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le saunda holdings ltd.

萊爾斯丹控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00738)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2021**

| FINANCIAL HIGHLIGHTS | | Six months ended | | Change | Change in % |
|--|--------------------|-------------------------|-------------|---------------|------------------------|
| | | 2021 | 2020 | | |
| Revenue | <i>RMB million</i> | 279.5 | 260.7 | 18.8 | 7.2 |
| Gross profit | <i>RMB million</i> | 168.0 | 163.8 | 4.2 | 2.6 |
| Operating loss | <i>RMB million</i> | (1.2) | (26.2) | | |
| Loss attributable to owners of the Company | <i>RMB million</i> | (2.2) | (29.8) | | |
| Gross profit margin | <i>Percentage</i> | 60.1 | 62.8 | | |
| Operating margin | <i>Percentage</i> | (0.4) | (10.1) | | |
| Net margin attributable to owners of the Company | <i>Percentage</i> | (0.8) | (11.4) | | |
| Basic loss per share | <i>RMB cents</i> | (0.32) | (4.22) | | |
| Dividend per share | | | | | |
| - interim | <i>HK cents</i> | - | - | | |
| - interim special | <i>HK cents</i> | - | 5.0 | | |

* For identification purpose only

The board (the “Board”) of directors (the “Directors”) of Le Saunda Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 31 August 2021. The unaudited condensed consolidated interim results for the six months ended 31 August 2021 have not been audited by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2021

| | | Unaudited | |
|--|------|----------------------------|-----------|
| | | Six months ended 31 August | |
| | | 2021 | 2020 |
| | Note | RMB’000 | RMB’000 |
| Revenue | 4 | 279,544 | 260,713 |
| Cost of sales | 6 | (111,514) | (96,926) |
| Gross profit | | 168,030 | 163,787 |
| Other income | 5 | 2,096 | 7,291 |
| Other gain and loss, net | 5 | (112) | 1,384 |
| Selling and distribution expenses | 6 | (123,637) | (114,426) |
| General and administrative expenses | 6 | (47,569) | (84,250) |
| Operating loss | | (1,192) | (26,214) |
| Finance income, net | 7 | 3,585 | 2,189 |
| Profit/(loss) before income tax | | 2,393 | (24,025) |
| Income tax expense | 8 | (4,875) | (5,865) |
| Loss for the period | | (2,482) | (29,890) |
| Loss for the period attributable to: | | | |
| - owners of the Company | | (2,230) | (29,795) |
| - non-controlling interest | | (252) | (95) |
| | | (2,482) | (29,890) |
| Loss per share attributable to owners of the Company (express in RMB cents) | | | |
| - Basic | 9 | (0.32) | (4.22) |
| - Diluted | 9 | (0.32) | (4.22) |
| Dividend | 10 | - | 32,204 |

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 31 August 2021

| | Unaudited | |
|--|-----------------------------------|------------------------|
| | Six months ended 31 August | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss for the period | <u>(2,482)</u> | <u>(29,890)</u> |
| Other comprehensive loss | | |
| <i>Item that will be reclassified to profit or loss</i> | | |
| - Currency translation differences | <u>(248)</u> | <u>(7,893)</u> |
| Other comprehensive loss for the period | <u>(248)</u> | <u>(7,893)</u> |
| Total comprehensive loss for the period | <u><u>(2,730)</u></u> | <u><u>(37,783)</u></u> |
| Total comprehensive loss for the period, attributable to: | | |
| - owners of the Company | <u>(2,478)</u> | <u>(37,688)</u> |
| - non-controlling interest | <u>(252)</u> | <u>(95)</u> |
| | <u><u>(2,730)</u></u> | <u><u>(37,783)</u></u> |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2021

