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le saunda holdings ltd.
萊爾斯丹控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 00738)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

FINANCIAL HIGHLIGHTS

		Year ended 28 February 2022	Year ended 28 February 2021	change	change in %
Revenue	*RMB million*	**569.0**	594.2	(25.2)	(4.2%)
Gross profit	*RMB million*	**357.9**	355.3	2.6	0.7%
Profit attributable to owners of the Company	*RMB million*	**3.0**	106.2	(103.2)	(97.2%)
Basic earnings per share	*RMB cents*	**0.42**	15.04	(14.62)	(97.2%)
Diluted earnings per share	*RMB cents*	**0.42**	15.04	(14.62)	(97.2%)
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 (the "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 2022 together with the comparative figure for the previous year. The consolidated results have been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 28 February 2022** **RMB'000**	Year ended 28 February 2021 *RMB'000*
Revenue	*3*	**569,034**	594,217
Cost of sales	*5*	**(211,182)**	(238,894)
Gross profit		**357,852**	355,323
Other income	*4*	**4,631**	8,833
Other gains, net	*4*	**8,465**	184,779
(Impairment losses)/write-back of impairment on trade receivables, net	*5*	**(1,060)**	1,220
Selling and distribution expenses	*5*	**(259,195)**	(239,785)
General and administrative expenses	*5*	**(93,342)**	(147,264)
Operating profit		**17,351**	163,106
Finance income, net	*6*	**6,197**	4,967
Profit before income tax		**23,548**	168,073
Income tax expense	*7*	**(20,907)**	(61,922)
Profit for the year		**2,641**	106,151
Profit/(loss) for the year attributable to:			
- owners of the Company		**2,980**	106,154
- non-controlling interest		**(339)**	(3)
		2,641	106,151
Earnings per share attributable to the owners of the Company *(express in RMB cents)*			
- Basic	*8*	**0.42**	15.04
- Diluted	*8*	**0.42**	15.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended	
	28 February 2022	28 February 2021
	RMB'000	*RMB'000*
Profit for the year	**2,641**	106,151
Other comprehensive (loss)/income for the year, net of tax		
Item that will not be reclassified to consolidated income statement		
- Actuarial (losses)/gains on retirement benefit obligation	**(127)**	44
Item that will be reclassified to consolidated income statement		
- Currency translation differences	**(12,400)**	(28,750)
Total comprehensive (loss)/income for the year	**(9,886)**	77,445
Total comprehensive (loss)/income for the year, attributable to:		
- owners of the Company	**(9,547)**	77,448
- non-controlling interest	**(339)**	(3)
	(9,886)	77,445

CONSOLIDATED BALANCE SHEET

	Note	**As at 28 February 2022** *RMB'000*	As at 28 February 2021 *RMB'000*
ASSETS			
Non-current assets			
Investment properties		**66,999**	2,360
Property, plant and equipment		**18,508**	81,420
Right-of-use-assets		**52,761**	34,439
Long-term deposits and prepayments		**2,624**	1,485
Deferred income tax assets		**32,150**	29,619
		173,042	149,323
Current assets			
Inventories		**186,312**	152,596
Trade and other receivables	*10*	**48,206**	57,329
Deposits and prepayments		**37,237**	40,287
Pledged bank deposit		**647**	661
Cash and bank balances		**442,642**	754,882
		715,044	1,005,755
Total assets		**888,086**	1,155,078
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Proposed dividends		**-**	294,589
Others		**636,032**	643,109
		696,011	997,677
Non-controlling interest		**9,328**	10,270
Total equity		**705,339**	1,007,947

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 28 February 2022** ***RMB'000***	As at 28 February 2021 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**28,800**	24,197
Lease liabilities		**24,927**	10,723
		53,727	34,920
Current liabilities			
Trade payables, other payables and contract liabilities	*11*	**83,466**	95,543
Lease liabilities		**22,387**	16,184
Current income tax liabilities		**2,967**	484
Short-term bank loan	*12*	**20,200**	-
		129,020	112,211
Total liabilities		**182,747**	147,131
Total equity and liabilities		**888,086**	1,155,078

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs 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 adopted by the Group

The Group has applied the following amendments to standards for the first time for their annual reporting period commencing 1 March 2021:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2

The amendments 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.

