Company will be closed from Monday, 14 July 2014 to Tuesday, 15 July 2014 (both days inclusive) during which no transfer of shares will be registered. The last day for dealing in Shares cum entitlements to the proposed final dividend and special dividend for the year ended 28 February 2014 will be Wednesday, 9 July 2014. In order to qualify for the proposed final dividend and special dividend for the year ended 28 February 2014, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 July 2014.

## CODE ON CORPORATE GOVERNANCE PRACTICES

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 the Shareholders and create values for the Shareholders.

During the year, the Company has complied with the provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on 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 another business engagement, Mr. Lee Tze Bun, Marces, a non-executive Director, was unable to attend the annual general meeting of the Company held on 15 July 2013.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its 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.

## 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 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 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 2014 and up to the date of this announcement.

## PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 28 February 2014 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) in due course on or before 30 June 2014.


## 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
**Le Saunda Holdings Limited**
**James Ngai**
*Chairman*

Hong Kong, 26 May 2014

*As at the date of this announcement, the Company's executive Directors are Ms. Lau Shun Wai, Ms. Wong Sau Han, Ms. Chu Tsui Lan and Ms. An You Ying; non-executive Directors are Mr. James Ngai and Mr. Lee Tze Bun, Marces; 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.)*