| | <i>Note</i> | Unaudited 31 August 2021 RMB'000 | Audited 28 February 2021 RMB'000 |
|---|-------------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Investment property | | 2,360 | 2,360 |
| Property, plant and equipment | | 82,991 | 81,420 |
| Right-of-use assets | | 43,157 | 34,439 |
| Long-term deposits and prepayments | | 1,511 | 1,485 |
| Deferred income tax assets | | 29,701 | 29,619 |
| | | <u>159,720</u> | <u>149,323</u> |
| Current assets | | | |
| Inventories | | 178,396 | 152,596 |
| Trade receivables and other receivables | 11 | 43,023 | 57,329 |
| Deposits and prepayments | | 42,856 | 40,287 |
| Pledged bank deposit | | 664 | 661 |
| Cash and bank balances | | 504,920 | 754,882 |
| | | <u>769,859</u> | <u>1,005,755</u> |
| Total assets | | <u><u>929,579</u></u> | <u><u>1,155,078</u></u> |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | | 59,979 | 59,979 |
| Reserves | | | |
| Proposed dividends | | - | 294,589 |
| Others | | 641,325 | 643,109 |
| | | <u>701,304</u> | <u>997,677</u> |
| Non-controlling interest | | <u>9,414</u> | <u>10,270</u> |
| Total equity | | <u><u>710,718</u></u> | <u><u>1,007,947</u></u> |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)*As at 31 August 2021*

| | | Unaudited | Audited |
|---|-------------|------------------|----------------|
| | | 31 August | 28 February |
| | | 2021 | 2021 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 17,072 | 24,197 |
| Lease liabilities | | 16,939 | 10,723 |
| | | 34,011 | 34,920 |
| Current liabilities | | | |
| Trade payables, other payables and contract liabilities | <i>12</i> | 120,789 | 95,543 |
| Lease liabilities | | 18,832 | 16,184 |
| Current income tax liabilities | | 3,747 | 484 |
| Short-term bank loan | <i>13</i> | 41,482 | - |
| | | 184,850 | 112,211 |
| Total liabilities | | 218,861 | 147,131 |
| Total equity and liabilities | | 929,579 | 1,155,078 |

NOTES:

1 GENERAL INFORMATION

Le Saunda Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in trading and sales of footwear and accessories. The Group mainly operates in Mainland China, Hong Kong and Macau.

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

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

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 October 2021.

This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s Audit Committee.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2021 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, ‘Interim Financial Reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 28 February 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the condensed consolidated interim financial information for the six months ended 31 August 2021 are consistent with those adopted in the consolidated financial statements for the year ended 28 February 2021, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

| | |
|---|--|
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendment) | Interest Rate Benchmark Reform – Phase 2 |
| HKFRS 16 (Amendment) | Covid-19-Related Rent Concessions |

The adoption of these new or amended standards listed above did not have any material impact on the Group’s accounting policies.

4 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 perspective and assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau respectively). 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/(loss). This measurement basis excludes other income (excluding government incentives), other gain and loss, net, finance income, net, and unallocated items.

Segment assets mainly exclude deferred income tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude current income tax liabilities, deferred income tax liabilities and other liabilities that are managed on a central basis.

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

- (i) The segment information provided to the executive Directors for the reportable segments for the six months ended 31 August 2021 is as follows:

| | Unaudited | | |
|---|--|--|--------------------------|
| | Six months ended 31 August 2021 | | |
| | Mainland China RMB'000 | Hong Kong and Macau RMB'000 | Total RMB'000 |
| Revenue from external customers | <u>275,406</u> | <u>4,138</u> | <u>279,544</u> |
| Reportable segment profit/(loss) | <u>2,573</u> | <u>(3,639)</u> | <u>(1,066)</u> |
| Other income (excluding government incentives) | | | - |
| Other loss, net | | | (112) |
| Finance income, net | | | 3,585 |
| Unallocated items | | | <u>(14)</u> |
| Profit before income tax | | | 2,393 |
| Income tax expense | | | <u>(4,875)</u> |
| Loss for the period | | | <u>(2,482)</u> |
| Depreciation and amortisation | <u>14,757</u> | <u>2,412</u> | <u>17,169</u> |
| Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments) | <u>28,365</u> | <u>-</u> | <u>28,365</u> |

The segment information provided to the executive Directors for the reportable segments for the six months ended 31 August 2020 is as follows:

| | Unaudited | | |
|---|-------------------------------------|--|-------------------------|
| | Six months ended 31 August 2020 | | |
| | Mainland China <i>RMB'000</i> | Hong Kong and Macau <i>RMB'000</i> | Total <i>RMB'000</i> |
| Revenue from external customers | <u>255,644</u> | <u>5,069</u> | <u>260,713</u> |
| Reportable segment loss | <u>(22,529)</u> | <u>(5,091)</u> | (27,620) |
| Other income (excluding government incentives) | | | 43 |
| Other gain, net | | | 1,384 |
| Finance income, net | | | 2,189 |
| Unallocated items | | | <u>(21)</u> |
| Loss before income tax | | | (24,025) |
| Income tax expense | | | <u>(5,865)</u> |
| Loss for the period | | | <u>(29,890)</u> |
| Depreciation and amortisation | <u>15,011</u> | <u>4,229</u> | <u>19,240</u> |
| Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments) | <u>2,359</u> | <u>4,474</u> | <u>6,833</u> |

For the six months ended 31 August 2021 and 31 August 2020, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and CNE.

