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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: 0738)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2015

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2015	2014 (Restated ^)	change	change in %
Revenue	*RMB million*	**755.8**	753.1	2.7	0.4
Gross profit	*RMB million*	**501.8**	503.7	(1.9)	(0.4)
Operating profit	*RMB million*	**75.5**	102.9	(27.4)	(26.6)
Profit attributable to equity holders of the Company	*RMB million*	**55.2**	77.6	(22.4)	(28.8)
Gross profit margin	*Percentage*	**66.4**	66.9	(0.5)	
Operating profit margin	*Percentage*	**10.0**	13.7	(3.7)	
Profit margin attributable to equity holders of the Company	*Percentage*	**7.3**	10.3	(3.0)	
Basic earnings per share	*RMB cents*	**8.45**	12.12	(3.67)	(30.3)
Dividend per share					
- interim	*HK cents*	**5.7**	8.0		
	(RMB cents#)	**4.6**	6.4		

For reference only

^ Restatement of comparative amounts to align with the change in presentation currency from Hong Kong Dollars to Renminbi *(Note 2.1)*

** For identification purpose only*

The board (the "Board") of 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 2015. The unaudited condensed consolidated interim results for the six months ended 31 August 2015 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 2015

		Unaudited	
		Six months ended 31 August	
		2015	2014
	Note	**RMB'000**	RMB'000
			(Restated)
			Note 2.1
Revenue	*4*	**755,792**	753,144
Cost of sales		**(254,025)**	(249,452)
Gross profit		**501,767**	503,692
Other income	*5*	**20,244**	14,348
Other gains and losses	*5*	**(6,855)**	1,870
Selling and distribution expenses		**(352,269)**	(323,222)
General and administrative expenses		**(87,429)**	(93,822)
Operating profit	*6*	**75,458**	102,866
Finance income		**5,209**	4,668
Share of profit of a joint venture		**258**	160
Profit before income tax		**80,925**	107,694
Income tax expense	*7*	**(25,145)**	(29,302)
Profit for the period		**55,780**	78,392
Profit attributable to:			
- equity holders of the Company		**55,215**	77,573
- non-controlling interest		**565**	819
		55,780	78,392
Earnings per share attributable to the equity holders of the Company *(express in RMB cents)*			
- Basic	*8*	**8.45**	12.12
- Diluted	*8*	**8.40**	12.00
Dividend	*9*	**32,377**	41,076

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2015

	Unaudited Six months ended 31 August	
	2015	2014
	RMB'000	RMB'000 (Restated) *Note 2.1*
Profit for the period	**55,780**	78,392
Other comprehensive income		
Currency translation differences	**7,714**	3,213
Other comprehensive income for the period, net of tax	**7,714**	3,213
Total comprehensive income for the period	**63,494**	81,605
Total comprehensive income for the period, attributable to:		
- equity holders of the Company	**63,167**	80,801
- non-controlling interest	**327**	804
	63,494	81,605

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2015

	Note	**Unaudited 31 August 2015 RMB'000**	Audited 28 February 2015 RMB'000 (Restated) *Note 2.1*
ASSETS			
Non-current assets			
Investment properties		**78,885**	77,033
Property, plant and equipment		**154,681**	164,089
Land use rights		**20,902**	20,929
Long-term deposits and prepayments		**9,236**	13,575
Interest in a joint venture		**34,614**	34,357
Interest in and amount due from an available-for-sale financial asset	*10*	**-**	-
Deferred tax assets		**59,598**	56,879
		357,916	366,862
Current assets			
Inventories		**461,440**	415,162
Trade and other receivables	*11*	**144,894**	187,481
Deposits and prepayments		**43,786**	43,382
Cash and bank balances		**544,765**	517,187
		1,194,885	1,163,212
Total assets		**1,552,801**	1,530,074
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**60,029**	54,754
Reserves			
Proposed dividend		**32,377**	71,747
Others		**1,158,219**	1,127,811
		1,250,625	1,254,312
Non-controlling interest		**10,831**	12,429
Total equity		**1,261,456**	1,266,741

