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 ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021

FINANCIAL HIGHLIGHTS

		Year ended 28 February 2021	Year ended 29 February 2020	change	change in %
Revenue	*RMB million*	**594.2**	736.4	(142.2)	(19.3%)
Gross profit	*RMB million*	**355.3**	456.5	(101.2)	(22.2%)
Profit/(loss) attributable to owners of the Company	*RMB million*	**106.2**	(30.5)		
Basic earnings/(losses) per share	*RMB cents*	**15.04**	(4.32)		
Diluted earnings/(losses) per share	*RMB cents*	**15.04**	(4.32)		
Dividends per share					
- Interim, paid	*HK cents*	**-**	-		
- Interim special, paid	*HK cents*	**5.0**	-		
- final, proposed	*HK cents*	**15.0**	-		
- final special, proposed	*HK cents*	**35.0**	-		

**For identification purpose only*

The board (the “Board”) of Directors of Le Saunda Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 28 February 2021 together with the comparative figure for the previous year. The consolidated results have been reviewed by the Company’s Audit Committee.

CONSOLIDATED INCOME STATEMENT

		Year ended	
	Note	**28 February 2021** *RMB’000*	29 February 2020 *RMB’000*
Revenue	*4*	**594,217**	736,387
Cost of sales	*6*	**(238,894)**	(279,912)
Gross profit		**355,323**	456,475
Other income	*5*	**8,833**	7,589
Other gains/(losses), net	*5*	**184,779**	(1,594)
Write-back of impairment/(impairment losses) on trade receivables, net	*6*	**1,220**	(2,255)
Selling and distribution expenses	*6*	**(239,785)**	(335,197)
General and administrative expenses	*6*	**(147,264)**	(153,182)
Operating profit/(loss)		**163,106**	(28,164)
Finance income, net	*7*	**4,967**	6,890
Profit/(loss) before income tax		**168,073**	(21,274)
Income tax expense	*8*	**(61,922)**	(9,046)
Profit/(loss) for the year		**106,151**	(30,320)
Profit/(loss) for the year attributable to:			
- owners of the Company		**106,154**	(30,519)
- non-controlling interest		**(3)**	199
		106,151	(30,320)
Earnings/(losses) per share attributable to the owners of the Company *(express in RMB cents)*			
- Basic	*9*	**15.04**	(4.32)
- Diluted	*9*	**15.04**	(4.32)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	28 February 2021	29 February 2020
	RMB'000	*RMB'000*
Profit/(loss) for the year	**106,151**	(30,320)
Other comprehensive income for the year, net of tax		
Item that will not be reclassified to consolidated income statement		
- Actuarial gains/(losses) on retirement benefit obligation	**44**	(23)
Item that will be reclassified to consolidated income statement		
- Currency translation differences	**(28,750)**	23,714
Total comprehensive income/(loss) for the year	**77,445**	(6,629)
Total comprehensive income/(loss) for the year, attributable to:		
- owners of the Company	**77,448**	(6,828)
- non-controlling interest	**(3)**	199
	77,445	(6,629)

CONSOLIDATED BALANCE SHEET

	Note	**As at 28 February 2021** *RMB'000*	As at 29 February 2020 *RMB'000*
ASSETS			
Non-current assets			
Investment property		**2,360**	2,360
Property, plant and equipment		**81,420**	127,613
Right-of-use-assets		**34,439**	37,969
Long-term deposits and prepayments		**1,485**	3,421
Deferred income tax assets		**29,619**	55,332
		149,323	226,695
Current assets			
Inventories		**152,596**	273,093
Trade and other receivables	*11*	**57,329**	53,529
Deposits and prepayments		**40,287**	43,072
Pledged bank deposit		**661**	719
Cash and bank balances		**754,882**	508,555
		1,005,755	878,968
Total assets		**1,155,078**	1,105,663
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Proposed dividends		**294,589**	-
Others		**643,109**	891,452
		997,677	951,431
Non-controlling interest		**10,270**	10,273
Total equity		**1,007,947**	961,704

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 28 February 2021** ***RMB'000***	As at 29 February 2020 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**24,197**	24,757
Lease liabilities		**10,723**	14,724
		34,920	39,481
Current liabilities			
Trade payables, other payables and contract liabilities	*12*	**95,543**	85,341
Lease liabilities		**16,184**	17,635
Current income tax liabilities		**484**	1,502
		112,211	104,478
Total liabilities		**147,131**	143,959
Total equity and liabilities		**1,155,078**	1,105,663

NOTES:

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, which is carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to standards and conceptual framework adopted by the Group

The Group has adopted or early adopted the following amendments to standards and conceptual framework that have been issued and effective for the Group's financial year beginning on or after 1 March 2020:

HKAS 1 and HKAS 8 (Amendment)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge Accounting
HKFRS 3 (Amendment)	Definition of a Business
HKFRS 16 (Amendment)	Covid-19-Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The amendments and conceptual framework listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the Amendment of HKFRS16 (Note 3)

(b) New standard and amendments to standards not yet adopted

Certain new accounting standards and amendments to standards have been published that are not mandatory for the financial year ended 28 February 2021 and have not been early adopted by the Group. These new and amended standards are set out below.