An analysis of the Group's assets and liabilities as at 31 August 2021 by reportable segment is set out below:

| | Unaudited | | |
|--|---------------------------------------|--|--------------------------|
| | As at 31 August 2021 | | |
| | Mainland China RMB'000 | Hong Kong and Macau RMB'000 | Total RMB'000 |
| Segment assets | <u>745,308</u> | <u>133,602</u> | 878,910 |
| Deferred income tax assets | | | 29,701 |
| Unallocated assets | | | <u>20,968</u> |
| Total assets per condensed consolidated interim balance sheet | | | <u>929,579</u> |
| Segment liabilities | <u>148,583</u> | <u>49,207</u> | 197,790 |
| Current income tax liabilities | | | 3,747 |
| Deferred income tax liabilities | | | 17,072 |
| Unallocated liabilities | | | <u>252</u> |
| Total liabilities per condensed consolidated interim balance sheet | | | <u>218,861</u> |

An analysis of the Group's assets and liabilities as at 28 February 2021 by reportable segment is set out below:

| | Audited | | Total <i>RMB'000</i> |
|---|-------------------------------------|--|-------------------------|
| | As at 28 February 2021 | | |
| | Mainland China <i>RMB'000</i> | Hong Kong and Macau <i>RMB'000</i> | |
| Segment assets | <u>771,805</u> | <u>327,433</u> | 1,099,238 |
| Deferred income tax assets | | | 29,619 |
| Unallocated assets | | | <u>26,221</u> |
| Total assets per consolidated balance sheet | | | <u><u>1,155,078</u></u> |
| Segment liabilities | <u>111,381</u> | <u>10,805</u> | 122,186 |
| Current income tax liabilities | | | 484 |
| Deferred income tax liabilities | | | 24,197 |
| Unallocated liabilities | | | <u>264</u> |
| Total liabilities per consolidated balance sheet | | | <u><u>147,131</u></u> |

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

REVENUE

| | Unaudited | |
|----------------|----------------------------|------------------------|
| | Six months ended 31 August | |
| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
| Mainland China | 275,406 | 255,644 |
| Hong Kong | 3,435 | 4,324 |
| Macau | <u>703</u> | <u>745</u> |
| Total | <u><u>279,544</u></u> | <u><u>260,713</u></u> |

For the six months ended 31 August 2021 and 31 August 2020, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

NON-CURRENT ASSETS

| | Unaudited 31 August 2021 RMB'000 | Audited 28 February 2021 RMB'000 |
|----------------|---|---|
| Mainland China | 62,363 | 48,258 |
| Hong Kong | 522 | 3,893 |
| Macau | 67,134 | 67,553 |
| | <hr/> | <hr/> |
| Total | 130,019 | 119,704 |
| | <hr/> <hr/> | <hr/> <hr/> |

5 OTHER INCOME AND OTHER GAIN AND LOSS, NET

| | Unaudited Six months ended 31 August 2021 RMB'000 | 2020 RMB'000 |
|--|--|-----------------|
| Other income | | |
| Gross rental income from investment property | - | 43 |
| Government incentives | 2,096 | 7,248 |
| | <hr/> | <hr/> |
| | 2,096 | 7,291 |
| Other gain and loss, net | | |
| Net exchange (loss)/gain (<i>Note</i>) | (112) | 1,384 |
| | <hr/> | <hr/> |
| | 1,984 | 8,675 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

Net exchange gain or loss arose from the settlement of transactions denominated in foreign currencies and from the translation at period-end exchange rates of monetary assets and liabilities, including inter-company balances, denominated in foreign currencies.