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2015

	Note	**Unaudited 31 August 2015 RMB'000**	Audited 28 February 2015 RMB'000 (Restated) *Note 2.1*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**35,191**	35,772
Current liabilities			
Trade payables and accruals	*12*	**206,815**	174,515
Amount due to a joint venture		**33,000**	29,000
Current income tax liabilities		**16,339**	24,046
		256,154	227,561
Total liabilities		**291,345**	263,333
Total equity and liabilities		**1,552,801**	1,530,074
Net current assets		**938,731**	935,651
Total assets less current liabilities		**1,296,647**	1,302,513

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 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 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 26 October 2015.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

2.1 Change of presentation currency from Hong Kong Dollars ("HK$") to Renminbi ("RMB")

The presentation currency of the consolidated financial statements in the prior financial year was HK$ and presentation currency of HK$ had been adopted for the Group's consolidated financial statements since the Group listed on the Stock Exchange in December 1992.

As the Group currently mainly operates its business in the Mainland China and most of the assets and liabilities of the Group are denominated in RMB, the directors of the Company ("the Directors") consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the operating performance and financial position of the Group. As a result, the following condensed consolidated financial statements for the six months ended 31 August 2015 are presented in RMB and the comparative figures have been restated to align with the change in presentation currency. The change in presentation currency and restatement of the comparative amounts from HK$ to RMB has no material impact on the Group's financial results.

2.2 Basis of preparation

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2015 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 28 February 2015, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 March 2015. The adoption of these amendments to existing standards does not have any significant impact to the results and financial position of the Group.

- HKAS 19 (Amendment) - Defined Benefit Plans: Employee Contribution
- HKFRSs (Amendment) - Annual Improvements 2010-2012 cycle and 2011-2013 cycle

(b) The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 March 2015 and have not been early adopted:

- HKAS 1 (Amendment) - Disclosure Initiative[(1)]
- HKAS 16 and HKAS 38 (Amendment) - Clarification of Acceptable Methods of Depreciation Amortization[(1)]
- HKAS 16 and HKAS 41 (Amendment) - Agriculture: Bearer Plants[(1)]
- HKAS 27 (Amendment) - Equity Method in Separate Financial Statements[(1)]
- HKAS 28 and HKFRS 10 (Amendment) - Sale of Contribution Assets between an Investor and its Associate of Joint Venture[(1)]
- HKAS 28, HKFRS 10 and HKFRS 12 (Amendment) - Investment Entities: Applying the Consolidation Exception[(1)]
- HKFRSs (Amendment) - Annual Improvements 2012–2014 cycle[(1)]
- HKFRS 9 - Financial Instruments[(2)]
- HKFRS 11 (Amendment) - Accounting for Acquisitions of Interests in Joint Operations[(1)]
- HKFRS 14 - Regulatory Deferred Accounts[(1)]
- HKFRS 15 - Revenue from Contracts with Customers[(2)]

(1) Effective for annual periods beginning on or after 1 March 2016
(2) Effective for annual periods beginning on or after 1 March 2018

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 retail and non-retail perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau). The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes other income and other loss, 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 six months ended 31 August 2015 is as follows:

	Unaudited Six months ended 31 August 2015			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	699,566	56,226	-	755,792
Reportable segment profit	67,584	(5,321)	-	62,263
Other income				20,244
Other loss				(6,855)
Finance income				5,209
Share of profit of a joint venture				258
Unallocated expenses				(194)
Profit before income tax				80,925
Income tax expense				(25,145)
Profit for the period				55,780
Depreciation and amortisation	20,237	1,153	-	21,390
Additions to non-current assets (Other than deferred tax assets)	12,879	642	-	13,521

The segment information provided for the six months ended 31 August 2014 is as follows:

	Unaudited Six months ended 31 August 2014			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	673,864	76,586	2,694	753,144
Reportable segment profit	85,677	140	986	86,803
Other income				14,348
Other gains, net				1,870
Finance income				4,668
Share of profit of a joint venture				160
Unallocated expenses				(155)
Profit before income tax				107,694
Income tax expense				(29,302)
Profit for the period				78,392
Depreciation and amortisation	20,407	1,602	31	22,040
Additions to non-current assets (Other than deferred tax assets)	12,172	1,902	3	14,077

For the six months ended 31 August 2015 and 2014, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA and CNE.

