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 2018

FINANCIAL HIGHLIGHTS

		Six months ended 31 August 2018	2017 (Restated)	Change	Change in %
Revenue	*RMB million*	**460.4**	537.7	(77.3)	(14.4)
Gross profit	*RMB million*	**290.4**	355.6	(65.2)	(18.3)
Operating (loss)/ profit	*RMB million*	**(6.0)**	31.5		
(Loss)/ profit attributable to owners of the Company	*RMB million*	**(9.6)**	22.9		
Gross profit margin	*Percentage*	**63.1**	66.1		
Operating margin	*Percentage*	**(1.3)**	5.9		
Net margin attributable to owners of the Company	*Percentage*	**(2.1)**	4.3		
Basic (loss)/ earnings per share	*RMB cents*	**(1.36)**	3.24		
Dividends per share					
- interim	*HK cents*	**-**	3.3		
	(RMB cents#)	**-**	2.9		
- interim special	*HK cents*	**-**	1.7		
	(RMB cents#)	**-**	1.5		

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 2018. The unaudited condensed consolidated interim results for the six months ended 31 August 2018 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 2018

		Unaudited	
		Six months ended 31 August	
		2018	2017
	Note	***RMB'000***	*RMB'000*
			(Restated)
Revenue	*4*	**460,447**	537,748
Cost of sales		**(170,066)**	(182,175)
Gross profit		**290,381**	355,573
Other income	*5*	**10,704**	16,857
Other gain and loss, net	*5*	**(1,176)**	13,430
Selling and distribution expenses		**(231,001)**	(266,071)
General and administrative expenses		**(74,920)**	(88,295)
Operating (loss)/ profit	*6*	**(6,012)**	31,494
Finance income		**5,490**	3,249
Share of profit of a joint venture		**-**	76
(Loss)/ profit before income tax		**(522)**	34,819
Income tax expense	*7*	**(8,509)**	(11,804)
(Loss)/ profit for the period		**(9,031)**	23,015
(Loss)/ profit for the period attributable to:			
- owners of the Company		**(9,585)**	22,884
- non-controlling interest		**554**	131
		(9,031)	23,015
(Loss)/ earnings per share attributable to owners of the Company *(express in RMB cents)*			
- Basic	*8*	**(1.36)**	3.24
- Diluted	*8*	**(1.36)**	3.24
Dividends	*9*	**-**	30,879

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 August 2018

	Unaudited Six months ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
(Loss)/ profit for the period	**(9,031)**	23,015
Other comprehensive income or loss		
Items that will be reclassified to profit or loss		
- Currency translation differences	**32,278**	(25,444)
- Reversal of impairment of interest in an available-for-sale financial asset	**-**	2,500
Other comprehensive income/ (loss) for the period	**32,278**	(22,944)
Total comprehensive income for the period	**23,247**	71
Total comprehensive income/ (loss) for the period, attributable to:		
- owners of the Company	**22,693**	(542)
- non-controlling interest	**554**	613
	23,247	71

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2018

	Note	**Unaudited 31 August 2018 RMB'000**	Audited 28 February 2018 RMB'000
ASSETS			
Non-current assets			
Investment properties		**128,594**	128,594
Property, plant and equipment		**87,923**	94,391
Land use rights		**21,288**	21,239
Long-term deposits and prepayments		**4,000**	5,898
Deferred income tax assets		**53,786**	53,538
		295,591	303,660
Current assets			
Inventories		**355,884**	331,355
Trade receivables and other receivables	*10*	**81,360**	116,705
Deposits and prepayments		**49,633**	49,705
Pledged bank deposit		**673**	624
Cash and bank balances		**618,284**	603,123
		1,105,834	1,101,512
Total assets		**1,401,425**	1,405,172
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Dividends		**-**	47,698
Others		**1,148,536**	1,124,653
		1,208,515	1,232,330
Non-controlling interest		**10,300**	10,451
Total equity		**1,218,815**	1,242,781

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2018

	Note	**Unaudited 31 August 2018 *RMB'000***	Audited 28 February 2018 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**32,457**	30,086
Current liabilities			
Trade payables and other payables	*11*	**135,546**	127,173
Contract liabilities		**7,410**	-
Current income tax liabilities		**7,197**	5,132
		150,153	132,305
Total liabilities		**182,610**	162,391
Total equity and liabilities		**1,401,425**	1,405,172

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").