6 EXPENSES BY NATURE

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

| | Unaudited | |
|---|----------------------------|----------------|
| | Six months ended 31 August | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Auditors' remuneration | 724 | 1,038 |
| Depreciation of property, plant and equipment | 6,217 | 7,847 |
| Depreciation of right-of-use assets | 10,952 | 11,393 |
| Loss on disposal of property, plant and equipment | 393 | 2,527 |
| Costs of sales | 111,514 | 96,926 |
| Expenses relating to short-term leases and variable lease payments | 45,652 | 40,348 |
| Freight charges | 3,414 | 2,897 |
| Postage and express charges | 916 | 1,162 |
| Advertising and promotional expenses | 8,580 | 8,167 |
| Employee benefit expenses (including directors' emoluments and value of employees services) | 72,266 | 107,088 |
| (Write back of impairment)/impairment losses on inventories | (806) | 2,448 |
| Impairment losses on trade receivables | 370 | 838 |

7 FINANCE INCOME, NET

| | Unaudited | |
|--|----------------------------|----------------|
| | Six months ended 31 August | |
| | 2021 | 2020 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest income on bank deposits | 4,382 | 2,802 |
| Interest expense on lease liabilities | (731) | (613) |
| Interest expense on short-term bank loan | (66) | - |

8 INCOME TAX EXPENSE

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

| | Unaudited | |
|---|-----------------------------------|---------------------|
| | Six months ended 31 August | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Current income tax | | |
| People's Republic of China ("the PRC") corporate income tax | 12,089 | (1,147) |
| Deferred income taxation | <u>(7,214)</u> | <u>7,012</u> |
| | <u>4,875</u> | <u>5,865</u> |

No provision for Hong Kong profits tax has been made during the period (2020: Nil).

The PRC corporate income tax is provided for on the profits of the Group's subsidiaries in the PRC at 25% (2020: 25%).

9 LOSS PER SHARE

Basic

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

| | Unaudited | |
|---|-----------------------------------|------------------------|
| | Six months ended 31 August | |
| | 2021 | 2020 |
| Loss attributable to owners of the Company (<i>RMB'000</i>) | <u>(2,230)</u> | <u>(29,795)</u> |
| Weighted average number of ordinary shares in issue (<i>'000</i>) | <u>705,895</u> | <u>705,895</u> |
| Basic loss per share (<i>RMB cents</i>) | <u>(0.32)</u> | <u>(4.22)</u> |

Diluted

For the six months ended 31 August 2021 and 31 August 2020, the diluted loss per share were the same as the basic loss per share as the Company's share options outstanding during the period were anti-dilutive potential ordinary shares.

10 DIVIDEND

| | Unaudited | |
|--|-----------------------------------|----------------|
| | Six months ended 31 August | |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| No interim dividend (six months ended 31 August 2020: No interim dividend) | - | - |
| No interim special dividend (six months ended 31 August 2020: Interim special dividend of HK5.0 cents) per ordinary share | - | 32,204 |

A final and final special dividends of approximately RMB293,895,000 that related to the financial year ended 28 February 2021 were paid in July 2021 (2020: Nil).

At the Board of Directors' meeting held on 25 October 2021, the Board did not recommend the payment of an interim dividend for the six months ended 31 August 2021.

11 TRADE RECEIVABLES AND OTHER RECEIVABLES

The ageing analysis of the trade receivables, net of provision, based on invoice date is as follows:

| | Unaudited | Audited |
|-----------------------------------|------------------|--------------------|
| | 31 August | 28 February |
| | 2021 | 2021 |
| | RMB'000 | RMB'000 |
| Trade receivables (<i>Note</i>) | | |
| Current to 30 days | 36,707 | 48,420 |
| 31 to 60 days | 2,403 | 3,641 |
| 61 to 90 days | 1,197 | 1,661 |
| Over 90 days | 936 | 1,231 |
| | 41,243 | 54,953 |
| Other receivables | 1,780 | 2,376 |
| Total | 43,023 | 57,329 |

Note:

The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days from the invoice date.

The carrying amounts of trade receivables 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.

12 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

The ageing analysis of the trade payables based on invoice date is as follows:

| | Unaudited 31 August 2021 <i>RMB'000</i> | Audited 28 February 2021 <i>RMB'000</i> |
|--------------------------------|---|--|
| Trade payables (<i>Note</i>) | | |
| Current to 30 days | 52,027 | 18,455 |
| 31 to 60 days | 1,011 | 1,801 |
| 61 to 90 days | 22 | - |
| 91 to 120 days | - | - |
| Over 120 days | 342 | 94 |
| | 53,402 | 20,350 |
| Other payables | 46,592 | 52,216 |
| Value added tax payables | 9,886 | 12,831 |
| Contract liabilities | 10,909 | 10,146 |
| Total | 120,789 | 95,543 |

Note:

The credit periods granted by suppliers are generally ranged from 7 to 60 days.