An analysis of the Group's assets and liabilities as at 31 August 2015 by reportable segment is set out below:

	Unaudited As at 31 August 2015			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	**1,200,334**	**245,129**	**13,026**	**1,458,489**
Interest in a joint venture				**34,614**
Interest in and amount due from an available-for-sale financial assets				**-**
Deferred tax assets				**59,598**
Unallocated assets				**100**
Total assets per condensed consolidated balance sheet				**1,552,801**
Segment liabilities	**187,909**	**17,351**	**1,544**	**206,804**
Amount due to a joint venture				**33,000**
Current income tax liabilities				**16,339**
Deferred tax liabilities				**35,191**
Unallocated liabilities				**11**
Total liabilities per condensed consolidated balance sheet				**291,345**

An analysis of the Group's assets and liabilities as at 28 February 2015 by reportable segment is set out below:

	Audited As at 28 February 2015			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,216,703	209,009	13,025	1,438,737
Interest in a joint venture				34,357
Interest in and amount due from an available-for-sale financial assets				-
Deferred tax assets				56,879
Unallocated assets				101
Total assets per condensed consolidated balance sheet				1,530,074
Segment liabilities	153,704	17,968	1,192	172,864
Amount due to a joint venture				29,000
Current income tax liabilities				24,046
Deferred tax liabilities				35,772
Unallocated liabilities				1,651
Total liabilities per condensed consolidated balance sheet				263,333

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

REVENUE

	Unaudited Six months ended 31 August	
	2015	2014
	RMB'000	RMB'000
Mainland China	**699,566**	673,864
Hong Kong	**47,667**	61,315
Macau	**8,559**	15,271
Other countries	-	2,694
Total	**755,792**	753,144

For the six months ended 31 August 2015 and 31 August 2014, there was no transaction with a single external customer that amounted to 10 percent or more of the Group's revenue.

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

NON-CURRENT ASSETS

	Unaudited 31 August 2015 RMB'000	Audited 28 February 2015 RMB'000
Mainland China	**211,964**	219,504
Hong Kong	**6,816**	12,628
Macau	**79,538**	77,851
Total	**298,318**	309,983

5 OTHER INCOME AND OTHER GAINS AND LOSSES

	Unaudited Six months ended 31 August	
	2015 RMB'000	2014 RMB'000
Other income		
Gross rental income from investment properties	**1,966**	1,568
Government incentives	**18,278**	12,780
	20,244	14,348
Other gains and losses		
Exchange losses *(Note (a))*	**(6,855)**	(2,634)
Gain on disposal of a property *(Note (b))*	**-**	4,504
	(6,855)	1,870
	13,389	16,218

(a) *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.*

(b) *On 1 July 2014, the Group disposed of a property at a consideration of RMB12,317,000 and recognized a net gain of RMB4,504,000 net of transaction costs.*

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Unaudited Six months ended 31 August	
	2015	2014
	RMB'000	RMB'000
Auditors' remuneration	**847**	815
Amortisation of land use rights	**299**	298
Depreciation of property, plant and equipment	**21,091**	21,742
Loss on disposal of property, plant and equipment	**1,989**	1,386
Costs of inventories recognised as expenses included in cost of sales	**194,062**	191,550
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**45,417**	48,635
- contingent rents	**486**	1,006
Freight charges	**4,649**	4,397
Advertising and promotional expenses	**28,907**	16,576
Postage and express charges	**6,017**	3,475
Concessionaire fees	**139,421**	134,434
(Write back of impairment)/impairment losses on inventories	**(685)**	1,117
Direct operating expenses arising from investment properties that generated rental income	**194**	155
Staff costs (including directors' emoluments and value of employees services)	**189,697**	186,821
Impairment losses on trade receivables	**-**	2,687

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August	
	2015	2014
	RMB'000	RMB'000
Current income tax		
People's Republic of China ("PRC") corporate income tax	**28,964**	27,411
Deferred taxation	**(3,819)**	1,891
	25,145	29,302

No provision for Hong Kong profits tax has been made during the period.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2014: 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 period.

