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 2016

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2016	2015	change	change in %
Revenue	*RMB million*	**651.2**	755.8	(104.6)	(13.8)
Gross profit	*RMB million*	**438.0**	501.8	(63.8)	(12.7)
Operating profit	*RMB million*	**61.2**	75.5	(14.3)	(18.9)
Profit attributable to owners of the Company	*RMB million*	**41.6**	55.2	(13.6)	(24.7)
Gross profit margin	*Percentage*	**67.3**	66.4		
Operating profit margin	*Percentage*	**9.4**	10.0		
Profit margin attributable to owners of the Company	*Percentage*	**6.4**	7.3		
Basic earnings per share	*RMB cents*	**5.89**	8.45	(2.56)	(30.3)
Dividends per share					
- interim	*HK cents*	**4.3**	5.7		
	(RMB cents#)	**3.6**	4.6		
- special	*HK cents*	**1.4**	-		
	(RMB cents#)	**1.2**	-		

For reference only

* *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 2016. The unaudited condensed consolidated interim results for the six months ended 31 August 2016 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 2016

		Unaudited	
		Six months ended 31 August	
		2016	2015
	Note	**RMB'000**	RMB'000
Revenue	*4*	**651,173**	755,792
Cost of sales		**(213,160)**	(254,025)
Gross profit		**438,013**	501,767
Other income	*5*	**19,039**	20,244
Other losses	*5*	**(6,094)**	(6,855)
Selling and distribution expenses		**(302,687)**	(352,269)
General and administrative expenses		**(87,109)**	(87,429)
Operating profit	*6*	**61,162**	75,458
Finance income		**2,089**	5,209
Share of profit of a joint venture		**204**	258
Profit before income tax		**63,455**	80,925
Income tax expense	*7*	**(21,374)**	(25,145)
Profit for the period		**42,081**	55,780
Profit for the period attributable to:			
- owners of the Company		**41,593**	55,215
- non-controlling interest		**488**	565
		42,081	55,780
Earnings per share attributable to the owners of the Company *(express in RMB cents)*			
- Basic	*8*	**5.89**	8.45
- Diluted	*8*	**5.89**	8.40
Dividends	*9*	**34,034**	32,377

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 August 2016

	Unaudited Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Profit for the period	**42,081**	55,780
Other comprehensive income		
Items that will be reclassified to profit or loss		
- Currency translation differences	**12,357**	7,714
Other comprehensive income for the period	**12,357**	7,714
Total comprehensive income for the period	**54,438**	63,494
Total comprehensive income for the period, attributable to:		
- owners of the Company	**54,223**	63,167
- non-controlling interest	**215**	327
	54,438	63,494

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2016

	Note	**Unaudited 31 August 2016 RMB'000**	Audited 29 February 2016 RMB'000
ASSETS			
Non-current assets			
Investment properties		**143,301**	141,505
Property, plant and equipment		**100,272**	108,372
Land use rights		**14,770**	14,880
Long-term deposits and prepayments		**9,089**	8,961
Interest in a joint venture		**34,940**	34,733
Interest in and amount due from an available-for-sale financial asset	*10*	**-**	-
Deferred tax assets		**72,088**	69,813
		374,460	378,264
Current assets			
Inventories		**450,269**	441,819
Trade and other receivables	*11*	**138,996**	162,693
Deposits and prepayments		**36,472**	44,958
Cash and bank balances		**541,975**	543,466
		1,167,712	1,192,936
Total assets		**1,542,172**	1,571,200
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Dividends		**34,034**	57,704
Others		**1,201,836**	1,183,115
		1,295,849	1,300,798
Non-controlling interest		**10,475**	11,723
Total equity		**1,306,324**	1,312,521

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 31 August 2016

	Note	**Unaudited 31 August 2016 RMB'000**	Audited 29 February 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**34,144**	44,375
Current liabilities			
Trade payables and accruals	*12*	**158,640**	170,086
Amount due to a joint venture		**33,000**	33,000
Current income tax liabilities		**10,064**	11,218
		201,704	214,304
Total liabilities		**235,848**	258,679
Total equity and liabilities		**1,542,172**	1,571,200
Net current assets		**966,008**	978,632
Total assets less current liabilities		**1,340,468**	1,356,896

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These condensed consolidated interim financial information are 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 27 October 2016.