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 29 October 2018.

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

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2(a) DISPOSAL OF INTEREST IN AN AVAILABLE-FOR-SALE FINANCIAL ASSET AND ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A JOINT VENTURE

On 8 June 2017, the Group entered into an agreement to acquire the remaining 50% equity interest of a joint venture, 佛山市順德區雙強房地產開發有限公司 ("SSQ") from 佛山市順德區鴻業房產有限公司 ("SHREC") with a consideration of RMB847,000. SSQ became a wholly-owned subsidiary of the Company upon completion of the acquisition. On the same date, the Group entered into another agreement to dispose its available-for-sale investment being 25% interest in 佛山市順德區陳村鎮碧桂園物業發展有限公司 ("FCCG") to the major shareholder of FCCG for a consideration of RMB24,251,000. Both transactions were completed during the year ended 28 February 2018.

At the time of acquisition, SSQ was inactive and did not carry out any business activities, and therefore, the acquisition of the additional interest in SSQ was not considered as a business combination. The negotiation of the above transactions was carried at the same time with a counterparty who represented both the major shareholder of FCCG and SHREC. The agreements were signed on the same date and considered to be interdependent on each other. Hence, the disposal of interest in an available-for-sale financial asset and acquisition of additional equity interest in a joint venture were treated as one single transaction for the purpose of accounting. The gain arising from the acquisition of additional equity interest is deemed as part of the consideration received for the disposal of the interest in an available-for-sale financial assets.

As at 31 August 2017, the acquisition of additional equity interest in SSQ was completed and the relevant gain was recorded accordingly; meanwhile, the disposal of interest in FCCG was not completed and the relevant disposal gain was not recorded until November 2017.

2(b) PRIOR YEAR ADJUSTMENTS

According to the findings of the investigation, it was discovered for the six months ended 31 August 2017 contained misstatements that the disposal of interest in an available-for-sale financial asset and acquisition of additional equity interest in a joint venture should be treated as one single transaction for the purpose of accounting. The gain arising from the acquisition of additional interest that deemed as part of the consideration received for the disposal should only be recorded to income statement as other gain when the disposal of the financial asset was completed. Therefore, the gain arising from acquisition should be accounted for together with the gain on disposal in income statement in 2^{nd} half of fiscal year 2017/18.

In the preparation of the condensed consolidated financial statements for the six months ended 31 August 2018, the Directors of the Company have taken into account the findings of the investigation and are satisfied that appropriate adjustments should be made to the prior year as described below, to correct and present the significant accounting misstatements in relation to the above transactions.

The effect of the restatement on condensed financial statements for the six months ended 31 August 2017 is summarized below:

	RMB'000
Decrease in other income	(17,022)
Increase in other gain and loss	7,500
Decrease in profit for the period attributable to owners of the Company	**(9,522)**
Increase in interest in and amount due from an available-for-sale financial asset	10,000
Increase in trade payables and other payables	(17,022)
Decrease in total equity	**(7,022)**

The above adjustments have no impact on the audited consolidated financial statements for the year ended 28 February 2018.

3 PRINCIPAL ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies applied in the condensed consolidated interim financial statements for the six months ended 31 August 2018 are consistent with those adopted in the consolidated financial statements for the year ended 28 February 2018.