	Unaudited Six months ended 31 August 2015	2014
Profit attributable to equity holders of the Company *(RMB'000)*	**55,215**	77,573
Weighted average number of ordinary shares in issue *('000)*	**653,472**	639,947
Basic earnings per share *(RMB cents)*	**8.45**	12.12

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 period ended 31 August 2015 and 31 August 2014, 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.

	Unaudited Six months ended 31 August 2015	2014
Profit attributable to equity holders of the Company *(RMB'000)*	**55,215**	77,573
Weighted average number of ordinary shares in issue (*'000*)	**653,472**	639,947
Adjustments for share options (*'000*)	**3,630**	6,268
Weighted average number of ordinary shares for diluted earnings per share (*'000*)	**657,102**	646,215
Diluted earnings per share (*RMB cents*)	**8.40**	12.00

9 DIVIDEND

	Unaudited Six months ended 31 August 2015 RMB'000	2014 RMB'000
Interim dividend of HK5.7 cents (six months ended 31 August 2014: HK8.0 cents) per ordinary share	**32,377**	41,076

A dividend of approximately RMB72,276,000 that related to the financial year ended 28 February 2015 was paid in July 2015 (2014: RMB102,678,000).

At the Board of Directors' meeting held on 26 October 2015, the Board of Directors has resolved to declare an interim dividend of HK5.7 cents (equivalent to approximately RMB 4.6 cents) per ordinary share. This interim dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings of the Company for the year ending 29 February 2016.

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

	Unaudited 31 August 2015 RMB'000	Audited 28 February 2015 RMB'000
Unlisted shares, at fair value *(Note (a))*		
- Investment cost	**2,500**	2,500
- Provision for impairment	**(2,500)**	(2,500)
	-	-
Amount due from an available-for-sale financial asset *(Note (b))*	**7,500**	7,500
Less: Provision for impairment	**(7,500)**	(7,500)
	-	-
	-	-

(a) Details of an 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

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

	Unaudited 31 August 2015 RMB'000	Audited 28 February 2015 RMB'000
Trade receivables *(Note (a))*		
Current to 30 days	**124,210**	167,627
31 to 60 days	**8,580**	12,358
61 to 90 days	**3,106**	2,446
Over 90 days	**5,897**	2,001
	141,793	184,432
Other receivables	**3,101**	3,049
Total	**144,894**	187,481

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

12 TRADE PAYABLES AND ACCRUALS

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

	Unaudited 31 August 2015 RMB'000	Audited 28 February 2015 RMB'000
Trade creditors		
Current to 30 days	**49,354**	34,284
31 to 60 days	**19,940**	5,255
61 to 90 days	**4,738**	641
91 to 120 days	**1,066**	234
Over 120 days	**2,012**	444
	77,110	40,858
Accruals	**129,705**	133,657
Total	**206,815**	174,515

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating Results

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

In the first half of the 2015/16 fiscal year, the total revenue of the Group increased by 0.4% to RMB755.8 million compared with the same period last year (2014/15: RMB753.1 million). The Group's consolidated gross profit decreased by 0.4% year-on-year to RMB501.8 million (2014/15: RMB503.7 million), while overall gross profit margin decreased by 0.5 percentage point to 66.4%. The mild decline was mainly attributable to the Group's increased efforts in inventory clearance amid weaker sentiment in the retail market during the period. The underlying profit attributable to equity holders of the Company, representing the performance of the Group's core footwear business, decreased by 19.0% to RMB60.0 million (2014/15: RMB74.1 million). Including other non-recurring items, the consolidated profit attributable to equity holders of the Company decreased by 28.8% to RMB55.2 million (2014/15: RMB77.6 million).