The carrying amounts of trade payables, other payables, value added tax payables and contract liabilities approximate their fair values.

13 SHORT-TERM BANK LOAN

The analysis of the carrying amount of short-term bank loan is as follows:

| | Unaudited 31 August 2021 <i>RMB'000</i> | Audited 28 February 2021 <i>RMB'000</i> |
|---|---|--|
| Unsecured and repayable within 1 year or on demand | 41,482 | - |

The short-term bank loan is denominated in HK\$, unsecured, bears average interest rate at 1.35% per annum and repayable within 1 year or on demand.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OPERATING RESULTS

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

In the first half of fiscal year 2021/22, total revenue of the Group increased by 7.2% year-on-year to RMB279,500,000 (2020/21: RMB260,700,000). Consolidated gross profit increased by 2.6% year-on-year to RMB168,000,000 (2020/21: RMB163,800,000). The Group recorded an overall gross profit margin of 60.1%, representing a decrease of 2.7 percentage points as compared to the corresponding period in the last financial year. During the period, consolidated loss attributable to owners of the Company was RMB2,200,000 (2020/21: consolidated loss of RMB29,800,000).

| RMB (million) | 1H 2021/22 | 1H 2020/21 | Change |
|--|-------------------|-------------------|-------------------------|
| Revenue | 279.5 | 260.7 | 7.2% |
| Gross profit | 168.0 | 163.8 | 2.6% |
| Gross profit margin | 60.1% | 62.8% | (2.7 percentage points) |
| Consolidated loss attributable to owners | (2.2) | (29.8) | |
| Basic loss per share (RMB cents) | (0.32) | (4.22) | |
| Interim dividend (HK cents) | - | - | |
| Interim special dividend (HK cents) | - | 5.0 | |
| Dividend pay-out ratio | N/A | N/A | |

PROFITABILITY ANALYSIS

During the period under review, the substantially similar year-on-year store number of the Group, coupled with the gradual improvement in single retail store sales in the PRC, have contributed to a year-on-year increase of 7.2% in the Group's overall revenue to RMB279,500,000 (2020/21: RMB260,700,000) and a year-on-year increase of 2.6% in consolidated gross profit to RMB168,000,000 (2020/21: RMB163,800,000). The Group recorded an overall gross profit margin of 60.1%, representing a decrease of 2.7 percentage points compared to the corresponding period in the last financial year.

The Group has been exercising strict control over various selling expenses. During the period, selling and distribution expenses increased by 8.0% year-on-year to RMB123,600,000 (2020/21: RMB114,400,000). The ratio of selling and distribution expenses to total revenue increased by 0.3 percentage point to 44.2% (2020/21: 43.9%). Such increase was mainly attributable to a year-on-year increase in the Group's revenue and an increase in the cost of the Group's sales personnel due to the cessation of the subsidising policies of local government in the PRC in response to the COVID-19 pandemic.

In May 2020, the Group ceased all production activities at Shunde factory, resulting in a one-off staff redundancy cost of approximately RMB37,000,000 which was accounted for in the first half of last year. Therefore, general and administrative expenses decreased by 43.5% to RMB47,600,000 as compared to the corresponding period of last year (2020/21: RMB84,300,000). General and administrative expenses as a percentage of total revenue decreased by 15.3 percentage points to 17.0% (2020/21: 32.3%).

Other income decreased by 71.3% to RMB2,100,000 (2020/21: RMB7,300,000) as compared to the corresponding period of last year, which was mainly due to the one-off incentives received from local governments in last year. Other loss was mainly represented by the foreign exchange difference of approximately RMB100,000 (2020/21: gain of RMB1,400,000).

Overall, during the first half of financial year 2021/22, the consolidated loss attributable to owners of the Company was RMB2,200,000 (2020/21: loss of RMB29,800,000). Basic loss per share was RMB0.32 cent (2020/21: loss of RMB4.22 cents). The Board did not recommend the payment of an interim dividend (2020/21: an interim special dividend of HK5.0 cents).