(b) New standard, amendments to standards, accounting guideline and interpretation not yet adopted

The following new standard, amendments to standards, accounting guideline and interpretation have been issued but are not effective for the accounting period beginning on 1 March 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements project (Amendments)	Annual Improvements to HKFRSs Standards 2018 – 2020	1 March 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments	1 March 2022
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 March 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 March 2023
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies	1 March 2023
HKFRS Practice Statement 2 (Amendments)	Making Materiality Judgements	1 March 2023
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors	1 March 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 March 2023
HKFRS 17	Insurance Contract	1 March 2023
HK (IFRIC) – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 March 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 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 profit/(loss). This measurement basis excludes other income (excluding government incentives), other gains, 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 2022 is as follows:

	Mainland China *RMB'000*	**Hong Kong and Macau** *RMB'000*	**Total** *RMB'000*
Revenue from external customers	**560,708**	**8,326**	**569,034**
Reportable segment profit/(loss)	**10,702**	**(934)**	**9,768**
Other gains, net			**8,465**
Finance income, net			**6,197**
Unallocated items			**(882)**
Profit before income tax			**23,548**
Income tax expense			**(20,907)**
Profit for the year			**2,641**
Depreciation	**30,322**	**2,140**	**32,462**
Impairment losses on property, plant and equipment	**4,109**	**-**	**4,109**
Impairment losses on right-of-use assets	**3,305**	**-**	**3,305**
Additions to non-current assets (other than deferred income tax assets)	**53,329**	**11,026**	**64,355**

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

For the years ended 28 February 2022 and 28 February 2021, 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 2022 by reportable segment is set out below:

	Mainland China *RMB'000*	**Hong Kong and Macau** *RMB'000*	**Total** *RMB'000*
Segment assets	**661,545**	**173,750**	**835,295**
Deferred income tax assets			**32,150**
Unallocated assets			**20,641**
Total assets per consolidated balance sheet			**888,086**
Segment liabilities	**114,962**	**35,755**	**150,717**
Current income tax liabilities			**2,967**
Deferred income tax liabilities			**28,800**
Unallocated liabilities			**263**
Total liabilities per consolidated balance sheet			**182,747**

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

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

Revenue

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**560,708**	583,574
Hong Kong	**7,020**	8,890
Macau	**1,306**	1,753
Total	**569,034**	594,217

For the years ended 28 February 2022 and 28 February 2021, 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

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**62,953**	48,258
Hong Kong	**12,767**	3,893
Macau	**65,172**	67,553
Total	**140,892**	119,704

4 OTHER INCOME AND OTHER GAINS, NET

	2022	2021
	RMB'000	*RMB'000*
Other income		
Gross rental income from investment property	**-**	68
Government incentives *(Note (a))*	**4,631**	8,765
	4,631	8,833
Other gains, net		
Fair value losses on investment properties	**(747)**	-
Net exchange gains *(Note (b))*	**9,212**	9,392
Gains on disposal of property, right-of-use assets and investment property *(Note (c))*	**-**	174,749
Gains on early termination of leases	**-**	638
	8,465	184,779

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 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 and the disposal of a subsidiary.

(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 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.

5 EXPENSES BY NATURE

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

	2022	2021
	RMB'000	*RMB'000*
Auditors' remuneration		
- Audit services	**1,490**	1,503
- Non-audit services	**104**	330
Depreciation of property, plant and equipment	**11,933**	14,781
Depreciation of right-of-use assets	**20,529**	14,247
Loss/(gain) on write off/disposal of plant and equipment	**674**	(5,072)
Cost of sales	**211,182**	238,894
Expenses relating to short-term leases, leases of low-value assets and variable lease payments	**94,363**	93,802
Freight charges	**6,222**	6,446
Postage and express charges	**1,966**	2,220
Advertising and promotional expenses	**18,535**	15,883
Employee benefit expenses (including directors' emoluments)	**147,876**	196,655
Impairment losses on inventories, net	**2,258**	7,119
Impairment losses/(write-back of impairment) on trade receivables, net	**1,060**	(1,220)
Impairment losses on property, plant and equipment *(Note (a))*	**4,109**	1,437
Impairment losses on right-of-use assets *(Note (a))*	**3,305**	1,191
Direct operating expenses arising from investment property that generated rental income	**-**	18

Note:

(a) Certain retail stores with operation 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 RMB4,109,000 (2021: RMB1,437,000) and RMB3,305,000 (2021: RMB1,191,000) 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.