RMB million	**1H 2015/16**	**1H 2014/15**	**Change**
Revenue	755.8	753.1	0.4%
Gross profit	501.8	503.7	(0.4%)
Gross profit margin	66.4%	66.9%	(0.5 percentage point)
Underlying profit attributable to equity holders	60.0	74.1	(19.0%)
Consolidated profit attributable to equity holders	55.2	77.6	(28.8%)
Basic earnings per share (RMB cents)	8.45	12.12	(30.3%)
Interim dividend			
(HK cents)	5.7	8.0	
(equivalent to approximately RMB cents)	4.6	6.4	
Dividend pay-out ratio	58.6%	53.0%	5.6 percentage points

Note: Underlying profit attributable to equity holders is an indicator of the performance of the Group's core footwear business, calculated by deducting share of profit of joint venture, rental income, gain from disposal of property and foreign exchanges gains and losses, from profit for the period attributable to equity holders of the Company.

Profitability Analysis

During the period under review, the further slowdown in China's economic growth resulted in worsening consumers' confidence. The Group responded by enhancing its marketing activities and promotions to clear the inventory, resulting in a 0.4% decrease in gross profit to RMB501.8 million (2014/15: RMB503.7 million) as compared with the same period last year, while gross profit margin dropped by 0.5 percentage point to 66.4%.

Selling and distribution expenses increased by 9.0% year-on-year to RMB352.3 million (2014/15: RMB323.2 million) attributable to more online and offline marketing activities launched by the Group to stimulate sales, as well as rising staff costs of frontline sales personnel. Selling and distribution expenses accounted for 46.6% of total revenue (2014/15: 42.9%), representing an increase of 3.7 percentage points. Advertising and promotional expenses accounted for 3.8% of total revenue, representing an increase of 1.6 percentage points as compared to the same period last year.

General and administrative expenses decreased by 6.8% to RMB87.4 million (2014/15: RMB93.8 million) year-on-year, as the Group controlled its staff costs and operational expenses. As a result, general and administrative expenses as a percentage of total revenue decreased to 11.6% (2014/15: 12.5%).

Other income grew by 41.1% year-on-year to RMB20.2 million (2014/15: RMB14.3 million), mainly due to the increase in subsidies granted by local governments.

Consolidated profit attributable to equity holders of the Company decreased by 28.8% year-on-year to RMB55.2 million (2014/15: RMB77.6 million) due to sluggish sales growth and the increase in selling and distribution expenses. Basic earnings per share decreased by 30.3% year-on-year to RMB8.45 cents (2014/15: RMB12.12 cents). To reward shareholder for their longstanding support, the Board has resolved to declare an interim dividend of HK5.7 cents (2014/15: HK8.0 cents) per ordinary share, representing a high dividend payout ratio of 58.6% (2014/15: 53.0%).

Income Tax Expense

Income tax expenses for the period under review amounted to approximately RMB25.1 million (2014/15: RMB29.3 million), representing a decrease of 14.2% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for corporations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of 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. Excluding losses not subject to taxation, the effective tax rate of the Group for the first half of the year was 28.6%.

Inventory Management

The Group put stronger efforts in marketing activities and inventory clearance during the period. As at 31 August 2015, the Group's inventory balance was RMB461.4 million, up 0.3% from RMB459.9 million as at the same date last year.