INCOME TAX EXPENSE

During the period under review, income tax expense amounted to approximately RMB4,900,000 (2020/21: RMB5,900,000), representing a decrease of 16.9% 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 operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law 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. Excluding the effects of the items not subject to taxation, the effective income tax rate of the Group was 29.5% (2020/21: 27.5%).

INVENTORY MANAGEMENT

As at 31 August 2021, the Group's inventory balance was RMB178,400,000, representing a decrease of 20.1% as compared to the inventory balance of RMB223,200,000 of the corresponding date of last year. Inventory turnover of finished goods decreased by 108 days to 288 days (31 August 2020: 396 days).

A breakdown of inventory balance was as follows:

| RMB (million) | As at 31 August 2021 | As at 31 August 2020 | Changes in value | Changes in % |
|---------------------------------------|-------------------------|-------------------------|----------------------|-----------------------|
| Raw materials and work-in-progress | - | 1.2 | (1.2) | (100.0%) |
| Finished goods | <u>178.4</u> | <u>222.0</u> | <u>(43.6)</u> | <u>(19.6%)</u> |
| Total | <u>178.4</u> | <u>223.2</u> | <u>(44.8)</u> | <u>(20.1%)</u> |

The Group has adopted a prudent strategy towards inventory management since the outbreak of the pandemic in early 2020 by vigorously clearing off-season inventory during the period on one hand and appropriately increasing new purchases for the coming season on the other, so as to meet the anticipated market demand when the pandemic subsides. Nevertheless, the Group will, as usual, maintain strict control on the ageing of inventory. As at 31 August 2021, 65% of the Group's inventory of finished goods aged less than one year (31 August 2020: 54%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2021, the Group's cash and bank balance amounted to RMB504,900,000 (28 February 2021: RMB754,900,000). Despite the continued slowdown of the retail market, the cash flow remained steady. If necessary, the Group finances its operations by banking facilities provided by its principal bankers in Hong Kong including but not limited to revolving loans and trade finance, which are primarily on floating interest rates basis. The quick ratio was 3.0 times (28 February 2021: 7.2 times). During the period, the Group borrowed a bank loan of RMB41,500,000. As at the end of the financial period, the Group had an outstanding bank loan of RMB41,500,000 (28 February 2021: Nil). The Group's gearing ratio, expressed as a percentage of total bank borrowings over total equity, was 5.8% (28 February 2021: 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 period.

During the period ended 31 August 2021, the Group's cash and bank balances were held in Hong Kong dollars, U.S. dollars and RMB respectively, and were deposited in several 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.

BUSINESS REVIEW

Overview

In the first half of 2021, China's economy continued to demonstrate a steady recovery, recording a year-on-year growth of 12.7% in half-year GDP and a two-year average GDP growth of 5.3%. However, a resurgence of COVID-19 caused by new variants in Nanjing, Beijing, Zhengzhou and other regions in mid-July was followed by lockdowns, traffic restrictions and screening tests, while the outbreak in Henan Province was preceded by a severe flooding. The pandemic and floods affected a number of key cities and popular tourist cities, causing a slowdown in the growth of industrial value-added, investment and consumption in July and August as well as decelerating the pace of economic recovery.

Driven by the recovery of the China's economy, the Group achieved a double-digit sales growth from March to June, however, business in the regions affected by the outbreak and floods in July and August was badly battered. During the period under review, the retail revenue of the Group increased by 7.2% year-on-year to RMB279,500,000 (2020/21: RMB260,700,000), while its same-store sales increased by 14.2% (2020/21: decreased by 24.2%). Despite the volatile pandemic situation in the short term, the Chinese government is well-experienced in fighting against the pandemic, and with the majority of domestic population vaccinated, it is believed that any sporadic outbreak in future will be more manageable. It is true that offline activities will be subject to more restrictions due to precautionary arrangements against the pandemic, and the Group will make the most appropriate responses in accordance with relevant measures to actively tackle fallout from the pandemic.

Retail Network

Mainland China is the key market of the Group's retail business. As at the end of the period, the Group had a total of 389 physical stores in Mainland China, Hong Kong and Macau, representing a net reduction of 7 stores compared to the corresponding date of last year. The number of self-owned stores dropped by 3, while the number of franchised stores decreased by 4 during the period.