6 FINANCE INCOME, NET

	2022	2021
	RMB'000	*RMB'000*
Interest income on bank deposits	**8,130**	6,258
Interest expense on lease liabilities	**(1,692)**	(1,291)
Interest expense on short-term bank loan	**(241)**	-
	6,197	4,967

7 INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current income tax		
- Hong Kong profits tax	**-**	-
- People's Republic of China ("the PRC") corporate income tax	**18,924**	36,935
Deferred income taxation	**1,983**	24,987
	20,907	61,922

The PRC corporate income tax is provided for on the profits of the Group's subsidiaries in the PRC at 25% (2021: 25%).

The applicable rate of Hong Kong profits tax is 16.5% (2021: 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 each of the two years ended 28 February 2022 and 28 February 2021.

The applicable rate of Macau complementary tax is 12% (2021: 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 2022 and 28 February 2021.

8 EARNINGS PER SHARE

Basic

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

	2022	2021
Profit attributable to owners of the Company *(RMB'000)*	**2,980**	106,154
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic earnings per share *(RMB cents)*	**0.42**	15.04

Diluted

For the years ended 28 February 2022 and 28 February 2021, the Company had share options outstanding which were anti-dilutive potential ordinary shares, the diluted earnings per share equals basic earnings per share.

9 DIVIDENDS

	2022 ***RMB'000***	2021 *RMB'000*
No interim dividend (2021: Nil)	**-**	-
No interim special dividend (2021: Interim special dividend of HK5.0 cents per ordinary share)	**-**	32,204
No final dividend, proposed (2021: Final dividend of HK15.0 cents per ordinary share)	**-**	88,377
No final special dividend, proposed (2021: Final special dividend of HK35.0 cents per ordinary share)	**-**	206,212
	-	326,793

At the Board of Directors' meeting held on 30 May 2022, the Directors did not propose a final dividend and final special dividend for the year ended 28 February 2022.

10 TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**51,678**	60,877
Less: loss allowance	**(6,750)**	(5,924)
	44,928	54,953
Other receivables	**3,278**	2,376
	48,206	57,329

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:

	2022	2021
	RMB'000	*RMB'000*
Current to 30 days	**40,385**	48,420
31 to 60 days	**2,443**	3,641
61 to 90 days	**936**	1,661
Over 90 days	**1,164**	1,231
	44,928	54,953

11 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**22,406**	20,350
Other payables	**40,880**	52,216
Value added tax payables	**9,634**	12,831
Contract liabilities	**10,546**	10,146
	83,466	95,543

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:

	2022	2021
	RMB'000	*RMB'000*
Current to 30 days	**22,242**	18,455
31 to 60 days	**-**	1,801
61 to 90 days	**-**	-
91 to 120 days	**-**	-
Over 120 days	**164**	94
	22,406	20,350

12 SHORT-TERM BANK LOAN

The analysis of the carrying amount of short-term bank loan is as follows:

	2022	2021
	RMB'000	*RMB'000*
Unsecured and repayable within 1 year or on demand	**20,200**	-

The short-term bank loan is denominated in HK$, unsecured, which bears average interest rate at 1.29% per annum and repayable within 1 year or on demand.

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 2021/22, the total revenue of the Group decreased by 4.2% year-on-year to RMB569,000,000 (2020/21: RMB594,200,000). The consolidated gross profits increased by 0.7% year-on-year to RMB357,900,000 (2020/21: RMB355,300,000), and the overall gross profit margin increased by 3.1 percentage points to 62.9% compared to that of the previous financial year. For the year, the consolidated profit attributable to owners of the Company amounted to RMB3,000,000 (2020/21: consolidated profit of RMB106,200,000).