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020	1 March 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendment)	Narrow-scope Amendments	1 March 2022
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 March 2023
HKFRS 17	Insurance Contract	1 March 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

These new standard and amendments to standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 CHANGE IN ACCOUNTING POLICIES

The Group has early adopted Amendment to HKFRS 16 - Covid-19-Related Rent Concessions retrospectively from 1 March 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB2,894,000 have been accounted for as negative variable lease payments and recognised in selling and distribution expenses in the consolidated income statement for the first-half of the year ended 28 February 2021, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 March 2020.

4 REVENUE AND SEGMENT INFORMATION

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

The executive directors review the Group's financial information mainly from a retail perspective and assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau respectively). The reportable segments are classified in a manner consistent with the information reviewed by the executive directors.

The executive directors assess the performance of the operating segments based on a measure of reportable segment loss. This measurement basis excludes other income (excluding government incentives), other gains/(losses), net (excluding gain on early termination of leases), finance income, net, and unallocated items.

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

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

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

The segment information provided to the executive directors for the reportable segments for the year ended 28 February 2021 is as follows:

	Mainland China *RMB'000*	Hong Kong and Macau *RMB'000*	Total *RMB'000*
Revenue from external customers	**583,574**	**10,643**	**594,217**
Reportable segment loss	**(13,167)**	**(8,185)**	**(21,352)**
Other income (excluding government incentives)			**68**
Other gains, net (excluding gain on early termination of leases)			**184,141**
Finance income, net			**4,967**
Unallocated items			**249**
Profit before income tax			**168,073**
Income tax expense			**(61,922)**
Profit for the year			**106,151**
Depreciation	**24,650**	**4,378**	**29,028**
Impairment losses on property, plant and equipment	**1,437**	**-**	**1,437**
Impairment losses on right-of-use assets	**797**	**394**	**1,191**
Additions to non-current assets (other than deferred income tax assets)	**20,937**	**4,474**	**25,411**

The segment information provided to the executive directors for the reportable segments for the year ended 29 February 2020 is as follows:

	Mainland China *RMB'000*	Hong Kong and Macau *RMB'000*	Total *RMB'000*
Revenue from external customers	705,621	30,766	736,387
Reportable segment loss	(10,235)	(16,479)	(26,714)
Other income (excluding government incentives)			81
Other losses, net (excluding gain on early termination of leases)			(1,814)
Finance income, net			6,890
Unallocated items			283
Loss before income tax			(21,274)
Income tax expense			(9,046)
Loss for the year			(30,320)
Depreciation	39,471	10,919	50,390
Impairment losses on property, plant and equipment	9,182	792	9,974
Impairment losses on right-of-use assets	6,339	5,607	11,946
Additions to non-current assets (other than deferred income tax assets)	32,074	-	32,074

For the years ended 28 February 2021 and 29 February 2020, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and CNE.

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

	Mainland China *RMB'000*	**Hong Kong and Macau** *RMB'000*	**Total** *RMB'000*
Segment assets	**771,805**	**327,433**	**1,099,238**
Deferred income tax assets			**29,619**
Unallocated assets			**26,221**
Total assets per consolidated balance sheet			**1,155,078**
Segment liabilities	**111,381**	**10,805**	**122,186**
Current income tax liabilities			**484**
Deferred income tax liabilities			**24,197**
Unallocated liabilities			**264**
Total liabilities per consolidated balance sheet			**147,131**

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

	Mainland China *RMB'000*	Hong Kong and Macau *RMB'000*	Total *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

The analysis of revenue from external customers by geographical segments is as follows:

Revenue

	2021 ***RMB'000***	2020 *RMB'000*
Mainland China	**583,574**	705,621
Hong Kong	**8,890**	27,904
Macau	**1,753**	2,862
Total	**594,217**	736,387

For the years ended 28 February 2021 and 29 February 2020, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