These condensed consolidated interim financial information have not been audited, but have been reviewed by the Company's Audit Committee.

2 BASIS OF PREPARATION

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

The presentation currency of the Group's consolidated financial statements have been changed from HK$ to RMB for the financial year ended 29 February 2016 and onwards as the Group currently mainly operates its business in 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 consolidated financial statements in RMB can provide more relevant information for management to control and monitor the operating performance.

2.2 Basis of preparation

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2016 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 29 February 2016, 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 29 February 2016, 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.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs and a new standard that are mandatorily effective for the financial year ending 28 February 2017. The application of the amendments to HKFRSs and the new standard in the current interim period has had no material impact on the results and financial position of the Group.

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) 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. 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 2016 is as follows:

	Unaudited Six months ended 31 August 2016			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	614,837	36,336	-	651,173
Reportable segment profit	53,959	(5,537)	-	48,422
Other income				19,039
Other losses				(6,094)
Finance income				2,089
Share of profit of a joint venture				204
Unallocated expenses				(205)
Profit before income tax				63,455
Income tax expense				(21,374)
Profit for the period				42,081
Depreciation and amortisation	20,297	1,107	-	21,404
Additions to non-current assets (Other than deferred tax assets)	13,086	959	-	14,045

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 losses				(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

For the six months ended 31 August 2016 and 31 August 2015, 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 2016 by reportable segment is set out below:

	Unaudited As at 31 August 2016			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	**1,025,944**	**401,095**	**7,848**	**1,434,887**
Interest in a joint venture				**34,940**
Interest in and amount due from an available-for-sale financial asset				**-**
Deferred tax assets				**72,088**
Unallocated assets				**257**
Total assets per condensed consolidated balance sheet				**1,542,172**
Segment liabilities	**143,453**	**14,161**	**1,014**	**158,628**
Amount due to a joint venture				**33,000**
Current income tax liabilities				**10,064**
Deferred tax liabilities				**34,144**
Unallocated liabilities				**12**
Total liabilities per condensed consolidated balance sheet				**235,848**

An analysis of the Group's assets and liabilities as at 29 February 2016 by reportable segment is set out below:

	Audited As at 29 February 2016			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,161,005	295,284	10,261	1,466,550
Interest in a joint venture				34,733
Interest in and amount due from an available-for-sale financial asset				-
Deferred tax assets				69,813
Unallocated assets				104
Total assets per condensed consolidated balance sheet				1,571,200
Segment liabilities	155,691	13,479	894	170,064
Amount due to a joint venture				33,000
Current income tax liabilities				11,218
Deferred tax liabilities				44,375
Unallocated liabilities				22
Total liabilities per condensed consolidated balance sheet				258,679

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

REVENUE

	Unaudited Six months ended 31 August	
	2016 RMB'000	2015 RMB'000
Mainland China	**614,837**	699,566
Hong Kong	**31,775**	47,667
Macau	**4,561**	8,559
Total	**651,173**	755,792

For the six months ended 31 August 2016 and 31 August 2015, 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 tax assets) of the Group by geographical segments is as follows:

NON-CURRENT ASSETS

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Mainland China	**200,531**	209,085
Hong Kong	**22,693**	20,536
Macau	**79,148**	78,830
Total	**302,372**	308,451

5 OTHER INCOME AND OTHER LOSSES

	Unaudited Six months ended 31 August	
	2016 RMB'000	2015 RMB'000
Other income		
Gross rental income from investment properties	**2,067**	1,966
Government incentives	**16,972**	18,278
	19,039	20,244
Other losses		
Exchange losses *(Note (a))*	**(6,094)**	(6,855)
	(6,094)	(6,855)
	12,945	13,389

(a) *Net exchange losses 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 OPERATING PROFIT