(i) New and amended standards effective and adopted by the Group

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Notes 3(ii) to 3(v) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(ii) HKFRS 9 "Financial Instruments" – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group adopted HKFRS 9 from 1 March 2018. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

On 1 March 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories. The majority of the Group's financial assets include:

- loans and receivables previously measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables and other receivables that are subject to HKFRS 9's new ECL model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings as at 1 March 2018 was immaterial.

(iii) HKFRS 9 "Financial Instruments" – Summary of significant accounting policies applied from 1 March 2018

Classification
From 1 March 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/ (losses) in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment
From 1 March 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

(iv) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The Group adopted HKFRS 15 from 1 March 2018. The Group has adopted the modified retrospective approach and the comparatives were not restated. The impact of the adoption of HKFRS 15 was immaterial and there was no adjustment in retained earnings as at 1 March 2018.

Management has assessed and identified the effects of applying the new standard on the Group's financial statements as follows:

"Receipt in advance from customers" and "deferred revenue" which were previously included in trade payables and other payables, amounting to RMB3,699,000 and RMB3,573,000 respectively as at 1 March 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact when the Group recognises revenue from sales of goods.

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included.

	As at 28 February 2018	**Impact on initial adoption of HKFRS 15**	**As at 1 March 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade payables and other payables	127,173	(7,272)	119,901
Contract liabilities	-	7,272	7,272

(v) HKFRS 15 "Revenue from contracts with customers" – Summary of significant accounting policies applied from 1 March 2018

Sale of goods - wholesale
Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

The goods are often sold with sales discounts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. No element of financing is deemed present.

Sale of goods - retail
Revenue from the sale of goods is recognised when the Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods.

(vi) New and amended standards and interpretations issued but not yet adopted by the Group

HKFRS 16 "Leases" will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB62,074,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 March 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 gain or loss, finance income, share of profit of a joint venture and unallocated expenses.

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

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

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

(i) The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2018 is as follows:

	Unaudited Six months ended 31 August 2018			
	Retail		Others	Total
	Mainland China	HK & Macau		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	429,776	30,671	-	460,447
Reportable segment loss	(12,758)	(1,932)	-	(14,690)
Other income				10,704
Other loss, net				(1,176)
Finance income				5,490
Share of profit of a joint venture				-
Unallocated expenses				(850)
Loss before income tax				(522)
Income tax expense				(8,509)
Loss for the period				(9,031)
Depreciation and amortisation	16,318	725	-	17,043
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	9,260	1,461	-	10,721

The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2017 is as follows:

	Unaudited Six months ended 31 August 2017			
	Retail		Others	Total
	Mainland China	HK & Macau		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)
Revenue from external customers	508,397	29,351	-	537,748
Reportable segment profit/ (loss)	9,714	(8,507)	-	1,207
Other income				16,857
Other gain				13,430
Finance income				3,249
Share of profit of a joint venture				76
Unallocated expenses				-
Profit before income tax				34,819
Income tax expense				(11,804)
Profit for the period				23,015
Depreciation and amortisation	18,435	1,189	-	19,624
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	24,881	497	-	25,378

For the six months ended 31 August 2018 and 31 August 2017, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and CNE.

An analysis of the Group's assets and liabilities as at 31 August 2018 by reportable segment is set out below:

	Unaudited As at 31 August 2018			
	Retail		Others	Total
	Mainland China	HK & Macau		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	**1,047,017**	**292,036**	**152**	**1,339,205**
Deferred income tax assets				**53,786**
Unallocated assets				**8,434**
Total assets per condensed consolidated balance sheet				**1,401,425**
Segment liabilities	**133,814**	**8,312**	**5**	**142,131**
Current income tax liabilities				**7,197**
Deferred income tax liabilities				**32,457**
Unallocated liabilities				**825**
Total liabilities per condensed consolidated balance sheet				**182,610**

An analysis of the Group's assets and liabilities as at 28 February 2018 by reportable segment is set out below:

	Audited As at 28 February 2018			
	Retail		Others	Total
	Mainland China	HK & Macau		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	994,979	321,049	140	1,316,168
Deferred income tax assets				53,538
Unallocated assets				35,466
Total assets per condensed consolidated balance sheet				1,405,172
Segment liabilities	116,962	9,364	11	126,337
Current income tax liabilities				5,132
Deferred income tax liabilities				30,086
Unallocated liabilities				836
Total liabilities per condensed consolidated balance sheet				162,391

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

REVENUE

	Unaudited Six months ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**429,776**	508,397
Hong Kong	**28,889**	25,904
Macau	**1,782**	3,447
Total	**460,447**	537,748

For the six months ended 31 August 2018 and 31 August 2017, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

NON-CURRENT ASSETS

	Unaudited 31 August 2018 *RMB'000*	Audited 28 February 2018 *RMB'000*
Mainland China	**159,117**	167,096
Hong Kong	**14,060**	14,870
Macau	**68,628**	68,156
Total	**241,805**	250,122

5 OTHER INCOME AND OTHER GAIN AND LOSS, NET

	Unaudited Six months ended 31 August	
	2018 *RMB'000*	2017 *RMB'000* (Restated)
Other income		
Gross rental income from investment properties	**39**	126
Government incentives	**10,665**	9,934
Dividend income from an available-for-sale financial asset	**-**	6,797
	10,704	16,857
Other gain and loss, net		
Net exchange (loss)/ gain *(Note (a))*	**(5,773)**	5,930
Write back of impairment on amount due from an available-for-sale financial asset	**-**	7,500
Gain on disposal of property, plant and equipment	**4,597**	-
	(1,176)	13,430
	9,528	30,287

(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.

6 OPERATING (LOSS)/ PROFIT

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

	Unaudited Six months ended 31 August 2018 *RMB'000*	2017 *RMB'000*
Auditors' remuneration	**1,032**	1,206
Amortisation of land use rights	**392**	245
Depreciation of property, plant and equipment	**16,651**	19,379
Loss on disposal of property, plant and equipment	**1,066**	1,317
Costs of sales	**170,066**	182,175
Operating lease rentals in respect of land and buildings		
- minimum lease payments	**27,290**	35,831
- contingent rents	**667**	961
Freight charges	**4,364**	3,831
Advertising and promotional expenses	**22,053**	14,686
Postage and express charges	**2,296**	2,050
Concessionaire fees	**78,380**	99,825
Direct operating expenses arising from investment properties that generated rental income	**6**	72
Employee benefit expenses (including directors' emoluments and value of employees services)	**147,609**	170,572
(Write back of impairment)/ impairment on inventories	**(4,815)**	2,327
Impairment on trade receivables	**4,124**	-

7 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August 2018 *RMB'000*	2017 *RMB'000*
Current income tax		
People's Republic of China ("PRC") corporate income tax	**7,908**	15,605
Deferred income taxation	**601**	(3,801)
	8,509	11,804

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% (2017: 25%).

8 LOSS OR EARNINGS PER SHARE

Basic

Basic (loss)/ earnings per share is calculated by dividing the (loss)/ 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	
	2018	2017 (Restated)
(Loss)/ profit attributable to owners of the Company *(RMB'000)*	**(9,585)**	22,884
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic (loss)/ earnings per share *(RMB cents)*	**(1.36)**	3.24

Diluted

Diluted (loss)/ 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 2018 and 31 August 2017, the diluted (loss)/ earnings per share were the same as the basic (loss)/ earnings per share as the Company's share options outstanding during the period were anti-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	
	2018	2017 (Restated)
(Loss)/ profit attributable to owners of the Company *(RMB'000)*	**(9,585)**	22,884
Weighted average number of ordinary shares in issue (*'000*)	**705,895**	705,895
Adjustments for share options (*'000*)	-	-
Weighted average number of ordinary shares for Diluted (loss)/ earnings per share (*'000*)	**705,895**	705,895
Diluted (loss)/ earnings per share (*RMB cents*)	**(1.36)**	3.24

9 DIVIDENDS

	Unaudited Six months ended 31 August	
	2018	2017
	RMB'000	*RMB'000*
No interim dividend (six months ended 31 August 2017: HK3.3 cents per ordinary share)	-	20,380
No interim special dividend (six months ended 31 August 2017: HK1.7 cents per ordinary share)	-	10,499
	-	30,879

A dividend of approximately RMB46,508,000 that related to the financial year ended 28 February 2018 was paid in August 2018 (2017: RMB61,760,000).