As at 31 August 2021, there were an aggregate of 293 stores under the core brands le saunda and le saunda MEN, representing a net decrease of 8 stores as compared to the end of last corresponding period. The high-end fashion brand, LINEA ROSA also saw a net reduction of 4 stores, bringing the total number of stores to 39, as compared to the end of last corresponding period.

As at 31 August 2021, the breakdown of the Group's retail network was as follows:

| Number of Outlets by Region | Self-owned (Year-on-year change) | | Franchise (Year-on-year change) | | Total (Year-on-year change) | |
|--|--|-------------|---------------------------------------|-------------|-----------------------------------|-------------|
| Mainland China | 348 | (-1) | 38 | (-4) | 386 | (-5) |
| • Northern, Northeastern & Northwestern Regions | 86 | (6) | 34 | (-3) | 120 | (3) |
| • Eastern Region | 116 | (-7) | 2 | (0) | 118 | (-7) |
| • Central and Southwestern Regions | 63 | (-3) | 2 | (-1) | 65 | (-4) |
| • Southern Region | 83 | (3) | - | - | 83 | (3) |
| Hong Kong and Macau | 3 | (-2) | - | - | 3 | (-2) |
| Total | <u>351</u> | <u>(-3)</u> | <u>38</u> | <u>(-4)</u> | <u>389</u> | <u>(-7)</u> |

Mainland China

Retail Business

While China's economy is recovering steadily, data shows that consumption has not yet returned to pre-pandemic levels and is lagging behind the production side in terms of recovery pace. An imbalance in economic recovery still remains. For the first six months of 2021, total retail sales of consumer goods grew 23% year-on-year, with a two-year average growth rate of 4.4%. Hit by a new wave of the pandemic since mid-July, consumer spending activities were significantly reduced due to lockdowns and travel restrictions imposed by the government, which has placed tremendous pressure on the recovering retail and tourism sectors. Coupled with a higher base in July and August 2020, the growth rate of retail sales of consumer goods dropped to single digits in July and August this year. In particular, the growth rates of the "garments, footwear, hats and knitwear category" in July and August were +7.5% and -6.0%, lower than the growth rate of overall retail sales of goods.

Since the second half of 2020, the market has gradually rebounded. With the resumption of social activities, the Group grasped the released purchasing power of consumers by actively improving offline service experience and adjusting marketing strategies, and sales from March to May 2021 have returned to pre-pandemic levels. During the period under review, the Group's sales in Mainland China increased by 7.7% year-on-year to RMB275,400,000 (2020/21: RMB255,600,000). Look forward to the outbreak of variants being brought under control as soon as possible, and pandemic prevention measures will gradually be lifted in the affected areas, especially northern and eastern China, whereby people can return to their normal pace of life and social activities.

E-Commerce Business

The pandemic has been a catalyst for the trend of online consumption and the shift of consumer shopping habits. These changes are likely to be permanent. However, competition in the online market is intensifying. While market demand is becoming more refined, e-commerce platforms and operators are making every effort to attract customers. On the other hand, customer requirements are more personalised and with lower brand loyalty. Therefore, the cost of acquiring new customers and the operating costs in the e-commerce market are much higher.

During the period under review, we continued to promote the le saunda Y collection, targeting the mix-and-match preferences of young women, in order to expand the customer base of the le saunda brand. In addition, with social commerce as a fast-growing market segment, “live-stream shopping” becomes a sales channel that the Group is focusing on developing. Under the influence of the pandemic, consumer sentiment was dampened, and their tendencies in shopping different product categories are also changed, resulting in a year-on-year rise of 1.5% in the Group’s revenue from the e-commerce business during the period under review.

The pandemic has been recurrent, with sporadic outbreaks in Mainland China and Hong Kong. The Chinese government's strategy of “clearing to zero” to curb the pandemic has led to consumers' reliance on online shopping. The Group accelerated the integration of online and offline channels and continued to optimise its supply chain to ensure stable supply and speed up the launching of new products, so as to provide customers with reliable products and services.

