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 2020

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2020	2019	Change	Change in %
Revenue	*RMB million*	**260.7**	376.7	(116.0)	(30.8)
Gross profit	*RMB million*	**163.8**	241.2	(77.4)	(32.1)
Operating (loss)/profit	*RMB million*	**(26.2)**	6.2		
(Loss)/profit attributable to owners of the Company	*RMB million*	**(29.8)**	2.4		
Gross profit margin	*Percentage*	**62.8**	64.0		
Operating margin	*Percentage*	**(10.1)**	1.6		
Net margin attributable to owners of the Company	*Percentage*	**(11.4)**	0.6		
Basic (loss)/earnings per share	*RMB cents*	**(4.22)**	0.34		
Dividend per share					
- interim	*HK cents*	**-**	-		
- interim special	*HK cents*	**5.0**	-		

* *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 2020. The unaudited condensed consolidated interim results for the six months ended 31 August 2020 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 2020

		Unaudited	
		Six months ended 31 August	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**260,713**	376,724
Cost of sales		**(96,926)**	(135,533)
Gross profit		**163,787**	241,191
Other income	*5*	**7,291**	4,055
Other gain and loss, net	*5*	**1,384**	(1,255)
Selling and distribution expenses	*6*	**(114,426)**	(168,653)
General and administrative expenses	*6*	**(84,250)**	(69,166)
Operating (loss)/profit		**(26,214)**	6,172
Finance income, net	*7*	**2,189**	3,746
(Loss)/profit before income tax		**(24,025)**	9,918
Income tax expense	*8*	**(5,865)**	(7,555)
(Loss)/profit for the period		**(29,890)**	2,363
(Loss)/profit for the period attributable to:			
- owners of the Company		**(29,795)**	2,388
- non-controlling interest		**(95)**	(25)
		(29,890)	2,363
(Loss)/earnings per share attributable to owners of the Company *(express in RMB cents)*			
- Basic	*9*	**(4.22)**	0.34
- Diluted	*9*	**(4.22)**	0.34
Dividend	*10*	**32,204**	-

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2020

	Unaudited Six months ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit for the period	**(29,890)**	2,363
Other comprehensive (loss)/income		
Item that will be reclassified to profit or loss		
- Currency translation differences	**(7,893)**	20,236
Other comprehensive (loss)/income for the period	**(7,893)**	20,236
Total comprehensive (loss)/income for the period	**(37,783)**	22,599
Total comprehensive (loss)/income for the period, attributable to:		
- owners of the Company	**(37,688)**	22,624
- non-controlling interest	**(95)**	(25)
	(37,783)	22,599

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2020

	Note	**Unaudited 31 August 2020 RMB'000**	Audited 29 February 2020 RMB'000
ASSETS			
Non-current assets			
Investment property		**2,360**	2,360
Property, plant and equipment		**86,424**	127,613
Right-of-use assets		**27,232**	37,969
Long-term deposits and prepayments		**1,985**	3,421
Deferred income tax assets		**47,424**	55,332
		165,425	226,695
Current assets			
Inventories		**223,214**	273,093
Trade receivables and other receivables	*11*	**55,322**	53,529
Deposits and prepayments		**35,089**	43,072
Pledged bank deposit		**700**	719
Cash and bank balances		**563,909**	508,555
		878,234	878,968
Non-current assets classified as held for sale		**35,432**	-
		913,666	878,968
Total assets		**1,079,091**	1,105,663
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Dividend		**32,204**	-
Others		**821,560**	891,452
		913,743	951,431
Non-controlling interest		**10,178**	10,273
Total equity		**923,921**	961,704

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2020

	Note	**Unaudited 31 August 2020** *RMB'000*	Audited 29 February 2020 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**23,980**	24,757
Lease liabilities		**9,109**	14,724
		33,089	39,481
Current liabilities			
Trade payables, other payables and contract liabilities	*12*	**105,723**	85,341
Lease liabilities		**16,199**	17,635
Current income tax liabilities		**159**	1,502
		122,081	104,478
Total liabilities		**155,170**	143,959
Total equity and liabilities		**1,079,091**	1,105,663

NOTES:

1 GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 27 October 2020.

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 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the condensed consolidated interim financial statements for the six months ended 31 August 2020 are consistent with those adopted in the consolidated financial statements for the year ended 29 February 2020, except for the adoption of new and amended standards as set out below.