RMB (million)	**2021/22**	**2020/21**	**Change**
Revenue	**569.0**	594.2	(4.2%)
Gross profit	**357.9**	355.3	0.7%
Gross profit margin	**62.9%**	59.8%	3.1 percentage points
Consolidated profit attributable to owners	**3.0**	106.2	
Final dividend (HK cents)	**-**	15.0	
Final special dividend (HK cents)	**-**	35.0	
Annual dividend pay-out ratio	**N/A**	323.3%	

PROFITABILITY ANALYSIS

During the year under review, the global economy continued to be impacted by the COVID-19 pandemic (the "Pandemic"), while the economies of Mainland China, Hong Kong and Macau continued to slow down and the pace of retail market recovery was also affected. The Group's total revenue decreased by 4.2% year-on-year to RMB569,000,000. Nevertheless, the Group recorded a gross profit of RMB357,900,000 (2020/21: RMB355,300,000), representing a year-on-year increase of 0.7%, and the gross profit margin increased to 62.9%, representing an increase of 3.1 percentage points as compared to last year.

The Group's selling and distribution expenses for the year increased by 8.1% year-on-year to RMB259,200,000 (2020/21: RMB239,800,000). The ratio of selling and distribution expenses to total revenue increased by 5.2 percentage points to 45.6% (2020/21: 40.4%). The increase in selling expenses was mainly due to the increase in the Group's sales staff costs following the expiry of the local government's concessionary policy in the PRC in response to the Pandemic and the provisions for certain retail stores' leasehold improvements and the right-of-use assets made during the year.

Under the Pandemic, the Group actively controlled its general and administrative expenses in order to reduce its daily operating cost. The Group closed its Shunde factory last year, resulting in a one-off employee compensation expense of approximately RMB37,400,000. Nonetheless, the closure of the Shunde factory also helped reducing the Group's recurrent operating cost, resulting in a decrease of 36.6% to RMB93,300,000 (2020/21: RMB147,300,000) in general and administrative expenses for the year, which outstripped the decrease in sales, and thus the general and administrative expenses as a percentage of total revenue decreased by 8.4 percentage points to 16.4% (2020/21: 24.8%).

Other income decreased by 47.6% year-on-year to RMB4,600,000 (2020/21: RMB8,800,000), which was mainly due to the one-off incentives granted by local governments in last year.

Other gains recorded a net gain of RMB8,500,000 (2020/21: RMB184,800,000). The decrease was mainly attributable to the gain of RMB162,700,000, net of direct expenses, recorded in last financial year that was brought by the relocation compensation received as the Group surrendered the land and building of its Shunde factory to the local government in December 2020. Other gains mainly represented foreign exchange gain of approximately RMB9,200,000 (2020/21: RMB9,400,000).

Consolidated profit attributable to owners of the Company was RMB3,000,000 (2020/21: RMB106,200,000). The basic earnings per share was RMB0.42 cents (2020/21: RMB 15.04 cents).

INCOME TAX EXPENSE

During the year under review, income tax expense amounted to approximately RMB20,900,000 (2020/21: RMB61,900,000), representing a decrease of 66.2% year-on-year. The decrease was mainly attributable to the provisions made by the Group for corporate income tax and related dividend withholding income tax arising from the relocation compensation received last year. 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 2022, the Group's inventory balance was RMB186,300,000, representing an increase of 22.1% as compared to the last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 28 February 2022	As at 28 February 2021	Changes in value	Changes in %
Finished goods	**186.3**	152.6	33.7	22.1%