At the Board of Directors' meeting held on 29 October 2018, the Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 August 2018.

10 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	Unaudited 31 August 2018 *RMB'000*	Audited 28 February 2018 *RMB'000*
Trade receivables *(Note (a))*		
Current to 30 days	**66,268**	100,491
31 to 60 days	**3,839**	4,947
61 to 90 days	**3,373**	2,849
Over 90 days	**4,554**	4,472
	78,034	112,759
Other receivables	**3,326**	3,946
Total	**81,360**	116,705

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

11 TRADE PAYABLES AND OTHER PAYABLES

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

	Unaudited 31 August 2018 *RMB'000*	Audited 28 February 2018 *RMB'000*
Trade payables		
Current to 30 days	**24,586**	15,114
31 to 60 days	**22,452**	17,933
61 to 90 days	**2,958**	948
91 to 120 days	**1,306**	-
Over 120 days	**1,686**	2,434
	52,988	36,429
Other payables	**82,558**	90,744
Total	**135,546**	127,173

MANAGEMENT'S DISCUSSION ANALYSIS

FINANCIAL REVIEW

OPERATING RESULTS

The Group is engaged in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and fashionable 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, PITTI DONNA and CNE, which aim to appeal to diversified target customer groups with their distinctive product lines.

In the first half of fiscal year 2018/19, total revenue of the Group decreased by 14.4% year-on-year to RMB460,400,000 (2017/18: RMB537,700,000). Consolidated gross profit dropped by 18.3% year-on-year to RMB290,400,000 (2017/18: RMB355,600,000). The Group recorded an overall gross profit margin of 63.1%, representing a decrease of 3.0 percentage points as compared to the corresponding period in last financial year. Consolidated loss attributable to owners of the Company was RMB9,600,000 (2017/18: profit RMB22,900,000).

RMB (million)	**1H 2018/19**	**1H 2017/18**	**Change**
Revenue	**460.4**	537.7	(14.4%)
Gross profit	**290.4**	355.6	(18.3%)
Gross profit margin	**63.1%**	66.1%	(3.0 percentage points)
Consolidated (loss)/ profit attributable to owners of the Company	**(9.6)**	22.9	
Basic (loss)/ earnings per share (RMB cents)	**(1.36)**	3.24	
Interim dividend			
- HK cents	**-**	3.3	
(equivalent to approximately RMB cents#)	**-**	2.9	
Interim special dividend			
- HK cents	**-**	1.7	
(equivalent to approximately RMB cents#)	**-**	1.5	
Dividend pay-out ratio	**N/A**	95.3%	

 # For reference only

PROFITABILITY ANALYSIS

During the period under review, the retail markets of Mainland China further slowed down, resulting in a continued negative growth recorded in the same-store sales of the Group. Together with the consolidation of underperforming stores, the Group's overall revenue recorded a year-on-year decline of 14.4% to RMB460,400,000 (2017/18: RMB537,700,000). To cope with unfavourable market conditions, the Group has adjusted its pricing strategies, resulting in a decrease of gross profit margin by 3.0 percentage points year-on-year to 63.1%, and a decrease of consolidated gross profit by 18.3% to RMB290,400,000 (2017/18: RMB355,600,000).