New and amended standards and interpretations adopted by the Group

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

HKAS 1 and HKAS 8 (Amendment)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
HKFRS 9, HKAS 39, HKFRS 7 (Amendment)	Interest Rate Benchmark Reform

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

4 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors review the Group's financial information mainly from 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/(loss). This measurement basis excludes other income (excluding government incentives), other gain and loss, net, finance income, net, 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 2020 is as follows:

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

The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2019 is as follows:

	Unaudited Six months ended 31 August 2019			
	Retail		Others	Total
	Mainland China	HK & Macau		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	356,773	19,951	-	376,724
Reportable segment profit/ (loss)	16,190	(3,252)	-	12,938
Other income (excluding government incentives)				40
Other loss, net				(1,255)
Finance income, net				3,746
Unallocated expenses				(5,551)
Profit before income tax				9,918
Income tax expense				(7,555)
Profit for the period				2,363
Depreciation and amortisation	22,619	5,354	-	27,973
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	20,712	-	-	20,712

For the six months ended 31 August 2020 and 31 August 2019, 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 2020 by reportable segment is set out below:

	Unaudited As at 31 August 2020			
	Retail		**Others**	**Total**
	Mainland China	**HK & Macau**		
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**699,405**	**295,816**	**-**	**995,221**
Deferred income tax assets				**47,424**
Unallocated assets				**36,446**
Total assets per condensed consolidated interim balance sheet				**1,079,091**
Segment liabilities	**116,290**	**14,216**	**-**	**130,506**
Current income tax liabilities				**159**
Deferred income tax liabilities				**23,980**
Unallocated liabilities				**525**
Total liabilities per condensed consolidated interim balance sheet				**155,170**

An analysis of the Group's assets and liabilities as at 29 February 2020 by reportable segment is set out below:

	Audited As at 29 February 2020			
	Retail		Others	Total
	Mainland China *RMB'000*	HK & Macau *RMB'000*	*RMB'000*	*RMB'000*
Segment assets	773,649	240,541	-	1,014,190
Deferred income tax assets				55,332
Unallocated assets				36,141
Total assets per consolidated balance sheet				1,105,663
Segment liabilities	102,275	14,885	-	117,160
Current income tax liabilities				1,502
Deferred income tax liabilities				24,757
Unallocated liabilities				540
Total liabilities per consolidated balance sheet				143,959

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

REVENUE

	Unaudited Six months ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Mainland China	**255,644**	356,773
Hong Kong	**4,324**	18,616
Macau	**745**	1,335
Total	**260,713**	376,724

For the six months ended 31 August 2020 and 31 August 2019, 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 2020 *RMB'000*	Audited 29 February 2020 *RMB'000*
Mainland China	**42,586**	92,779
Hong Kong	**3,681**	5,403
Macau	**71,734**	73,181
Total	**118,001**	171,363

5 OTHER INCOME AND OTHER GAIN AND LOSS, NET

	Unaudited Six months ended 31 August	
	2020 *RMB'000*	2019 *RMB'000*
Other income		
Gross rental income from investment property	**43**	40
Government incentives	**7,248**	4,015
	7,291	4,055
Other gain and loss, net		
Net exchange gain/(loss) *(Note (a))*	**1,384**	(7,255)
Fair value gain on investment property	**-**	6,000
	1,384	(1,255)
	8,675	2,800

Note:

(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 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Auditors' remuneration	**1,038**	1,162
Depreciation of property, plant and equipment	**7,847**	14,855
Depreciation of right-of-use assets	**11,393**	13,118
Loss on disposal of property, plant and equipment	**2,527**	2,682
Costs of sales	**96,926**	135,533
Expenses relating to short-term leases and variable lease payments	**40,348**	61,113
Freight charges	**2,897**	3,656
Advertising and promotional expenses	**8,167**	11,859
Postage and express charges	**1,162**	1,526
Employee benefit expenses (including directors' emoluments and value of employees services)	**107,088**	123,698
Impairment losses/(write back of impairment) on inventories	**2,448**	(1,615)
Impairment losses on trade receivables	**838**	-

7 FINANCE INCOME, NET

	Unaudited	
	Six months ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Interest income on bank deposits	**2,802**	3,752
Interest expense on lease liabilities	**(613)**	(1,007)
Other finance income	**-**	1,001
	2,189	3,746

8 INCOME TAX EXPENSE

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

	Unaudited Six months ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
People's Republic of China ("the PRC") corporate income tax	**(1,147)**	8,181
Deferred income taxation	**7,012**	(626)
	5,865	7,555

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

The PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2019: 25%).