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

	Unaudited Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Auditors' remuneration	**1,148**	847
Amortisation of land use rights	**239**	299
Depreciation of property, plant and equipment	**21,165**	21,091
Loss on disposal of property, plant and equipment	**1,261**	1,989
Costs of inventories recognised as expenses included in cost of sales	**171,340**	194,062
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**44,265**	45,417
- contingent rents	**1,185**	486
Freight charges	**4,402**	4,649
Advertising and promotional expenses	**15,862**	28,907
Postage and express charges	**3,141**	6,017
Concessionaire fees	**118,974**	139,421
Direct operating expenses arising from investment properties that generated rental income	**203**	194
Employee benefit expenses (including directors' emoluments and value of employees services)	**181,103**	189,697
Write back of impairment on inventories	**(3,302)**	(685)
Write back of impairment losses on trade receivables	**(915)**	-

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Current income tax		
People's Republic of China ("PRC") corporate income tax	**34,395**	28,964
Deferred taxation	**(13,021)**	(3,819)
	21,374	25,145

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% (2015: 25%).

8 EARNINGS PER SHARE

Basic

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

	Unaudited Six months ended 31 August	
	2016	2015
Profit attributable to owners of the Company *(RMB'000)*	**41,593**	55,215
Weighted average number of ordinary shares in issue *('000)*	**705,895**	653,472
Basic earnings per share *(RMB cents)*	**5.89**	8.45

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 six months ended 31 August 2016, the diluted earnings per share was the same as the basic earnings per share as the Company's share options outstanding during the period was anti-dilutive potential ordinary shares.

For the six months ended 31 August 2015, 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	
	2016	2015
Profit attributable to owners of the Company *(RMB'000)*	**41,593**	55,215
Weighted average number of ordinary shares in issue (*'000*)	**705,895**	653,472
Adjustments for share options (*'000*)	-	3,630
Weighted average number of ordinary shares for diluted earnings per share (*'000*)	**705,895**	657,102
Diluted earnings per share (*RMB cents*)	**5.89**	8.40

9 DIVIDENDS

	Unaudited Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Interim dividend of HK4.3 cents (six months ended 31 August 2015: HK5.7 cents) per ordinary share	**25,675**	32,377
Special dividend of HK1.4 cents (six months ended 31 August 2015: Nil) per ordinary share	**8,359**	-
	34,034	32,377

A dividend of approximately RMB59,709,000 that related to the financial year ended 29 February 2016 was paid in July 2016 (2015: RMB72,276,000).

At the Board of Directors' meeting held on 27 October 2016, the Board of Directors has resolved to declare an interim dividend of HK4.3 cents (equivalent to approximately RMB3.6 cents) per ordinary share and a special dividend of HK1.4 cents (equivalent to approximately RMB1.2 cents) per ordinary share, totaling approximately RMB34,034,000. These interim dividends are not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2017.

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

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 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)
	-	-
Total	**-**	-

(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 2016 RMB'000	Audited 29 February 2016 RMB'000
Trade receivables *(Note (a))*		
Current to 30 days	**113,286**	140,012
31 to 60 days	**11,642**	11,503
61 to 90 days	**4,264**	2,997
Over 90 days	**4,802**	5,193
	133,994	159,705
Other receivables	**5,002**	2,988
Total	**138,996**	162,693

(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 based on invoice date is as follows:

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Trade payables		
Current to 30 days	**28,925**	43,263
31 to 60 days	**13,691**	8,037
61 to 90 days	**3,978**	435
91 to 120 days	**1,129**	856
Over 120 days	**2,467**	1,583
	50,190	54,174
Accruals	**108,450**	115,912
Total	**158,640**	170,086

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 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 distinctive product lines.

In the first half of the fiscal year 2016/17, total revenue of the Group decreased by 13.8% year-on-year to RMB651,200,000 (2015/16: RMB755,800,000). Consolidated gross profit dropped by 12.7% year-on-year to RMB438,000,000 (2015/16: RMB501,800,000). The Group recorded an overall gross profit margin of 67.3%, increased by 0.9 percentage point as compared to last year. Consolidated profit attributable to owners of the Company decreased by 24.7% year-on-year to RMB41,600,000 (2015/16: RMB55,200,000). The underlying profit attributable to owners of the Company, which reflected the performance of the Group's core footwear business, decreased by 24.0% year-on-year to RMB45,600,000 (2015/16: RMB60,000,000).