	2021	2020
	RMB'000	*RMB'000*
Mainland China	**48,258**	92,779
Hong Kong	**3,893**	5,403
Macau	**67,553**	73,181
Total	**119,704**	171,363

5 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2021	2020
	RMB'000	*RMB'000*
Other income		
Gross rental income from investment property	**68**	81
Government incentives *(Note (a))*	**8,765**	7,508
	8,833	7,589
Other gains/(losses), net		
Net exchange gains/(losses) *(Note (b))*	**9,392**	(7,457)
Gains on disposal of property, right-of-use assets and investment property *(Note(c))*	**174,749**	5,643
Gains on early termination of leases	**638**	220
	184,779	(1,594)

Notes :

(a) Government incentives mainly represent grants received from the PRC and Hong Kong governments in subsidising the Group's general operations and employee salaries. There are no unfulfilled conditions or other contingencies attaching to these grants.

(b) Net exchange gains/(losses) arose from the settlement of transactions denominated in foreign currencies and from the translation at year-end exchange rates of monetary assets and liabilities, including inter-company balances, denominated in foreign currencies.

(c) In December 2020, the land and buildings of the Group's production plant located in Shunde was resumed by the local government at a relocation compensation of RMB195,318,000. Taking into account of the direct expenses, a gain of approximately RMB162,717,000 was recorded and included in the gains on disposal of property, right-of-use assets and investment property for the year ended 28 February 2021.

6 EXPENSES BY NATURE

Expenses included in cost of sales, write-back of impairment/(impairment losses) on trade receivables, net, selling and distribution expenses, and general and administrative expenses are analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Auditors' remuneration		
- Audit services	**1,503**	1,814
- Non-audit services	**330**	225
Depreciation of property, plant and equipment	**14,781**	25,348
Depreciation of right-of-use assets	**14,247**	25,042
(Gain)/loss on write off/disposal of plant and equipment	**(5,072)**	8,869
Cost of sales	**238,894**	279,912
Expenses relating to short-term leases, low-value leases and variable lease payments	**93,802**	117,998
Freight charges	**6,446**	7,038
Postage and express charges	**2,220**	3,418
Advertising and promotional expenses	**15,883**	21,890
Employee benefit expenses (including directors' emoluments)	**196,655**	247,506
Impairment losses on inventories, net	**7,119**	14,114
(Write-back of impairment)/impairment losses on trade receivables, net	**(1,220)**	2,255
Impairment losses on property, plant and equipment *(Notes (a) & (b))*	**1,437**	9,974
Impairment losses on right-of-use assets *(Note (a))*	**1,191**	11,946
Direct operating expenses arising from investment property that generated rental income	**18**	9

Notes:

(a) *Certain retail stores with operation for more than one year were making loss during the year and the Group foresees it is uncertain whether the stores could meet the sales budget. The Group regards each individual retail store as a separately identifiable cash-generating unit and carried out impairment assessment for the retail stores which have indicator of impairment. As a result, impairment loss of RMB1,437,000 (2020: RMB2,358,000) and RMB1,191,000 (2020: RMB11,946,000) against leasehold improvements and right-of-use assets, respectively, were recognised in selling and distribution expenses of the Group. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections based on the sales forecast.*

(b) For the year ended 29 February 2020, due to the outbreak of COVID-19 pandemic in January 2020 and the related precautionary and control measures taken place, the resumption of production of the Group's factory in Shunde ("Shunde Factory") was delayed after the Chinese New Year. The Group has carried out an impairment assessment of the property, plant and equipment and right-of-use assets of the Shunde Factory. As a result, the carrying amount of the plant and machinery of the Shunde Factory has written down to its recoverable amount and the Group recognised an impairment loss of RMB7,616,000 in general and administrative expenses. The recoverable amount of the assets of the Shunde Factory were determined based on their fair value less cost to sale given all the production of the Shunde Factory were subsequently ceased in May 2020 after a brief resumption of operation.

7 FINANCE INCOME, NET

	2021	2020
	RMB'000	*RMB'000*
Interest income on bank deposits	**6,258**	5,880
Interest expense on lease liabilities	**(1,291)**	(1,785)
Other finance income	**-**	2,795
	4,967	6,890

8 INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current income tax		
- Hong Kong profits tax	**-**	-
- People's Republic of China ("the PRC") corporate income tax	**36,935**	13,180
Deferred income taxation	**24,987**	(4,134)
	61,922	9,046

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

The applicable rate of Hong Kong profits tax is 16.5% (2020: 16.5%). No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profit arising in Hong Kong during the years ended 28 February 2021 and 29 February 2020.