9 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	
	2020	2019
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(29,795)**	2,388
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic (loss)/earnings per share *(RMB cents)*	**(4.22)**	0.34

Diluted

For the six months ended 31 August 2020 and 31 August 2019, 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.

10 DIVIDEND

	Unaudited Six months ended 31 August	
	2020	2019
	RMB'000	*RMB'000*
No interim dividend (six months ended 31 August 2019: No interim dividend)	**-**	-
Interim special dividend of HK5.0 cents (six months ended 31 August 2019: No interim special dividend) per ordinary share	**32,204**	-

At the Board of Directors' meeting held on 27 October 2020, the Board of Directors has resolved to declare an interim special dividend of HK5.0 cents (equivalent to approximately RMB4.6 cents) per ordinary share, totaling approximately RMB32,204,000. The dividend is 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 2021.

11 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	Unaudited 31 August 2020	Audited 29 February 2020
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*		
Current to 30 days	**50,913**	39,905
31 to 60 days	**1,352**	7,037
61 to 90 days	**897**	2,967
Over 90 days	**283**	640
	53,445	50,549
Other receivables	**1,877**	2,980
Total	**55,322**	53,529

Note:

(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.

12 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

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

	Unaudited 31 August 2020 *RMB'000*	Audited 29 February 2020 *RMB'000*
Trade payables *(Note (a))*		
Current to 30 days	**19,917**	7,993
31 to 60 days	**8,278**	2,110
61 to 90 days	**-**	449
91 to 120 days	**-**	367
Over 120 days	**335**	516
	28,530	11,435
Other payables	**53,520**	55,564
Value added tax payables	**14,567**	9,785
Contract liabilities	**9,106**	8,557
Total	**105,723**	85,341

Note:

(a) *The credit periods granted by suppliers are generally ranged from 7 to 60 days.*

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

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 2020/21, total revenue of the Group decreased by 30.8% year-on-year to RMB260,700,000 (2019/20: RMB376,700,000). Consolidated gross profit dropped by 32.1% year-on-year to RMB163,800,000 (2019/20: RMB241,200,000). The Group recorded an overall gross profit margin of 62.8%, representing a decrease of 1.2 percentage points as compared to the corresponding period in the last financial year. During the period, the Group changed from profitable to loss-making. Consolidated loss attributable to owners of the Company was RMB29,800,000 (2019/20: consolidated profit of RMB2,400,000).

RMB (million)	**1H 2020/21**	**1H 2019/20**	**Change**
Revenue	**260.7**	376.7	(30.8%)
Gross profit	**163.8**	241.2	(32.1%)
Gross profit margin	**62.8%**	64.0%	(1.2 percentage points)
Consolidated (loss)/profit attributable to owners	**(29.8)**	2.4	
Basic (loss)/earnings per share (RMB cents)	**(4.22)**	0.34	
Interim dividend (HK cents)	**-**	-	
Interim special dividend (HK cents)	**5.0**	-	
Dividend pay-out ratio	**N/A**	N/A	

PROFITABILITY ANALYSIS

During the period under review, the retail markets in Mainland China and Hong Kong and Macau were severely impacted by the Novel Coronavirus Pneumonia (the "Pandemic"), resulting in a year-on-year decline of 30.8% in the Group's overall revenue to RMB260,700,000 (2019/20: RMB 376,700,000), a decline of 32.1% in consolidated gross profit to RMB163,800,000 (2019/20: RMB241,200,000) and a decrease of 1.2 percentage points in gross profit margin to 62.8%.

In response to the drop in revenue, the Group strictly controlled various selling expenses, resulting in a year-on-year decrease of 32.2% in selling and distribution expenses to RMB114,400,000 (2019/20: RMB168,700,000). As the decrease in the related expenses was more than that of revenue, the ratio of selling and distribution expenses to total revenue decreased by 0.9 percentage point to 43.9% (2019/20: 44.8%).

During the period, the Group ceased all production activities at Shunde factory, which incurred an one-off staff redundancy cost of approximately RMB37,000,000, resulting in an increase of 21.8% in general and administrative expenses to RMB84,300,000 as compared to the corresponding period of last year (2019/20: RMB69,200,000). General and administrative expenses as a percentage of total revenue increased by 13.9 percentage points to 32.3% (2019/20: 18.4%).

Other income increased by 79.8% to RMB7,300,000 (2019/20: RMB4,100,000) as compared to the corresponding period of last year, which was mainly due to the increase in local government incentives. Other gain and loss was mainly represented by the foreign exchange difference. During the period, the exchange rate of RMB continued to appreciate, and resulted in a foreign exchange gain of RMB1,400,000 (2019/20: loss of RMB 7,300,000).