A breakdown of inventory balance was as follows:

RMB (million)	**As at 31 August 2015**	**As at 31 August 2014**	**Changes in value**	**Changes in %**
Raw materials and work-in-progress	56.4	76.8	(20.4)	(26.6%)
Finished goods	405.0	383.1	21.9	5.7%
Total	461.4	459.9	1.5	0.3%

For the period under review, the inventory of raw materials and work-in-progress decreased substantially by 26.6% reflecting the benefit of enhanced efficiency. The inventory level of finished goods was slightly higher compared to the corresponding period of last year. Though the Group's stronger efforts in inventory clearance has significantly reduced its off-season inventory, earlier delivery of next season products as well as the Group's focus on e-commerce business, which required sufficient supply in stock, have created extra burden to the inventory and inventory of finished goods increased as at the end of the period. Inventory turnover days of finished goods also increased by 17 days to 258 days (31 August 2014: 241 days). For the inventory mix, approximately 37% of finished goods were the latest Fall and Winter products, representing a higher level as compared to recent years. Moreover, the Group continued to maintain strict control over the stock age of its inventory. As at 31 August 2015, approximately 85% (31 August 2014: 83%) of finished goods had a stock age of less than one year, which also represented a higher level compared to recent years.

Liquidity and Financial Resources

The Group maintained a healthy financial position. As at 31 August 2015, the Group's cash and bank balance amounted to RMB544.8 million (28 February 2015: RMB517.2 million), representing an increase of 5.3%. The quick ratio was 2.7 times (28 February 2015: 3.1 times). During the period, the Group had borrowed and repaid a short term bank loan of RMB41.6 million. As at the end of date of the period, the Group had no outstanding short-term bank loans (28 February 2015: RMB 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. In addition, working capital requirements for the business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

As at 31 August 2015, 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.

BUSINESS REVIEW

Overview

For the first half of 2015, China registered a GDP growth of 7.0%, which was 0.4 percentage point lower compared to the corresponding period of last year. China's total retail sales of consumer goods for the same period grew by 10.4%, representing 1.7 percentage points decrease year-on-year. Real economic growth continued to be unconvincing, while the traditional retail sector remained weak.

Year-on-year growth in total online sales in China for the first half of 2015 was 39.1%, diminishing substantially by 10.6 percentage points as compared to the same period of last year. The apparent slowdown of growth pace suggests that retail spending in online channels has turned weaker.

Notwithstanding, the Group persisted in its strategy and strived to complete its transformation from a traditional vertically-integrated offline retailer to an omni-channel brand operator embracing both online and offline operations. The Group believes that the future retail market will be one underpinned by both online and offline channels. After consolidation of the industry, there will be more growth opportunities for excellent enterprises.

Gradual expansion of e-commerce business

The Group recognised the huge potential of the online business as early as four years ago. E-commerce market in Mainland China developed quickly last year. On this backdrop, the Group continued to build up its e-commerce channels and supply chain as well as to optimise the sales contribution from different online platforms to enlarge the overall sales volume. For the period under review, revenue from e-commerce operations increased by 32% year-on-year, accounting for 12% of the Group's total revenue.

After several years of rapid development, the e-commerce market of Mainland China has steadily entered into a maturing stage and online shoppers have become more rational in consumption. Online consumers have increasing demand for branded products and expect more from the standardisation of platforms. To keep the traffic flow on online platforms, e-commerce team spent more on online advertising and promotions, which brought pressure for the profit in short-term, but it was very important to enlarge customer base in long run.

Given that the China's economy has entered into a new normal status while e-commerce also entered into a mature stage, consumers' demand for high value-for-money products increases. In adherence to the principle of same style same price on both online and offline, the O2O operation attracted a large number of loyal customers and facilitated customers flowing between online and offline channels. During the period under review, the Group continued to open O2O stores in shopping malls in major cities across the country, while launching the bonus points sharing scheme that resulted in interactive marketing model between online and offline channels. The Group opened 13 new CNE O2O stores, bringing the total number of CNE O2O stores to 16.

Retail business

For the period under review, total retail revenue increased by 0.7% year-on-year, to RMB755.8 million (2014/15: RMB750.5 million). China's continuous macro-economic growth slowdown which further dampened consumer confidence. Hampered by weaker retail performance in Hong Kong and Macau, same-store-sales declined by 4.2% (2014/15: 13.8% growth). The decline was also attributable to the high comparative base resulting from rapid growth of same-store-sales during the past few years.