With the revenue decreasing, selling and distribution expenses decreased by 13.2% year-on-year to RMB231,000,000 (2017/18: RMB266,100,000). As the decrease in the related expenses was less than that of revenue, the ratio of selling and distribution expenses to total revenue slightly increased by 0.7 percentage point to 50.2% (2017/18: 49.5%). During the period under review, the Group reinforced its efforts in promotion activities both online and offline. As a result, the advertising and promotional expenses accounted for 4.8% of sales, representing a year-on-year increase of 2.1 percentage points.

General and administrative expenses decreased by 15.1% to RMB74,900,000 (2017/18: RMB88,300,000) compared to the corresponding period of last financial year. With the downsize of its operation, the Group has cut the expenses of its back office to lower the general and administrative expenses as a percentage of total revenue by 0.1 percentage point to 16.3% (2017/18: 16.4%). The Group will continue to enhance its management structure to reduce the corresponding expenses.

Other income decreased by 36.5% to RMB10,700,000 (2017/18: RMB16,900,000) as compared to the corresponding period of last year, such decrease being mainly attributable to a dividend income from an available-for-sale financial asset recorded in last year. Other loss was mainly represented by the foreign exchange loss. During the period under review, the exchange rate of RMB depreciated, leading to a foreign exchange loss of RMB 5,800,000 (2017/18: a gain of RMB5,900,000).

Overall, during the first half of 2018/19 financial year, the Group changed from profitable to loss making. The consolidated loss attributable to owners of the Company was RMB9,600,000 (2017/18: profit of RMB22,900,000). Basic loss per share was RMB1.36 cents (2017/18: earning of RMB3.24 cents). The Board does not recommend the payment of an interim dividend (2017/18: interim dividend of HK3.3 cents and interim special dividend of HK1.7 cents per ordinary share).

INCOME TAX EXPENSE

During the period under review, income tax expense amounted to approximately RMB8,500,000 (2017/18: RMB11,800,000), representing a decrease of 27.9% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for the operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5-10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the losses and gains not subject to taxation, the effective income tax rate of the Group was 27.6% (2017/18: 30.7%).

INVENTORY MANAGEMENT

As at 31 August 2018, the Group's inventory balance was RMB355,900,000, representing a decrease of 3.8% as compared to the inventory balance of RMB369,800,000 of corresponding period of last year. Inventory turnover days of finished goods slightly increased by 6 days to 320 days (31 August 2017: 314 days).

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2018	As at 31 August 2017	Changes in value	Changes in %
Raw materials and work-in-progress	**28.3**	39.3	(11.0)	(27.9%)
Finished goods	**327.6**	330.5	(2.9)	(0.9%)
Total	**355.9**	369.8	(13.9)	(3.8%)

During the period under review, the Group has been closing down underperforming stores and clearing off-season inventory. At the same time, it has proactively developed franchise and wholesale businesses and increased resource allocation onto e-commerce. The Group also increased related inventory to cope with the development of these businesses. Nevertheless the Group will as usual maintain strict controls on the ageing of inventory. As at 31 August 2018, approximately 76% of the Group's finished goods had an ageing of inventory less than one year (31 August 2017: 70%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2018, the Group's cash and bank balance amounted to RMB618,300,000 (28 February 2018: RMB603,100,000). Despite of the sales slowdown, the cash flow remained steady. The quick ratio was 4.7 times (28 February 2018: 5.5 times). As at the end of the financial period, the Group had not borrowed any bank loan and had no outstanding bank loan (28 February 2018: 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 Group's business operations will be financed by bank loans when necessary.

During the period ended 31 August 2018, the Group's cash and bank balances were held in Hong Kong dollars, U.S. dollars, Euro and RMB respectively, and were deposited in several leading banks with maturity of less than one year.