Overall, during the first half of financial year 2020/21, the Group changed from profitable to loss-making. The consolidated loss attributable to owners of the Company was RMB29,800,000 (2019/20: consolidated profit of RMB2,400,000). Basic loss per share was RMB4.22 cents (2019/20: earnings of RMB0.34 cent). In return for the shareholders' longstanding support, the Board has resolved to declare the payment of an interim special dividend of HK5.0 cents per ordinary share (2019/20: Nil).

INCOME TAX EXPENSE

During the period under review, income tax expense amounted to approximately RMB5,900,000 (2019/20: RMB7,600,000), representing a decrease of 22.4% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for the operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5–10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the items not subject to taxation, the effective income tax rate of the Group was 27.5% (2019/20: 28.5%).

INVENTORY MANAGEMENT

As at 31 August 2020, the Group's inventory balance was RMB223,200,000, representing a decrease of 32.4% as compared to the inventory balance of RMB330,400,000 of the corresponding period of last year. Inventory turnover of finished goods increased by 18 days to 396 days (31 August 2019: 378 days).

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2020	As at 31 August 2019	Changes in value	Changes in %
Raw materials and work-in-progress	**1.2**	28.8	(27.6)	(96.0%)
Finished goods	**222.0**	301.6	(79.6)	(26.4%)
Total	**223.2**	330.4	(107.2)	(32.4%)

Due to the Pandemic, the Group reduced the procurement of current-season goods as far as possible and cleared off-season inventory vigorously. The Group will continue to adopt a prudent strategy to scale down new procurement for the coming season even the Pandemic subsides. Nevertheless, the Group will, as usual, maintain strict control on the ageing of inventory. As at 31 August 2020, 54% of the Group's finished goods had an ageing of inventory of less than one year (31 August 2019: 75%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2020, the Group's cash and bank balance amounted to RMB563,900,000 (29 February 2020: RMB508,600,000). Despite the sales slowdown, the cash flow remained steady. The quick ratio was 5.4 times (29 February 2020: 5.4 times). As at the end of the financial period, the Group had not borrowed any bank loan and had no outstanding bank loan (29 February 2020: 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 2020, 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 outbreak of the Pandemic in early 2020 rapidly spread around the world and deeply hit the global economic activities, and its impact exceeded that of the 2008 financial tsunami. In order to contain the Pandemic, the Chinese government employed various measures such as lockdown and travel restrictions, which seriously affected the Group's performance for the first quarter of the financial year from March to May. The Group made timely adjustments to its strategy to reduce daily expenses, including a 25% pay cuts for all directors for a period of six months starting from March 2020 and ceased the procurement and production activities at its Shunde factory so as to preserve working capital as far as possible. To explore new source of revenue, the Group swiftly tapped into emerging Mini Programs and social media marketing platforms to expand its online sales channels, thereby mitigating the impact brought by the temporary closure of its physical stores.

Fortunately, with the Pandemic gradually brought under control in the PRC since April, people's livelihood and economic activities were restored progressively, which, coupled with the government's stimulus policies, contributed to the turnaround of the PRC's GDP growth from a negative figure in the second quarter of 2020. Other economic indicators, such as consumption and employment, also showed resilient growth, making the PRC the first major economy in the world to have recovered from the Pandemic.

The Group's sales decline in the period from June to August decreased as the Chinese market recovered in the second quarter of 2020. Overall, the retail revenue of the Group reduced by 30.8% year-on-year to RMB260,700,000 (2019/20: RMB376,700,000), while its same-store sales decreased by 24.2% (2019/20: increased by 3.7%) during the period under review.

Retail Network

Mainland China is the key market of the Group's retail business. As at the period-end day, the Group had a retail network comprised of 396 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 69 stores compared to the corresponding period of last year. The number of self-owned stores dropped by 55, while the number of franchised stores decreased by 14 during the period.

As at 31 August 2020, there were an aggregate of 301 stores of core brands le saunda and le saunda MEN, representing a net decrease of 42 stores as compared to the end of last period. The high-end fashionable brand, LINEA ROSA, also saw a net reduction of 19 stores to bring the total number of stores to 43, as compared to the end of last period.