RMB million	**1H 2016/17**	**1H 2015/16**	**Change**
Revenue	**651.2**	755.8	(13.8%)
Gross profit	**438.0**	501.8	(12.7%)
Gross profit margin	**67.3%**	66.4%	0.9 percentage point
Underlying profit attributable to owners	**45.6**	60.0	(24.0%)
Consolidated profit attributable to owners	**41.6**	55.2	(24.7%)
Basic earnings per share (RMB cents)	**5.89**	8.45	(30.3%)
Interim dividend			
- HK cents	**4.3**	5.7	
(equivalent to approximately RMB cents#)	**3.6**	4.6	
Special dividend			
- HK cents	**1.4**	-	
(equivalent to approximately RMB cents#)	**1.2**	-	
Dividend pay-out ratio	**81.8%**	58.6%	23.2 percentage points

Note: *Underlying profit attributable to owners is an indicator of the sales performance of the Group's core footwear business, calculated by deducting share of profit of joint venture, rental income and foreign exchange losses from profit for the period attributable to owners of the Company.*

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Profitability Analysis

During the period under review, the retail markets of Mainland China and Hong Kong remained sluggish, resulting in the decrease of gross profit by 12.7% year-on-year to RMB438,000,000 (2015/16: RMB501,800,000). Benefitted from a lower sales discount, the decline rate of gross profit was less than that of revenue. The gross profit margin increased by 0.9 percentage point year-on-year to 67.3% amid the negative growths recorded in both revenue and same-store sales.

Selling and distribution expenses decreased by 14.1% year-on-year to RMB302,700,000 (2015/16: RMB352,300,000). Under the overall sluggish retail market, the ratio of selling and distribution expenses to total revenue was 46.5%, decreased by 0.1 percentage point (2015/16: 46.6%). With more online and offline integrated marketing programs, the Group has significantly reduced the on-line promotional expenses during the period under review. Advertising and promotional expenses finally accounted for 2.4% of total revenue, representing a year-on-year decrease of 1.4 percentage points. During the period under review, to enhance its brand awareness, the Group has continued to introduce large-scale promotional activities with different themes to increase interactive communication with its VIP members.

General and administrative expenses decreased by 0.4% to RMB87,100,000 (2015/16: RMB87,400,000) compared to the corresponding period of last year. Due to the decrease in revenue, general and administrative expenses accounted for 13.4% of total revenue (2015/16: 11.6%), representing an increase of 1.8 percentage points. The Group has reorganized its production base and back office during the period and expect the related costs will gradually decrease.

Other income decreased by 6.0% to RMB19,000,000 (2015/16: RMB20,200,000). The decrease was mainly attributable to the decrease in local government subsidy. Other losses, mainly represented by exchange losses, decreased by 11.1% to RMB6,100,000 during the period under review.

Consolidated profit attributable to owners of the Company decreased by 24.7% to RMB41,600,000 (2015/16: RMB55,200,000) as compared to last year. Basic earnings per share decreased by 30.3% year-on-year to RMB5.89 cents (2015/16: RMB8.45 cents). In return for the shareholders' longstanding support, the Board recommended an interim dividend of HK4.3 cents per ordinary share (2015/16: interim dividend of HK5.7 cents), and a special dividend of HK1.4 cents per ordinary share (2015/16: Nil) maintaining a high dividend payout ratio of 81.8% (2015/16: 58.6%).

Income Tax Expense

During the period under review, income tax expenses amounted to approximately RMB21,400,000 (2015/16: RMB25,100,000), representing a decrease of 15.0% 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 the losses not subject to taxation, the effective income tax rate of the Group was 30.7% (2015/16: 28.6%).

Inventory Management

As at 31 August 2016, the Group's inventory balance was RMB450,300,000, down 2.4% year-on-year to RMB461,400,000. Inventory turnover days of finished goods increased by 31 days to 289 days (31 August 2015: 258 days).