Since the outbreak of the Pandemic in early 2020, the Group has adopted a prudent inventory management strategy. In the second half of previous financial year, the Group had actively cleared off-season items that resulted in a significant reduction in the proportion of off-season items in the ending inventory of last financial year. During the year under review, taking into account of the anticipated increase in market demand after the Pandemic, the Group had timely increased its order for the next season items that led to a higher ending inventory as at 28 February 2022. Nevertheless, the Group will continue to maintain strict control over the ageing of its inventory. The inventories of ageing one year or less accounted for 71.4% of the ending balance as at 28 February 2022 (28 February 2021: 47.2%). The inventory turnover of finished goods also decreased by 24 days to 293 days for the year (2021: 317 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 28 February 2022, the Group's cash and bank balances amounted to RMB442,600,000 (28 February 2021: RMB754,900,000), representing a decrease of 41.4% year-on-year. While the retail market has not returned to the pre-pandemic level, the Group still maintains sufficient cash flow. If necessary, the Group can provide sufficient working capital for the Group through banking facilities provided by its major banks in Hong Kong, including but not limited to revolving loans and trade finance, mainly at floating interest rates. At the end of the financial year, the quick ratio was 3.8 times (28 February 2021: 7.2 times). During the year, the Group borrowed a bank loan of RMB40,400,000. The balance of bank loan as at the end of the financial year was RMB20,200,000 (28 February 2021: Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. In addition, the Group did not enter into any forward contracts to hedge its foreign exchange risks during the year.

During the year ended 28 February 2022, 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 in development.

BUSINESS REVIEW

OVERVIEW

The Pandemic has been raging around the world for over two years and the global economy continued to slow down. The Chinese government took swift action to contain the Pandemic while implementing effective fiscal and monetary policies to stimulate economic and social development, resulting in a year-on-year growth of 8.1% in gross domestic product ("GDP") in 2021 and a two-year average growth of 5.2%. However, in the second half of the year, a new round of infections caused by new variants in Nanjing, Beijing, Zhengzhou and other regions was followed by stricter precautionary measures such as citywide lockdowns, traffic restrictions and large-scale screening tests, while the outbreak in Henan Province was preceded by a severe flooding. The floods and repeated outbreaks affected a number of key cities and popular tourist cities, causing a slowdown in the growth of industrial added value, investment and social consumption after July, thus decelerating the pace of economic recovery. As a result, GDP growth in the third and fourth quarters of 2021 was only 4.9% and 4.0% year-on-year, respectively, bringing down GDP growth for the whole of 2021.

During the year under review, offline activities were subject to more restrictions due to precautionary measures, while the Group made the most appropriate arrangements in response to relevant measures to optimise the online experience of customers, so as to compensate for the impact of the Pandemic on offline shopping. Such arrangements included tapping into different social e-commerce platforms and expanding online sales channels through the "livestream shopping" model with internet celebrities; continuing to promote the le saunda Y collection via online sales channels, catering to the new shopping habits and preferences of online customers developed as a result of the Pandemic; upgrading the membership system to WeChat Mini Program, enhancing member loyalty and experience, while allowing more room for branding and marketing. In an extremely challenging business environment, the Group has always been innovative and proactive in keeping pace with the market, injecting new elements into the brand and offering outstanding products with a strong personality to maintain the competitive edge and leading position of the brand in the female footwear market. While the Group achieved a double-digit sales growth in the first quarter in line with the changing economic environment in the PRC, annual retail revenue decreased by 4.2% year-on-year to RMB569,000,000 (2020/21: RMB594,200,000) as compared to last year, with annual same store sales declining by 0.2% (2020/21: -10.5%) due to the impact of the new round of infections and flooding in mid-July.

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, the same number of stores as the last year. During the year, the number of self-owned stores increased by 6 stores, while the number of franchised stores decreased by 6 stores.

As at 28 February 2022, there were 297 core brand le saunda stores, the same number of stores as compared to the end of last year. There were 34 LINEA ROSA stores, the Group's high-end fashionable brand, representing a net decrease of 6 stores as compared to the end of last financial year.

As at 28 February 2022, 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	353	(+11)	36	(-6)	389	(+5)
• Northern, Northeastern & Northwestern Regions	91	(+10)	33	(-4)	124	(+6)
• Eastern Region	116	(0)	1	(-1)	117	(-1)
• Central and Southwestern Regions	65	(0)	2	(-1)	67	(-1)
• Southern Region	81	(+1)	0	(0)	81	(+1)
Hong Kong and Macau	0	(-5)	-	-	0	(-5)
Total	353	(+6)	36	(-6)	389	(0)