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

BUSINESS REVIEW

Overview

The gross domestic product (GDP) of China achieved a growth rate of 6.8% in the first half of 2018, down 0.1 percentage point as compared to the corresponding period of last year. The total retail sales of consumer goods increased at a slower rate as compared to the corresponding period of last year. The performance of retail industry varied from segment to segment, among which, the growth rate of fashionable ladies' footwear industry has slowed down significantly. With a change in customers' buying behaviour, the e-commerce segment had experienced rapid expansion, striking tremendous hit on the sales of traditional retail stores. Facing the challenges posed by the economic environment, the Group is determined to restore to the basic principles of retailing, which includes adjusting the pricing strategy, closing down low-profit stores, and actively exploring its franchise and wholesale businesses. The Group devoted much more resources to the development of e-commerce, while at the same time continuously improving the quality of both its products and services, so as to cope with the unfavorable market environment.

Retail Business

For the period under review, the total retail revenue of the Group decreased by 14.4% year-on-year to RMB460,400,000 (2017/18: RMB537,700,000). Domestic retail remains the key domain of the Group's business. Same-store sales of the Group decreased by 10.2% (2017/18: decreased by 11.8%) due to the sluggish business environment of the domestic fashionable ladies' footwear industry, which was brought about by the following reasons: (1) the close down of a large number of low-profit stores, resulted in a diminished total sales as compared to the corresponding period of last year; (2) the over expansion of the domestic fashionable ladies' footwear industry, which resulted in an aggravated similarity of product designs of different brands intensifying the competition and finally dragged down the industry demand; (3) the continuous development of e-commerce in a rapid and sound manner, imposed a severe impact on the sales of the traditional retail stores. To cope with the ever-changing market environment, the Group is fully committed to enhancing product quality, promoting a new pricing model, enhancing consumers' shopping experience and thereby improving same-store sales.

Retail Network

Mainland China is the key market of the Group's retail business. As at the period-end date, the Group had a retail network comprised of 621 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 105 stores compared to the corresponding period of last year. The number of self-owned stores dropped by 97, while the number of franchised stores decreased by 8 during the period.

As at 31 August 2018, there were 446 core brand le saunda stores and 29 le saunda MEN stores, representing net reduction of 72 and 11 of stores respectively, as compared to the end of last period. LINEA ROSA, the Group's high-end fashionable brand, saw a net decrease of 3 stores to bring the total number of stores to 69, as compared to the end of last period.

As at 31 August 2018, 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	549	(-96)	62	(-8)	611	(-104)
• Northern, Northeastern & Northwestern Regions	117	(-34)	53	(-10)	170	(-44)
• Eastern Region	174	(-30)	2	(+1)	176	(-29)
• Central and Southwestern Regions	123	(-16)	7	(+1)	130	(-15)
• Southern Region	135	(-16)	-	-	135	(-16)
Hong Kong and Macau	10	(-1)	-	-	10	(-1)
Total	559	(-97)	62	(-8)	621	(-105)

Mainland China

The slowdown in the demand growth for the domestic fashionable ladies' footwear industry, and the change of consumption patterns of customers posed severe challenges to the traditional retail stores. Coupled with a dampened purchasing desire of customers caused by the fluctuating global market, the business environment in the first half of 2018 was far from satisfactory. The Group's sales in Mainland China decreased by 15.5% year-on-year to RMB 429,800,000 (2017/18: RMB508,400,000). In face of the uncertainties of the market condition, the Group launched a new pricing model in the Mainland market to attract customers, while at the same time consolidating internal resources and continuously improving operational efficiency, so as to ride out the tough times.

Hong Kong and Macau

The overall Hong Kong economy was in an upward trend. In the first half of 2018, there was 4.0% real economic growth compared to the corresponding period of last year. The sales of the retail industry recorded a double-digit growth rate, as a result of an increased number of inbound tourists. Benefited from the economic rebound, together with the completion of business strategy realignment in Hong Kong and Macau region, the sales increased by 4.5% year-on-year to RMB30,700,000 (2017/18: RMB29,400,000), which outperformed the overall average results of the Group. During the period under review, the Group's number of stores in Hong Kong and Macau region reduced by 1 store to 10 stores. Despite the moderate improvement, the global condition was still full of uncertainties. In the circumstances, the Group will develop the Hong Kong and Macau markets in a proactive yet prudent manner and establish new stores in desirable locations.