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2016	As at 31 August 2015	Changes in value	Changes in %
Raw materials and work-in-progress	**42.9**	56.4	(13.5)	(23.9%)
Finished goods	**407.4**	405.0	2.4	0.6%
Total	**450.3**	461.4	(11.1)	(2.4%)

During the period under review, the inventory of raw materials and work-in-progress significantly decreased by 23.9% year-on-year, which was attributable to the Group's continuous efforts in improving its supply chain and production plant's efficiency. Currently, the Group is adjusting its operations: not only to close underperforming stores and clear up finished goods inventory but also to limit the number of Stock Keeping Unit ("SKU") and reduce new orders in the coming seasons. As a result, the finished goods inventory at the period-end date was kept at the same level as last year. The Group has been exercising strict control over the stock age of its inventory and as at 31 August 2016, approximately 80% of the Group's finished goods had a stock age of less than one year (31 August 2015: 85%).

Liquidity and Financial Resources

The Group's financial position remained very strong and healthy. As at 31 August 2016, the Group's cash and bank balance amounted to RMB542,000,000 (29 February 2016: RMB543,500,000). The cash flow remained stable in spite of the sluggish sales. The quick ratio was 3.4 times (29 February 2016: 3.3 times). As at the fiscal period-end date, the Group had no outstanding short-term bank loan (29 February 2016: Nil). Forward contracts will be used by the Group, 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 under review. In addition, working capital requirements for business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

During the period ended 31 August 2016, 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 bank facilities, the Group has adequate financial resources to fund its future needs.

BUSINESS REVIEW

Overview

The growth of China's gross domestic product (GDP) further eased in the first half of 2016. The overall retail environment has been on a progressive down trend along with the slow-down of China's economic growth since 2012. Retail industry sentiment remained low without any significant sign of rebound noted so far. In the first half of the year 2016, booming investment in the real estate market has diverted a large extent of purchasing power, which resulted in a more challenging business environment to the operators.

Changes in consumers' preference have made the market more segmented and shopping channels more diversified. Customers have focused more on shopping experience and brand reputation, and demanded more on product quality and brand value. Customers would pursue products more value for money.

Fast changes in the market as well as consistent high cost ratio continuously squeezed the profit margin of retail operators. During the period under review, the Group has proactively adjusted its strategies to further enhance its product quality, reinforce its supply chain and broaden its sales channels. The Group has introduced more stylish and personalized products with youthful twists to capture the business opportunities brought by the change of the consumption trend. In response to the unfavorable environment, the Group has also enhanced the integration of its online and offline operations.

Retail business

The total retail sales of consumer goods in Mainland China recorded a slow-down in growth in the first half of 2016. For the period under review, the total retail revenue of the Group decreased by 13.8% year-on-year to RMB651,200,000 (2015/16: RMB755,800,000), of which the retail revenue from Mainland China decreased by 12.1% to RMB614,800,000 (2015/16: RMB699,600,000). The Group's same-store sales also decreased by 13.0% (2015/16: decreased by 4.2%). The drop in same-store sales was attributable to the followings: firstly, slackened economic growth in Mainland China made the overall retail market ongoing sluggish; secondly, a surge in property prices resulted in significant shift of purchasing power into the real estate market; thirdly, a rapid growth of consumer spending in overseas market took away some consumption in domestic market; fourthly, consecutive years of high growth in same-store sales already built a quite high comparative base. To cope with the ever-changing market, the Group will focus on improving its product quality and boosting its price competitiveness, in a bid to gradually improve the same-store sales.

For the first half of 2016 retail sales in Hong Kong decreased by 10.5% year-on-year, showing that the decline has apparently accelerated as compared to the prior year. The slide was the combined effects of the decrease in consumption from inbound tourists in Hong Kong and the local consumers becoming more prudent in spending amid the continual uncertainties towards the economic outlook. The Group's sales revenue in Hong Kong and Macau decreased by 35.4% year-on-year to RMB36,300,000 (2015/16: RMB56,200,000) and the business unit remained at a loss. For the period under review, the number of stores in Hong Kong and Macau reduced by 6 to 10 stores since the Group has to close down underperforming stores while the same-store sales in Hong Kong and Macau not yet recovered.