MAINLAND CHINA

RETAIL BUSINESS

China's total retail sales of consumer goods grew by 12.5% year-on-year in 2021, with a two-year average growth rate of 3.9%. In the first half of the year, people have basically returned to a normal pace of life. The recovery in consumption was supported by a double-digit growth in per capita income, resulting in a growth rate of 12.7% in the retail sales of consumer goods in the garments, footwear, hats and knitwear category, which was slightly higher than the growth rate of the overall retail sales of consumer goods. However, due to the impact of a new round of infections since mid-July, China has once again imposed citywide lockdowns, travel restrictions and large-scale screening tests, which greatly reduced citizens' spending desire. The physical stores of the Group in affected areas were forced to close temporarily, which directly affected their performance. Under this situation, the Group's retail performance in Mainland China was fluctuating throughout the year. During the year under review, the retail sales in Mainland China decreased by 3.9% to RMB560,700,000 (2020/21: RMB 583,600,000).

The evolution of the Pandemic and the associated domestic control and prevention measures facilitated the development of online shopping, self-service consumption and the concept of community retail circle. As customers can place orders from different sales channels, the interaction between physical stores and customers has become more remote, thus increasing the costs of acquiring new customers and also increasing the difficulty of building brand loyalty. In response to such a rapidly changing retail market with more channels available to consumers, the Group has complemented the development of online and offline channels to provide both a quality in-store experience and comprehensive online customer services to the customers in a balanced way. On the one hand, we are actively promoting online sales and enhancing online interaction and contact with customers; on the other hand, we are continuously reviewing the network of our physical stores, closing inefficient ones and opening new ones in suitable department stores, shopping centres and outlets, and through strengthening our partnership with operators to enhance our store efficiency and same-store sales growth.

E-COMMERCE BUSINESS

In a pandemic-blighted environment, it is the general trend that consumers continue to spend online. In 2021, online retail sales of physical goods (wearing goods) increased by 8.3%. According to the data released by the National Bureau of Statistics, the ratio of online retail sales of physical goods to total retail sales of consumer goods has increased from 10.8% in 2015 to 24.5% in 2021. In fact, the online market has become increasingly competitive and the market demand has been refined, with e-commerce platforms and e-commerce operators launching different promotional strategies to attract consumers. Consumers' demands have become more personalized as consumers can choose from a wide range of brands online at any time, which makes them less loyal to brands. As a result, the costs of acquiring new customers and operating costs of merchants in the e-commerce market continue to increase. However, the Group has adopted a diversified online channel to reduce its cost of running e-commerce business.

Amid the Pandemic in recent years, social e-commerce has become a fast-growing market segment. During the year, the Group ventured into social e-commerce and interacted with customers through various social media platforms, including but not limited to Douyin and Taobao Live, and promoted the Group's products through "live streaming" by collaborating with Li Jiaqi, a top-tier e-commerce online anchor, to effectively promote the merits and features of the Group's products and thereby increasing the exposure of the le saunda brand. During the year, in order to expand the le saunda brand's customer base, the Group continued to promote the le saunda Y collection, which targets the clothing preferences of young fashion consumers. However, due to the impact of the new round of infections and natural disasters, during the year under review, revenue from the e-commerce business decreased by 4.8% year-on-year.

In a business environment where new COVID-19 cases keep occurring, consumers are becoming more dependent on shopping online. The Group has promoted the integration of online and offline channels, optimised the supply chain to ensure stable online supply, accelerated the launching of new products and provided customers with quality and reliable online products and pre-sales and after-sales services.

HONG KONG AND MACAU

Hong Kong's real GDP grew by 6.4% year-on-year in 2021 and its economic activity began to pick up. However, after two years of its border being closed, the number of visitors to Hong Kong, both from Mainland China and overseas, has dropped significantly. Despite the series of relief measures provided by the Hong Kong and Macau governments to merchants, the retail, tourism and shipping industries are still in a difficult stage due to the ongoing Pandemic and the Group's retail operations in Hong Kong and Macau are still below expectation. The Group has temporarily closed all footwear stores in Hong Kong and Macau during the year. During the year under review, the Group's sales in Hong Kong and Macau decreased by 21.8% year-on-year to RMB8,300,000 (2020/21: RMB10,600,000).