E-Commerce

Achieving a year-on-year growth rate of 30.1% in the first half of 2018, the national online retail sales reached RMB4.08 trillion, which contributed 46.4% to the growth of total retail sales of consumer goods during the period. Through the realignment of business strategies in 2017, the Group extended the product portfolio and increased the number of exclusive styles for its online business and improved the efficiency of the supply chain. During the period under review, the sales from the Group's e-commerce business increased by 18.8% year-on-year, which represented an extension of the upward trend recorded in the fourth quarter of 2017.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

The ever-changing preferences of consumers give rise to the emergence of a wide variety of new forms of businesses in the retail industry, which signalled a new round of retail revolution, a phenomenon which may occur approximately every ten or more years. This round of retail revolution (herein known as the "New Retail") has posed severe challenges to all industry players, regardless of pure e-commence or traditional retail stores. Such trend has led to extensive integration of online and offline businesses and set higher requirements for enterprise informatization.

As a company operating both online and offline businesses, the Group has devoted more resources to improve its supply chain efficiency, implement omni-channel retailing, enhance internal information systems, and increase data transparency. As the millennial generation reaches the peak of their personal income, it will soon become an indispensable new consumption power. Recognizing the importance of Internet and social media as core channels to reach out to this generation, the Group has established an official e-shop of le saunda in order to lay the foundation for the integrated development of online and offline business to promote brand image and expand customer base for the coming years.

Regarding the Group's franchise and wholesale businesses, sales in the first half of 2018 recorded a considerable increase. The Group will continue to deploy resources in pursuit of suitable partners so as to effectively develop markets in the relatively remote provinces and regions.

For the offline retail business, the Group will place more emphasis on the fast-growing second-tier cities in Mainland China, which are expected to achieve considerable business growth in the next few years, while maintaining our strong presence in the first-tier cities. In addition, shopping malls are expected to have a higher growth rate than the traditional department stores. The Group will actively explore new stores in shopping malls to seize the market opportunities.

Benefiting from the successful restructuring exercises and strategy realignment in the past 2 years; leveraging on the healthy financial position and over 40 years of solid foundation, the Group is capable of overcoming difficulties amid market challenges through the concerted efforts of all staff.

PLEDGE OF ASSETS

As at 31 August 2018, bank deposit of RMB700,000 (28 February 2018: RMB600,000) has been pledged as rental deposit for a subsidiary of the Company.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of RMB218,300,000 (28 February 2018: RMB202,400,000), of which RMB2,500,000 (28 February 2018: RMB3,500,000) was utilised as at 31 August 2018.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 August 2018 (2017: an interim dividend of HK3.3 cents per ordinary share and an interim special dividend of HK1.7 cents per ordinary share).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2018, the Group had a staff force of 3,551 people (28 February 2018: 3,653 people). Of this number, 88 were based in Hong Kong and Macau and 3,463 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 2018, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB147,600,000 (2017: RMB170,600,000). The Group has all along organized structured and diversified training programmes for staff at different levels. Outside consultants will be invited to broaden the contents of the training programmes.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 August 2018.

AUDIT COMMITTEE

As at 31 August 2018 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 policies and practices adopted by the Group. The full terms of reference of the Audit Committee are posted on the respective websites of the Stock Exchange and the Company.

The Audit Committee has reviewed this announcement, which was prepared based on (i) the accounting policies and practices adopted by the Group; and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2018. 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 2018.

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, Mr. Lee Tze Bun, Marces, a non-executive Director and Mr. Leung Wai Ki, George, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 16 July 2018.

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 2018 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 2018 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 2018.

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, 29 October 2018

As at the date of this announcement, the Company's executive Directors are Mr. Cheng Wang, Gary, Ms. Chui Kwan Ho, Jacky and Ms. Liao Jian Yu; 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.)