Retail network

Mainland China is the key market of the Group's retail business. As at the end of the period under review, the Group had a retail network comprising 836 stores in Mainland China, Hong Kong and Macau, representing a net decrease of 47 stores compared to the same date of last year. The decrease was the net effect of the closure of certain underperforming stores and opening of new stores at other prime locations, in light of the continual slow-down of consumption in department stores.

As at 31 August 2016, there were 604 le saunda stores and 57 le saunda MEN stores, representing net reductions of 62 and 12 stores respectively, as compared to the same date of last year. LINEA ROSA, the high-end fashion brand of the Group, approached its mature stage to provide stable results that had maintained a moderate pace of store opening amidst the adverse market condition. LINEA ROSA's network saw a net increase of 15 stores to a total of 72 stores as compared to that of the corresponding period of last year. CNE O2O has also maintained its pace of store opening and the number of stores increased from 16 to 22.

As at 31 August 2016, 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	742	(-16)	84	(-25)	826	(-41)
• Northern, Northeastern & Northwestern Regions	173	(-20)	73	(-14)	246	(-34)
• Eastern Region	228	(+3)	1	(-1)	229	(+2)
• Central and Southwestern Regions	168	-	10	(-5)	178	(-5)
• Southern Region	173	(+1)	0	(-5)	173	(-4)
Hong Kong and Macau	10	(-6)	-	-	10	(-6)
Total	752	(-22)	84	(-25)	836	(-47)

E-commerce business

In the first half of 2016, in spite of the double-digit year-on-year growth recorded in the national online retailing, the growth rate of e-commerce industry has been impeded significantly compared to prior years. The overall growth momentum of e-commerce has diminished quickly after years of exponential growth. Severe competition from cross-border e-commerce import players and rapid increase in channel expenses put profit margin of online business under pressure.

In face of the rapid upsurge in channel costs, the Group has adjusted timely its operational model to boost the sale conversion rate by extending its access to consumers via subscription accounts of various platforms. During the period under review, the Group not only increased the proportion of causal and youthful designs to meet the consumers' needs but also improved its profitability with strict control on costs. Though revenue of the Group's e-commerce decreased by 19.0% year-on-year, its gross profit margin maintained. Benefitted from cost-cutting on online advertising, marketing and courier charges, the e-commerce business still recorded a profit growth despite of the sale decline. During the period, the e-commerce revenue accounted for approximately 12.0% of total revenue of the Group.

The Group strived to increase the interaction with customers and to enlarge its VIP customer base. With the use of social media and official subscription accounts of different platforms, such as Facebook and WeChat, the Group published information of its latest products and games to attract more involvement from the customers. The Group also organized VIP activities in different cities to share the trend of mix and match with the customers and provide them areas to design items of their own. All these online/offline efforts aimed to enrich the customers' shopping experiences.

OUTLOOK

Looking forward, fierce competition in online and offline retail markets and market integrations will pose a persistent challenge to the operators. The Chinese government, however, still regards domestic consumption as one of the main drivers of economic growth. GDP per capita in China has already risen beyond US$7,000, representing the demand for fashionable and high quality products has entered into fast growing stage. In recent years, the uprise of "experiential shopping" has gradually transformed the retail market from fulfilling customers' "necessity" into enchancing their "shopping experience". These two noted changes have provided development potential for brand operators.

The Group has always committed to product quality. To satisfy the customers with good products, the Group will continue to upgrade the raw materials and craftsmanship of its products with chic and trendy designs. Facing the rapid and rampant changes in the market, the Group will manage to explore different consumer market segments and continue to optimize its product mix to supply more casual comfort and fashionable products and accessories to these markets. The Group has decided to expand the handbag segment as a new growth driver in revenue.