The applicable rate of Macau complementary tax is 12% (2020: 12%). No provision for Macau complementary tax has been made in the financial statement as the Group does not have any assessable profit arising in Macau during each of the two years ended 28 February 2021 and 29 February 2020.

9 EARNINGS/(LOSSES) PER SHARE

Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**106,154**	(30,519)
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic earnings/(losses) per share *(RMB cents)*	**15.04**	(4.32)

Diluted

For the years ended 28 February 2021 and 29 February 2020, the Company had share options outstanding which were anti-dilutive potential ordinary shares, the diluted earnings/(losses) per share equals basic earnings/(losses) per share.

10 DIVIDEND

	2021	2020
	RMB'000	*RMB'000*
No interim dividend (2020: No interim dividend)	**-**	-
Interim special, paid, of HK5.0 cents (2020: No interim special dividend) per ordinary share	**32,204**	-
Final, proposed, of HK15.0 cents (2020: No final dividend) per ordinary share	**88,377**	-
Final special, proposed, of HK35.0 cents (2020: No final special dividend) per ordinary share	**206,212**	-
	326,793	-

At the Board of Directors' meeting held on 27 October 2020, the Board of Directors has resolved to pay an interim special dividend of HK5.0 cents per ordinary share, totalling approximately RMB32,204,000.

At the Board of Directors' meeting held on 24 May 2021, the Board of Directors proposed a final dividend of HK15.0 cents per ordinary share and a final special dividend of HK35.0 cents per ordinary share totalling approximately RMB294,589,000. These proposed dividends are not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 28 February 2022.

11 TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**60,877**	58,258
Less: loss allowance	**(5,924)**	(7,709)
	54,953	50,549
Other receivables	**2,376**	2,980
	57,329	53,529

The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days. The carrying amounts of trade 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.

The ageing analysis of the trade receivables as at the end of the reporting period, and net of provision, based on invoice date is as follows:

	2021	2020
	RMB'000	*RMB'000*
Current to 30 days	**48,420**	39,905
31 to 60 days	**3,641**	7,037
61 to 90 days	**1,661**	2,967
Over 90 days	**1,231**	640
	54,953	50,549

12 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**20,350**	11,435
Other payables	**52,216**	55,564
Value added tax payables	**12,831**	9,785
Contract liabilities	**10,146**	8,557
	95,543	85,341

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

	2021	2020
	RMB'000	*RMB'000*
Current to 30 days	**18,455**	7,993
31 to 60 days	**1,801**	2,110
61 to 90 days	**-**	449
91 to 120 days	**-**	367
Over 120 days	**94**	516
	20,350	11,435

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

OPERATING RESULTS

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

For the financial year 2020/21, the outbreak of the COVID-19 pandemic (the "Pandemic") has severely hit the retail market in both mainland China and Hong Kong; the total revenue of the Group decreased by 19.3% year-on-year to RMB594,200,000 (2019/20: RMB736,400,000). The consolidated gross profits decreased by 22.2% year-on-year to RMB355,300,000 (2019/20: RMB456,500,000), and the overall gross profit margin decreased by 2.2 percentage points to 59.8% compared to that of the previous financial year. By late 2020, the local government resumed the land and building of the Group's production plant situated in Shunde, which led to a one-off gain for relocation compensation received. Consequently, the consolidated profit attributable to owners of the Company amounted to RMB106,200,000 (2019/20: loss of RMB30,500,000).

RMB (million)	**2020/21**	**2019/20**	**Change**
Revenue	**594.2**	736.4	(19.3%)
Gross profit	**355.3**	456.5	(22.2%)
Gross profit margin	**59.8%**	62.0%	(2.2 percentage points)
Consolidated profit/(loss) attributable to owners	**106.2**	(30.5)	
Final dividend (HK cents)	**15.0**	-	
Final special dividend (HK cents)	**35.0**	-	
Annual dividend pay-out ratio	**323.3%**	N/A	

PROFITABILITY ANALYSIS

During the year under review, owing to the effects brought by the Pandemic, the Group's total sales and same-store sales both recorded negative year-on-year growth. The Group recorded a gross profit of RMB355,300,000 (2019/20: RMB456,500,000), representing a year-on-year decrease of 22.2% and the gross profit margin decreased to 59.8%, representing a decrease of 2.2 percentage points as compared to last year.

To alleviate the adverse effects of the Pandemic on sales, the Group took extra efforts in controlling the selling and distribution expenses to cut it by 28.5% year-on-year to RMB239,800,000 (2019/20: RMB 335,200,000). The ratio of selling and distribution expenses to total revenue thus improved by 5.1 percentage points to 40.4% (2019/20: 45.5%).