To address the difficult market environment, the Group actively streamlined its internal processes and adjusted its marketing strategies accordingly. On 8 August 2015, the Group launched a month-long "Fortune Train" campaign, where passengers could play games and receive coupons for online shopping, realising online and offline dual channel marketing. Meanwhile, the Group initiated books donation activity for children in under-developed areas to realise the core value of the Group, which is to care and reward our community.

Retail network

As at the end of the period under review, the Group had a retail network comprising 883 stores in Mainland China, Hong Kong and Macau, representing a net increase of 20 stores as compared to the corresponding period of last year. Benefitted by its highly efficient retail network built through store consolidation and closure of underperforming stores in the past few years, the Group was able to continue store opening at selected prime sites despite adverse market conditions. On the other hand, to the closure of some franchised stores, which were taken over by the Group, due to unfavourable economic conditions, some franchisees decided to terminate their contracts or surrender some shops to the Group, which as a whole slow down the growth of the network.

As at 31 August 2015, 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	758	(+61)	109	(-36)	867	(+25)
• Northern, Northeastern & Northwestern Regions	193	(+13)	87	(-12)	280	(+1)
• Eastern Region	225	(+18)	2	(-)	227	(+18)
• Central and Southwestern Regions	168	(+20)	15	(-13)	183	(+7)
• Southern Region	172	(+10)	5	(-11)	177	(-1)
Hong Kong and Macau	16	(-5)	-	-	16	(-5)
Total	774	(+56)	109	(-36)	883	(+20)

Mainland China

For the first eight months of 2015, China's total retail sales of consumer goods grew at a nominal rate of 10.5%, representing a year-on-year decrease of 1.6 percentage points. In spite of this, the Group retail sales in Mainland China still recorded a growth of 3.8% to RMB699.6 million. In response to weakening demand and changing retail landscape, the Group enhanced its brand image and product design, as well as strengthened its connection and interaction with customers through a new range of innovative marketing activities.

As at the end of the period under review, the core brand le saunda had 655 stores, representing a net reduction of 3 stores. The total number of stores of le saunda MEN was 70, which was 11 stores less as compared to the corresponding period of last year. LINEA ROSA, our high-end fashion brand, has entered into a fast growing stage after its launch four years ago. We continued to open LINEA ROSA stores with a total number of 55 stores as at the end of the period, a net increase of 26 stores year-on-year.

Hong Kong and Macau

Sentiments in Hong Kong's retail market are deteriorating, as the number of tourist arrivals in Hong Kong continued to fall and consumers' confidence has been weakened. Meanwhile, unyielding rental for commercial premises further aggravated the burden of retailers. The Group's sales in Hong Kong and Macau decreased by 26.6%, year-on-year, to RMB56.2 million. The Group closed down 5 stores during the period under review, reducing the total number of stores in Hong Kong and Macau to 16.

OUTLOOK

China's enterprises have been undergoing a period of transition. The Group is of the view that the transition in China is presenting opportunities as well as challenges. Taking online shopping, as an example, its rapid development in recent years has inevitably diverted sales from physical stores to online shopping but it also provided a new sales channel and growth opportunity for the retail market. With a longstanding emphasis on the development of its core business aided by a strong financial position, the Group is well-positioned to capitalise on the transformation of the retail market. The Group believes that ongoing optimisation of its product quality and its logistics and supply-chain systems will contribute to further enhancements in operating efficiency, which will in turn drive growth in gross profit to offset the rise in selling and distribution expenses and assure the Group a reasonable profit margin.

Growing maturity of the e-commerce business

Following several years of rapid growth, the e-commerce market in China has entered into a stage of consolidation and faced different challenges. Besides local brands, oversea brands actively explored the e-commerce market in China through different kinds of promotion. Traffic volume on well-known online platform has experienced a declining trend. It is unavoidable for local brands to increase promotion expenses to attract new customers. Facing these challenges, the Group believes that e-commerce market still have much room for expansion if we can offer right products and utilise the O2O store to provide offline shopping experience to the potential customers.