Consumers have emphasized more on the experience gained on the entire shopping process, including shopping environment, service of sales staff and after-sales service. Leveraging on the mobile internet platforms, the Group is committed to provide more user-friendly customer service by understanding the shopping habits and needs of customers from different age ranges. The Group will actively refine the store environment and upgrade the store image so as to boost the customers' traffic and their willingness to buy. For example, CNE store has shortened the distance between customers and products to provide customers more convenience in shopping. CNE new store design with semi-self-service-setting is well-received by the market.

CNE brand will uphold its fashionable style to meet the consumer's preferences. CNE will launch popular products in a timely manner to expand the mid-end market. Meanwhile, CNE brand will optimize its online-to-offline ("O2O") operation model to develop new O2O online channel and to lower its cost-to-sales ratio. After years of development, CNE has built a mature team with sufficient talents for future expansion. In the second half of the year, the Group will keep on opening new CNE O2O stores and introduce new product categories and leisure designs for consumers. The integration of IT system will provide technical support for improving the supply chain efficiency, which fosters a close connection of all sections along the supply chain. After the comprehensive upgrade of POS system in the second half of the year, the benefits of information sharing will accelerate our responses towards the market.

In the first half of the year, the Group has streamlined the organizational structure in its production base and the outcome was satisfactory. In order to relieve the inventory pressure, the Group will put more efforts in clearing up the inventory and streamlining its new season SKU in the second half of the year. The Group will also continue to build up a more flattened organizational structure. The Group will build up a highly efficient offline retail network by closing down underperforming stores and opening up new stores at better locations. The Group believes that in the future retailers will rely on enhancing operational efficiency and refining management process to lower their costs, in a bid to improve its profit margin.

The Group believes that the retail market will remain lacklustre in the foreseeable future, and further internal reforms would be the only way to face up to the challenges. To prepare for its rapid development in the future, the Group will continuously explore new ways to accommodate the market changes and to increase its profitability. To provide stable return to shareholders in the long run, the Group is committed to the transformation from a traditional vertically-integrated offline retailer to a highly data-oriented omni-channel operator.

PLEDGE OF ASSETS

As at 31 August 2016, bank deposits of RMB2.3 million (29 February 2016: RMB2.3 million) have been pledged as rental deposits for certain subsidiaries of the Group.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of RMB215.6 million (29 February 2016: RMB210.8 million), of which RMB5.1 million (29 February 2016: RMB3.6 million) was utilised as at 31 August 2016.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK4.3 cents (the "Interim Dividend") (2015: HK5.7 cents) per ordinary share and a special dividend of HK1.4 cents (the "Special Dividend") (2015: Nil) per ordinary share for the six months ended 31 August 2016 payable on Thursday, 24 November 2016 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 15 November 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2016, the Group had a staff force of 5,120 people (29 February 2016: 5,286 people). Of this number, 128 were based in Hong Kong and Macau and 4,992 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 2016, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB181.1 million (2015: RMB189.7 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 AND SPECIAL DIVIDEND

In order to ascertain the entitlement to the Interim Dividend and the Special Dividend, the register of members of the Company will be closed from Monday, 14 November 2016 to Tuesday, 15 November 2016 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the Interim Dividend and the Special Dividend is 15 November 2016. In order to qualify for the Interim Dividend and the Special Dividend for the six months ended 31 August 2016, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 11 November 2016.

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 2016.

AUDIT COMMITTEE

As at 31 August 2016 and up to 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 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 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 2016. 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 2016.

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 Listing Rules, except for deviation from code provision A.6.7 of the CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Ms. Lau Shun Wai, an executive Director as she then was (who resigned with effect from 31 August 2016), and Mr. Lee Tze Bun, Marces, a non-executive Director, were unable to attend the annual general meeting of the Company held on 11 July 2016.

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 required standard set out in the Model Code during the six months ended 31 August 2016 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 2016 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 2016.

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, 27 October 2016

As at the date of this announcement, the Company's executive Directors are Ms. Chu Tsui Lan, Ms. Chui Kwan Ho, Jacky, Ms. Wong Sau Han and Mr. Cheng Wang, Gary; 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.)