The Group controlled its general and administrative expenses in strict during the Pandemic; measures included ceasing the operations of its Shunde production plant immediately to reduce the daily operating expenses. After including the one-off employee compensation expenses (approximately RMB37,400,000) arising from the closure of its Shunde factory, the Group ‘s general and administrative expenses were still cut by 3.9% to RMB147,300,000 (2019/20: RMB153,200,000) as compared to last year. However, the drop in sales was larger in scale compared with general and administrative expenses, which caused the cost item as a percentage of total revenue increased by 4.0 percentage points to 24.8% (2019/20:20.8%).

Other income increased by 16.4% year-on-year to RMB8,800,000 (2019/20: RMB7,600,000). This item was mainly represented by the incentives from the local government.

Other gains and losses recorded a net gain of RMB184,800,000 (2019/20: net loss of RMB1,600,000), which was mainly attributable to the gains of RMB162,700,000, net of direct expenses, brought by the relocation compensation received as the Group surrendered the land and buildings of its Shunde factory to the local government in December 2020.

Consolidated profit attributable to owners of the Company was RMB106,200,000 (2019/20: loss of RMB30,500,000). The basic earnings per share was RMB15.04 cents (2019/20: losses of RMB4.32 cents). After reviewing the Group’s existing liquidity position and the future financial needs for its development plan, the Board has recommend to declare a final dividend of HK15.0 per ordinary share and final special dividend of HK35.0 per ordinary share (2019/20: no final dividend and final special dividend).

INCOME TAX EXPENSE

During the year under review, income tax expense amounted to approximately RMB61,900,000 (2019/20: RMB9,000,000), representing an increase of 584.5% year-on-year, which was mainly attributable to the corporate income tax paid and the relevant dividend withholdings income tax accrued for the earnings that brought by the relocation compensation. Since 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5% to 10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008.

INVENTORY MANAGEMENT

As at 28 February 2021, the Group's inventory balance was RMB152,600,000, representing a decrease of 44.1% as compared to last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 28 February 2021	As at 29 February 2020	Changes in value	Changes in %
Raw materials and work-in-progress	-	10.3	(10.3)	(100.0%)
Finished goods	**152.6**	262.8	(110.2)	(42.0%)
Total	**152.6**	273.1	(120.5)	(44.1%)

Following the shutdown of Shunde factory, the inventory of raw materials and work-in-progress decreased by 100% year-on-year. On the other hand, the inventory of finished goods decreased by 42.0% year-on-year and the items of current season and next season (both have stock age less than 1 year) accounted for 47.2% of this ending inventory (29 February 2020: 63.6%). This reflected the Group, in response to the Pandemic, had timely reduced the ordering of new products and actively disposed of off-season products to mitigate the burden of the finished goods inventory. As a result, the inventory turnover days of finished goods also decreased by 52 days to 317 days (29 February 2020: 369 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 28 February 2021, the Group's cash and bank balances amounted to RMB754,900,000 (29 February 2020: RMB508,600,000), representing an increase of 48.4% year-on-year. The quick ratio was 7.2 times (29 February 2020: 5.4 times). During the year, the Group had not borrowed any bank loan (2019/20: Nil) and had no outstanding bank loan as at the financial year-end date (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 year. In addition, working capital requirements for our business operations in Mainland China will be financed by RMB loans advanced from local banks when necessary.

During the financial year ended 28 February 2021, the Group's cash and bank balances were held in Hong Kong dollars, US dollars and RMB, respectively and all deposits maturing within one year were placed in leading banks.

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

BUSINESS REVIEW

OVERVIEW

The impact of the Pandemic in early 2020 on the global economy could not have been predicted. The retail industry experienced a “severe winter” amid the Pandemic. Urgent remedial measures taken by various countries could only provide a temporary boost to the economy. Business bankruptcies and shutdown, shop closures, layoffs and pay cuts were still inevitable. Given the pessimistic economic outlook and dampened consumer sentiment, the economy plunged into the deepest recession.