Hong Kong and Macau

With a real GDP growth of 8.0% and 7.6% in the first and second quarter of 2021, Hong Kong's economy is on a recovery trajectory. However, months of border closure has significantly reduced the number of visitors to Hong Kong, and the retail and tourism industries continue to struggle in a difficult business environment. Being a highly externally-oriented economy, Hong Kong remains in economic doldrums as the world at large is yet to recover from the pandemic. In view of the fact that the Hong Kong’s retail market has not shown any obvious signs of rebound and the government has not announced the timetable for reopening the border, the Group will consider further downsizing its business operations in Hong Kong and Macau in order to use its resources more efficiently.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

Currently, uncertainties in the global economy remain high, and the threat of mutating viruses is also slowing down the pace of Mainland China’s economic recovery. In the face of the changing external situation and intensifying political conflicts, China will continue to expand domestic demand and introduce a series of new policies and measures to stimulate consumption. In July this year, the State Council has approved five cities to take the lead in the development and fostering of international consumption center cities. In response to the complex and ever-changing business environment, the Group repositioned its role in the supply chain last year. In the future, the Group will continue to provide quality products and services to customers by focusing on product design and brand management solely as a brand operator.

With the popularisation of vaccination, the pandemic is expected to be under control and gradually weakened. In the face of challenges and opportunities in the market, the Group is playing its role as a brand operator to improve its products and services, increase its brand value and continue to enhance the shopping experience for customers, including strengthening its membership services through VIP mini-programs. Secondly, the Group continues to develop multiple sales channels to increase customer touchpoints in order to deepen their impression of the brand. Thirdly, the Group has been accelerating its online-offline integration, so that customers from all channels can quickly and easily choose their favorite products and obtain the goods within a short period of time. In addition, the Group has also been strengthening the functional role of the sales team and empower the team by enhancing their knowledge and skills on products, product care and customer relations, in a bid to build our brand image.

The e-commerce market remains one of the Group's key areas of development. We will continue to promote the le saunda Y collection to attract the younger generation of women and meet their needs for daily outfits. In addition, the new generation places great importance on sharing opinions between opinion leaders and users, so there is plenty of room for the development of social commerce. The Group will focus on several social commerce platforms to promote and sell our products, including Douyin, Taobao Live, Xiaohongshu and Weibo, etc.

In terms of operations, the Group has switched entirely to external procurement since last year, allowing it to reallocate resources primarily into product design and brand management. With years of experience in supply chain and distribution network management, the Group will continue to optimise the entire product design and production cycle, speed up the launch of new products and improve inventory management. In addition, with the efforts made over the past few years, the Group has optimised its operational structure and actively used digital tools to continue to reduce operating costs and expenses in order to be better prepared for future challenges and opportunities.

Mainland China consumption market will undergo major changes in the coming several years. As a brand with over four decades of history, the Group has witnessed the advancement of the times and the continuous evolution of spending patterns. As a member of the industry, we will work hard to keep up with market trends so as to maintain the competitive edge of our brands and our leading position in the female footwear market.

PLEDGE OF ASSETS

As at 31 August 2021, bank deposit of RMB700,000 (28 February 2021: RMB700,000) has been pledged as rental deposit for a subsidiary of the Company.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of RMB66,400,000 (28 February 2021: RMB96,000,000), of which RMB42,100,000 (28 February 2021: RMB700,000) was utilised as at 31 August 2021.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 31 August 2021 (2020: an interim special dividend of HK5.0 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2021, the Group had a staff force of 1,391 people (28 February 2021: 1,403 people). Of this number, 44 were based in Hong Kong and Macau and 1,347 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate to the level of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total employee benefit expenses for the six months ended 31 August 2021, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB72,300,000 (2020/21: RMB107,100,000). The Group has all along organised 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 six months ended 31 August 2021.

AUDIT COMMITTEE

As at 31 August 2021 and up to the date of this announcement, the audit committee of the Board (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The Audit Committee has reviewed this announcement, which was prepared based on (i) the accounting policies and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2021. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 31 August 2021.

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 value for the Shareholders.

During the period under review, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for deviation from code provision A.2.1 of the CG Code which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Since October 2019, the position of Chief Executive Officer has been vacant. The Company is still in the process of identifying a suitable candidate to fill the position of Chief Executive Officer and the role and responsibility of the Chief Executive Officer are being performed by other Executive Directors of the Company for the time being.

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 of Conduct, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company, who, by reason of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the Code of Conduct and the requirements set out in the Model Code during the six months ended 31 August 2021 and up to the date of this announcement.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 August 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the respective 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 November 2021.

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, 25 October 2021

As at the date of this announcement, the Company’s executive Directors are Ms. Chui Kwan Ho, Jacky, Ms. Liao Jian Yu and Mr. Li Wing Yeung, Peter; 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 Renminbi unless stated otherwise.)