As at 31 August 2020, 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	349	(-51)	42	(-14)	391	(-65)
• Northern, Northeastern & Northwestern Regions	80	(-6)	37	(-11)	117	(-17)
• Eastern Region	123	(-20)	2	(0)	125	(-20)
• Central and Southwestern Regions	66	(-9)	3	(-3)	69	(-12)
• Southern Region	80	(-16)	-	-	80	(-16)
Hong Kong and Macau	5	(-4)	-	-	5	(-4)
Total	354	(-55)	42	(-14)	396	(-69)

Mainland China

Following the outbreak of the Pandemic in Mainland China, various prevention and control measures were put in place, casting a shadow on the sales of physical stores, among which retail, catering and tourism sectors suffered a serious setback. In particular, the decline in sales of apparel and footwear products exceeded that of consumer goods in general. As the Pandemic stabilized in the PRC, the prevention and control measures in mainland cities were gradually lifted. Along with consumption vouchers and subsidies granted by the provincial and municipal governments to stimulate consumption, domestic economy rebounded in April and May and was gradually recovering, in which total retail sales of consumer goods recorded positive growth for the first time in August, reversing the negative figure from the beginning of the year. Sales decline in the devastated department store sector narrowed notably in the second quarter, indicating a slight improvement in the business environment. Moreover, as the Pandemic remained severe overseas, Chinese residents stayed in the country and contributed to domestic consumption and tourism, thereby boosting the sales of local enterprises.

During the period under review, the Group's sales in Mainland China decreased by 28.3% year-on-year to RMB255,600,000 (2019/20: RMB356,800,000), and the decline of sales from June to August narrowed as compared to that from March to May, reflecting a moderate recovery in the domestic retail market. The Pandemic reduced physical interaction between merchants and customers, which stood as a test for the flexibility of the brand's operations and the extensibility of its service experience. The Group opened up online and offline sales channels by the adoption of social media, and accelerated the development of enterprise informatization in response to the challenges and opportunities brought by the Pandemic.

Hong Kong and Macau

The Pandemic has also brought severe economic woes to Hong Kong. In the first quarter of 2020, the real GDP plummeted 9.1% year-on-year, while the second quarter also recorded a decline of 9.0%. The seasonally adjusted unemployment rate soared to 6.2% in the second quarter of 2020, the highest level in over 15 years. In addition, affected by the social distancing measures and inbound travel restrictions in Hong Kong, private consumption expenditure in the second quarter declined by 14.2% year-on-year. In view of the fluctuating local Pandemic situation with no signs of stabilization, various economic indexes are showing negative trends, underlying a grim market outlook. During the period under review, the Group's sales in Hong Kong and Macau regions decreased by 74.6% year-on-year to RMB5,100,000 (2019/20: RMB20,000,000). The Group's store count in Hong Kong and Macau reduced to 5 stores, representing a net decrease of 4 stores.

The Pandemic has changed the living habits of Hong Kong residents. The requirement of social distancing and high unemployment rate have also significantly dampened the desire for consumption. Although foot-traffic has picked up in recent months, consumption remains weak. The Group will closely monitor the market conditions and make appropriate strategic adjustments.

E-Commerce Business

The year-on-year growth rate of national online retail sales from January to August 2020 was 9.5%, which was lower than the growth rate of 16.8% in the same period of last year, but significantly higher than the growth rate of total retail sales of consumer goods (-8.6%). Under the conditions of Pandemic prevention and control, consumption activities of gathering and contacting nature are restricted, which has led to the prosperity of the "stay-at-home economy". Among various commodities, both food and daily commodities categories showed a significant growth, while the "footwear" category only recorded a mild growth. Data shows that even though online retail is less affected by the Pandemic than physical stores, the overall growth rate has slowed down. In such a weak economic environment, the Group's e-commerce business revenue recorded a year-on-year decrease of 15.7% during the period under review. However, the Pandemic has changed the way people live. Working, studying and shopping online will become the new normal. With government policy support and incentives, online retail will continue to be the driving force of consumption growth in the PRC. During the period, in addition to large-scale e-commerce platforms, the Group also tried to maintain contact with customers and promote its brands through other new online marketing channels, such as live-streaming sales.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

China is the first country to have economic recovery under the Pandemic. However, against the backdrop of global economic recession, export demand has weakened; coupled with the escalating Sino-US conflicts and the persistence of the Pandemic globally, China's economic prospect is filled with uncertainties. In response to such unprecedented challenges, the Chinese government will introduce a series of policies to stabilize employment, to ensure people’s basic livelihood and to support market entities. Residents who earn income would be able to boost consumption, thereby expanding demands of the domestic market and ensuring continuing economic recovery.