China was the first country to recover from the Pandemic. The quarterly GDP of China turned positive from negative in the second quarter of 2020 and continued with gradual recovery, reaching an annual GDP growth rate of 2.3% eventually. It was the only major economy in the world that achieved positive economic growth in 2020. Benefited from the recovery of the Chinese market, the Group’s retail revenue stabilised for the second half of the year as compared to the first half. During the year under review, the Group’s retail revenue decreased by 19.3% year-on-year to RMB594,200,000 (2019/20: RMB736,400,000), while its same-store sales decreased by 10.5% (2019/20: 0.5%). However, economic data showed that whilst China’s exports and investment were performing well, consumption expenditure has yet to recover, causing an unbalanced economic recovery. According to China’s “14th Five-Year Plan”, it will continue to expand domestic consumption, and introduce a series of stimulating policies and measures to boost post-pandemic consumption expenditure.

Faced with various challenges and potential opportunities in the business environment, the Group made timely strategic adjustments and re-planning, including ceasing the procurement and production activities of its Shunde factory and reallocating its resources to the retail operations and product design and development of its self-owned brand; tapping into social commerce and expanding online sales channels through the “livestream shopping” model; launching the le saunda Y collection via online sales channels, which are designed to cater to the preferences and buying behavior of female consumers of the younger generation; upgrading the membership system to WeChat Mini Program, enhancing the experience of membership benefits, while allowing more room for branding and marketing. During the Pandemic, the Group was determined to innovate, grasp the pulse of the market and introduce new elements to its brands, and so as to maintain the competitive edge of its brands and its leading position in the female footwear market.

RETAIL NETWORK

Mainland China is the key market of the Group’s retail business. At the end of the year under review, the Group had a retail network comprised of 389 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 52 stores compared to the corresponding date of last year. The number of self-owned stores dropped by 43, while the number of franchised stores decreased by 9 during the year.

As at 28 February 2021, there were 297 core brand le saunda stores, representing a net decrease of 34 stores as compared to the end of last year. There were 40 LINEA ROSA stores, the Group’s high-end fashionable brand, representing a net decrease of 12 stores as compared to the end of last year.

As at 28 February 2021, the breakdown of the Group's retail network was as follows:

Number of Outlets by Region	Self-owned (Year-on-year change)		Franchise (Year-on-year change)		Total (Year-on-year change)	
Mainland China	342	(-42)	42	(-9)	384	(-51)
• Northern, Northeastern & Northwestern Regions	81	(-4)	37	(-7)	118	(-11)
• Eastern Region	116	(-20)	2	(0)	118	(-20)
• Central and Southwestern Regions	65	(-8)	3	(-2)	68	(-10)
• Southern Region	80	(-10)	0	(0)	80	(-10)
Hong Kong and Macau	5	(-1)	-	-	5	(-1)
Total	347	(-43)	42	(-9)	389	(-52)

MAINLAND CHINA

RETAIL BUSINESS

As the domestic economy has picked up and recovered gradually since the second quarter of 2020, people in the Mainland China have basically returned to a normal pace of life in the second half of the year. In fact, consumer sentiment has not yet bounced back, with total retail sales of consumer goods growing at -3.9% in 2020 and per capita consumption expenditure registering a negative growth for the first time since 2013. In particular, the growth rate of retail sales of goods of "garments, footwear, hats and knitwear category" was -6.6%, much lower than the growth rate of overall retail sales of consumer goods. As a result of the timely adjustment of its marketing strategy, the Group's retail sales in Mainland China has showed an apparent improvement in the second half of the year as compared to the first half of the year. The Group's retail sales in Mainland China in the year under review decreased by 17.3% to RMB583,600,000 (2019/20: RMB705,600,000).

The impact of the Pandemic prevention and control arrangements has expedited the development of the concept of contactless shopping, self-service and neighborhood business district, which have changed people's spending habits. While customers are more likely to switch between different sales channels, merchants' contact points with customers are more dispersed, implying a higher cost in acquiring new customers and making it more difficult in cultivating brand loyalty. Due to a rapidly evolving market and the availability of other options, we are putting more emphasis on providing quality store experience and customer service, regularly reviewing the physical store network and adding new stores in suitable locations, including some community malls, to respond to new market demands, to strive for a complementary and balanced development between online and offline channels to enhance customer engagement.

E-COMMERCE BUSINESS

Total retail sales of consumer goods failed to achieve a positive growth rate in 2020. On the contrary, online retail sales of physical goods grew by 14.8%. According to the data released by the Chinese government, the ratio of online retail sales of physical goods to total retail sales of consumer goods has increased from 10.8% in 2015 to 24.9% in 2020. China has been the world's largest online retail market in eight consecutive years, and the online market has also become an important fulcrum of the domestic economy.