Steady progress for the offline retail business

Notwithstanding, the Group endeavoured to drive sales and consolidate its market position by optimising its product mix and enhancing its product design and quality with the aid of its professional leather teams from Italy.

le saunda's brand identity of "sophisticated styles with top quality" has been well recognised and well received by consumers. Following a series of product upgrades, service-oriented training to its frontline sales and customer service staff, enhanced efforts in maintaining and managing its existing customer base as well as some activities caring for society, le saunda has successfully built up an elite brand image.

le saunda MEN has been repositioned as a mild luxury brand tailored for fashionable men. Given the general weakness of the retail market, the Group continued store consolidation during the period with the closure of some inefficient shops. Nevertheless, the Group remains committed to the enhancement of the design and quality of le saunda MEN products, in a bid to enhance customer loyalty.

LINEA ROSA, our high-end fashionable brand, has been well received by customers since its debut four years ago thanks to its avant-garde design and unique brand positioning. As a key project of its offline business, the Group saw an approximate doubling of the number of LINEA ROSA stores last year, while the Group continued to open new stores in a conservative manner during the period under review. The mid-term goal is to build LINEA ROSA into another major source of revenue.

Meanwhile, the Group actively streamlined its administrative processes to enhance efficiency and reduce operating expenses. While strong efforts in inventory clearance during the period have resulted in short-term pressure on gross profit margin, a healthy inventory level will be beneficial to stable development in the long run. The Group believes that it should enhance its ability of gathering and analysing the data in order to meet the need for more subtle management in the future. This year we plan to upgrade our business tools for analysis and to replace the retail management system as well. These new systems are expected to further enhance operating efficiency in the future.

This year, le saunda celebrates its 38th anniversary. The Group has experienced internal reforms over the past few years amid the downturn of the retail sector with streamling administrative structure and processing as well as recruiting professionals. Based on an accurate perception of market trends, the Group has committed strong efforts to the development of e-commerce, with the aim of building itself into a brand operator with double growth engines of online and offline operations. The offline operations will persist in mid- to high-end boutique products underpinned by two main brands of le saunda and LINEA ROSA. The online business will mainly comprise the CNE brand, which aims at tapping the mid-end fashion market with a fast fashion approach. The Group believes that it will achieve stable progress by adhering to the principle of offering "sophisticated styles with top quality" products with innovative double-engine strategies.

PLEDGE OF ASSETS

As at 31 August 2015, bank deposits of RMB2.3 million (28 February 2015: RMB2.8 million) have been pledged as rental deposits for certain subsidiaries 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 RMB208.0 million (28 February 2015: RMB186.8 million), of which RMB8.7 million (28 February 2015: RMB5.8 million) was utilised as at 31 August 2015.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK5.7 cents per ordinary share for the six months ended 31 August 2015 (2014: HK8.0 cents) payable on Friday, 20 November 2015 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 11 November 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2015, the Group had a staff force of 5,740 people (28 February 2015: 5,382 people). Of this number, 156 were based in Hong Kong and Macau and 5,584 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 staff costs for the six months ended 31 August 2015, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB189.7 million (2014: RMB186.8 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.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND

In order to ascertain the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 10 November 2015 to Wednesday, 11 November 2015 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend is 11 November 2015. In order to qualify for the interim dividend for the six months ended 31 August 2015, 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 Monday, 9 November 2015.

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 2015.

AUDIT COMMITTEE

As at 31 August 2015 and the date of this announcement, 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 this announcement, which was prepared based on (i) the accounting principles and practices adopted by the Group; and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2015. 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 2015.

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 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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for deviation from code provision A.6.7 of CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Ms. An You Ying, an executive Director, and Mr. Lee Tze Bun, Marces, a non-executive Director, were unable to attend the annual general meeting of the Company held on 13 July 2015.

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 six months ended 31 August 2015.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 August 2015 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 November 2015.

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 October 2015

As at the date of this announcement, the Company's executive Directors are Ms. Lau Shun Wai, Ms. Chu Tsui Lan, Ms. Wong Sau Han 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 Renminbi unless stated otherwise.)