Exposed to the uncertainties and potential opportunities in the markets of Mainland China and Hong Kong, the Group reviewed its development strategies and brand positioning, and will concentrate on the development of our certain own brands. As consumers become more health-conscious and the demand for athleisure footwear is increasing, the Group will invest more in the development of these new markets. Since the production in Shunde factory has halted and has become entirely outsourced, the Group is able to focus on product development and design to bring more diverse and high cost-performance products to different customers. The outsourcing of production can increase the flexibility of production and purchase, which provides more room for improvement in cost and inventory controls.

The Pandemic brings a “new normal” to society where an increasing number of economic activities will inevitably take place online. E-commerce business remains one of the key business development directions of the Group. In addition to strengthening cooperation with existing e-commerce platforms, we will invest more in sales and marketing on social media and leverage on emerging social e-commerce platforms to expand young customer bases. For offline business, shop management and customer services will be more personalized and some new features will be launched after the Pandemic to draw customers back to offline shopping and improve sales. Given that some consumers are still inclined to shop in the vicinity after the Pandemic, we may also open a number of new stores in appropriate community malls.

Although the business environment is full of challenges, the Group believes that the effective operating strategies that we have practised in past few years, including optimizing operational structures and distribution networks, enhancing brand value and product quality, reducing operating costs and clearing obsolete stocks, will enable the Group to respond to the market changes in the future and to strive for better results for our shareholders.

PLEDGE OF ASSETS

As at 31 August 2020, bank deposit of RMB700,000 (29 February 2020: RMB700,000) has been pledged as rental deposit for a subsidiary of the Company.

CORPORATE GUARANTEES

The Company has given corporate guarantees in favour of banks for banking facilities granted to certain subsidiaries on letters of credit and bank loans to the extent of RMB133,000,000 (29 February 2020: RMB135,000,000), of which RMB700,000 (29 February 2020: RMB780,000) was utilised as at 31 August 2020.

INTERIM DIVIDEND

The Board has resolved to declare an interim special dividend of HK5.0 cents per ordinary share (the “Interim Special Dividend”) for the six months ended 31 August 2020 (31 August 2019: no interim special dividend) payable on Monday, 23 November 2020 to the shareholders of the Company (the “Shareholders”) whose names appear on the Register of Members of the Company on Thursday, 12 November 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2020, the Group had a staff force of 1,541 people (29 February 2020: 2,394 people). Of this number, 53 were based in Hong Kong and Macau and 1,488 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 2020, including Directors’ emoluments, net pension contributions and the value of employee services, amounted to RMB107,100,000 (2019: RMB123,700,000). 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.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM SPECIAL DIVIDEND

In order to ascertain the entitlement to the Interim Special Dividend, the register of members of the Company will be closed from Wednesday, 11 November 2020 to Thursday, 12 November 2020 (both dates inclusive) during which no transfer of shares will be registered. The record date for entitlement to the Interim Special Dividend is Thursday, 12 November 2020. In order to qualify for the Interim Special Dividend, 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 Tuesday, 10 November 2020.

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 2020.

AUDIT COMMITTEE

As at 31 August 2020 and up to the date of this announcement, the audit committee of the Board (the "Audit Committee") comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The Audit Committee has reviewed this announcement, which was prepared based on (i) the accounting policies and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2020. 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 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving and maintaining the highest standard of corporate governance. The Board and its management understand that it is their responsibility to establish a good corporate management system and practice and strictly comply with the principles of independence, accountability, responsibility and impartiality so as to improve the operation transparency of the Company, protect the interests of the Shareholders and create value for the Shareholders.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct (the "Code of Conduct") regarding securities transactions by the Directors since 4 October 2005. The terms of the Code of Conduct are no less exacting than the required standards in the Model Code, and the Code of Conduct applies to all the relevant persons as defined in the Code of Conduct, including the Directors, any employee of the Company, or a director or employee of a subsidiary or holding company of the Company, who, by reason of such office or employment, are likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the Code of Conduct and the requirements set out in the Model Code during the six months ended 31 August 2020 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 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the respective websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) in due course on or before 30 November 2020.

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 2020

As at the date of this announcement, the Company's executive Directors are Ms. Chui Kwan Ho, Jacky, Ms. Liao Jian Yu and Mr. Li Wing Yeung, Peter; non-executive Director is Mr. James Ngai; independent non-executive Directors are Mr. Lam Siu Lun, Simon, Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan.

(All monetary values in this announcement are expressed in Renminbi unless stated otherwise.)