The Group also attaches great importance to the development of its e-commerce business. In order to reach out to the young consumer segment, the Group has ventured into social commerce, promoting its brands and products through the "livestream shopping" on various social platforms, including Douyin and Taobao Live, to actively explore new channels. In addition, we also launched the le saunda Y collection for young women via online sales channels in the year under review. The Group's online sales no longer focuses only on large e-commerce platforms, and the share of other channels has gradually increased. Affected by the Pandemic, revenue from the e-commerce business decreased by 18.8 % year-on-year during the year under review.

HONG KONG AND MACAU

Hong Kong’s GDP declined by 3.6% year-on-year in real terms in the third quarter of 2020, narrowing slightly to 3.0% in the fourth quarter. For 2020 as a whole, real GDP fell by 6.1%. The value of total retail sales experienced the largest drop ever recorded in 2020, down 24.3% from 2019. In particular, “footwear, allied products and other clothing accessories category” fell by 39.7%. All categories, except necessity goods, recorded a decline. The situation of COVID-19 outbreak in Hong Kong was volatile, while the continuing social distancing measures have had a severe impact on consumer sentiments. With the economic downturn and rising unemployment, spending power remained weak and people were holding back on their purchases even in the traditional peak season for retail in December and the Lunar New Year holidays. During the year under review, the Group’s sales in Hong Kong and Macau decreased by 65.4% year-on-year to RMB10,600,000 (2019/20: RMB30,800,000).

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

Facing the complex and fast-changing situation and intensifying international political conflicts, the Chinese government has proposed a new "dual circulation" development paradigm, with expanding domestic demand as the strategic basis to support economic recovery and sustainable growth. According to the “14th Five-Year Plan” released by the Chinese Government, China will continue to expand domestic demand and introduce a series of new policies and measures to boost consumption, facilitate consumption upgrading, digitalization and innovation. It will also expand the middle-income group and raise per capita income, thereby further boosting domestic consumption. As the earliest country to recover from the Pandemic, the economy of China is expected to fully recover to the pre-pandemic level in the coming year.

After its Shunde factory had ceased operations, the Group repositioned itself in the supply chain as a brand operator only. In the future, the Group will focus on product design and brand management, aiming at offering better products and services and gaining larger market shares. For product design and development, le saunda’s design team focuses on developing comfortable formal shoes, with original design metal buckles and accessories to embellish the design in detail, that satisfied the customers, thereby increasing their repeat purchase rate and loyalty to the brand. Every season an appropriate proportion of trendy styles, casual styles and co-branded collections would be added to meet the dressing needs of our customers for different occasions. The growing segmentation of customer needs, coupled with the positive impact of the government's promotion of consumption upgrading, has created great opportunities for various brands of the Group to target different customer segments with different types of products and sales channels.

With fierce competition in the market and the emergence of the "stay-at-home" economy due to the Pandemic, some customers have been diverted by numerous e-commerce operators of varying sizes. We must uphold the fundamentals of retailing, strive to meet the needs of our customers and enhance the consumer experience in order to retain them. As people resumed to the original pace of life in China, foot traffic and gathering activities have gradually recovered. The Group will closely monitor market conditions and search for suitable locations to open new stores. Existing stores will also be renovated to enhance the brand image and allow customers to shop for their favorite products in a comfortable environment. In addition, we will also introduce the WeChat membership system Mini Program to existing members and new customers to enhance the experience of membership benefits and help promote the brand. Through the new membership system, information of the brands, products and stores can be provided to customers more effectively, making it easier and more convenient for them to shop and enjoy the products and benefits that the Group has prepared for them.

With over 10 years of experience in the e-commerce market, the Group is well aware of the rapid development and changes in the market. The number of e-commerce users continues to rise, and per capita spending and total daily spending continue to grow. In particular, the spending power of young customers born in the 1980s, 1990s and 2000s is very strong, and the penetration rate of online consumption among these generations is very high. Market data showed that young customers have very distinctive spending patterns and preferences. They value information from social media and tend to refer to other users' personal sharing or recommendations before making their purchase decisions. The Group will make targeted use of social media such as Xiaohongshu and Weibo to promote its products and brands in a subtler manner through individual sharing. The Pandemic has also prompted "livestream shopping " to become a very popular sales model. Social commerce live streaming (e.g. Douyin, Taobao Live) will be another channel that we will focus on developing, and the Group will select social media platforms and internet celebrities that match our brand image to achieve the desired marketing effect. In addition, the le saunda Y collection launched by the Group on e-commerce channels during the year under review will continue to focus on leisure style products in order to open up the young women's market and refresh the brand image of le saunda.

As the Pandemic has transformed customers’ spending patterns, it becomes essential for online and offline channels to complement each other. The online channels will improve at drawing in new customers, exploring new customer groups and promoting our brand and products among a large group of e-commerce users. The offline channels will focus on providing quality services, establishing a professional brand image with our sales teams and physical stores, allowing customers to fit our products physically and providing more personalized and detailed product information and product care knowledge and thereby increase customers’ trust in our brands.

As for operations, given the production fully outsourced, the Group's role in the supply chain would have to change. It is expected that the consumption market will return to the pre-pandemic level gradually, so do the flow of physical goods. With years of experience in supply chain management, the Group is committed to maintaining a stable supply in all our sales channels. By shortening the production cycle, we will accelerate new product launch and reordering of best-selling products, which further reduces the amount of inventory and its turnover days and, in turn, boosting overall operating efficiency. Meanwhile, the Group will strengthen the application of IT tools in different areas, including improvements and digitalization in business flows, data collection and analysis in sales and membership systems, exploration in social media marketing, optimization in membership system etc., to satisfy all those needs from the new retail concepts.

Though the business environment is full of challenges, the Group strives to achieve the strategic goals, adheres to the brand values, and provides customers with quality services and products with a view to becoming a trustworthy brand to our customers, securing better results and creating a stable return for our Shareholders.

PLEDGE OF ASSETS

As at 28 February 2021, 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 RMB96,000,000 (29 February 2020: RMB135,000,000), of which RMB700,000 (29 February 2020: RMB800,000) was utilised as at 28 February 2021.

DIVIDEND

The Board has recommended to declare a final dividend of HK15.0 cents (the “Final Dividend”) per ordinary share and a final special dividend of HK35.0 cents (the “Final Special Dividend”) per ordinary share for the year ended 28 February 2021 (29 February 2020: no final dividend and final special dividend) to the shareholders of the Company (the “Shareholders”) whose names appear on the Register of Members of the Company on Tuesday, 20 July 2021. The proposed Final Dividend and the Final Special Dividend are subject to the approval of the Shareholders at the forthcoming annual general meeting (the “AGM”) of the Company. If approved, the Final Dividend and the Final Special Dividend are expected to be paid on or around Thursday, 29 July 2021, while a circular containing further details of notice of the AGM will be despatched to the Shareholders as soon as practicable.

The Board has resolved to pay an interim special dividend of HK5.0 cents per ordinary share for the six months ended 31 August 2020. (six months ended 31 August 2019: no interim dividend and interim special dividend).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2021, the Group had a staff force of 1,403 people (29 February 2020: 2,394 people). Of this number, 48 were based in Hong Kong and Macau and 1,355 in Mainland China. The remuneration level of the Group’s employees was in line with market trends and commensurate to the levels 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 twelve months ended 28 February 2021, including Directors’ emoluments, net pension contributions and the value of employee services, amounted to RMB196,700,000 (2019/20: RMB247,500,000). 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 year ended 28 February 2021.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group, reviewed the annual results of the Group for the year ended 28 February 2021 and discussed the overall effectiveness of the internal control system of the Group with the management of the Company.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The AGM is scheduled to be held on Monday, 12 July 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive) during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, 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, 6 July 2021.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND AND FINAL SPECIAL DIVIDEND

The proposed Final Dividend and Final Special Dividend are subject to the approval of the Shareholders at the AGM. The record date for entitlement to the proposed Final Dividend and Final Special Dividend is 20 July 2021. In order to ascertain the entitlement to the proposed Final Dividend and Final Special Dividend, the register of members of the Company will be closed from Monday, 19 July 2021 to Tuesday, 20 July 2021 (both days inclusive) during which no transfer of shares will be registered. The last day for dealing in Shares cum entitlements to the proposed Final Dividend and Final Special Dividend will be Wednesday, 14 July 2021. In order to qualify for the proposed Final Dividend and Final 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 Friday, 16 July 2021.

CORPORATE GOVERNANCE CODE

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 year, 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 the deviation from code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Cheng Wang, Gary as Chief Executive Officer and Executive Director with effect from 16 October 2019, the position of Chief Executive Officer is currently vacant. The Company is 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.

The Board will continue to enhance the Group's corporate governance practices appropriate to the conduct and growth of the Group's business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest developments.

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 standard 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 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 year ended 28 February 2021 and up to the date of this announcement.

SCOPE OF WORK OF THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 28 February 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 28 February 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the respective websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.lesaunda.com.hk) in due course on or before 30 June 2021.

ACKNOWLEDGEMENT

On behalf of the Board, I would also like to take this opportunity to express my gratitude to all our staff for their respective 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, 24 May 2021

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

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