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

As the world continues to be affected by the variants and the intensifying international political conflicts, business models and corporate business strategies are being tested and re-evaluated. The Chinese government will continue to expand domestic demand, increase national income and boost national consumption. The launch of the 102 key projects identified in the "14th Five-Year Plan" and the increase in fiscal and monetary investment support will facilitate a steady recovery in fixed asset investment, which will keep the real economy on an upward trajectory. In the face of the ever-changing business environment, the Group decided to reposition its role in the supply chain last year to focus on product design and development as a pure brand owner, so as to meet customers' demand for quality products and to provide quality services both online and offline.

At the end of the year, the central government introduced stricter Pandemic prevention policies because the more infectious Omicron variant severely weakened the vaccine's protection against the novel coronavirus, causing a new wave of outbreaks. As a result, one of the Group's key areas of development is inevitably the e-commerce market, especially as the Pandemic in recent years has created a new norm of online shopping and spending. E-commerce users are on the rise, and per capita spending continues to grow, especially among young customers who have strong spending power. They value information and opinions on social media, and will refer to other users' personal reviews or recommendations before making purchases, which means the social e-commerce market has great potential for development. Apart from focusing on several mainstream e-commerce platforms, including Douyin, Taobao Live, Xiaohongshu and Weibo to promote and sell its products, the Group will continue to proactively look for social media platforms and internet celebrities that match the brand image to promote new products and speed up the sale of last season's products, and to softly promote the le saunda brand through live sharing by internet celebrities to achieve greater brand awareness and accelerate market penetration. In addition, through the VIP Mini Program, we can enhance our membership service, increase customer loyalty and also improve interaction with customers in order to deepen their awareness and impression of the brand.

The Group expects the Pandemic to be quite volatile in the near future. Although the Chinese government has accumulated experience in fighting the Pandemic and its population has been vaccinated on a large scale, it is believed that the recovery of domestic consumption in China is still facing a lot of uncertainties. The Group will continue to use its online and offline channels to enhance their synergies and further improve its competitiveness to achieve higher than expected performance. Through the increasingly popular livestreaming force to support online sales and to maximise the potential of the online business, the Group will expand its loyalty customer base and drive repeat purchases from these loyal members. The offline physical stores will focus on providing professional retail services, and with our brand image established by sales teams and physical stores over the years, customers will be advised on clothing styles and knowledge of product care, so that they can have a satisfying shopping experience. In the meantime, we will integrate offline customers into online buying power, with the goal of accelerating growth and increasing sales revenue in the coming year.

Since the last financial year, the Group has changed from self-owned factory production to full external procurement, operating through an "asset-light" model, and more efficiently concentrating and using its resources in product design and brand management. Looking forward to the next year, with the gradual improvement of the marketing environment and the accelerated turnover of goods, the Group's profitability is expected to improve. With the existing extensive experience in procurement and supply chain management, the Group strives to optimise the entire product design and development cycle and expedites the arrival of new products for customers to choose from. The Group will also strive to improve warehouse management efficiency, including optimising the receipt and despatch processes and improving the use of inventory space to reduce the occupation of third-party warehouses, thus reducing the related logistics costs. We will continue to review our sales network and operational structure, such as opening stores in high-traffic commercial areas, closing inefficient ones, and actively using information technology tools in our workflow to minimise operating costs and expenses. In addition, the Group places great emphasis on human resources management and will continue to attract more talents to enrich its corporate knowledge pool and pave the way for future diversification.

In anticipation of the rising demand for consumer social goods in Hong Kong and Macau, the Group opened its first store in a traditional shopping area in Hong Kong in April this year to run a new consumer goods business, the cosmetics business, and will proactively in developing its online retailing business as well. Through marketing other consumer social goods related products, it is expected that our brand awareness will be enhanced and the synergy amongst the Group's brands will be created. The Group is continuously exploring new opportunities in the coming year and will continue to grasp the development potentials to boost the competitiveness of the brand.

Le Saunda is a renowned footwear retailer in the market. The management will continue to adopt a flexible marketing strategy to consolidate its leading position in the female footwear market, expand its coverage in China, enhance its brand influence and achieve better results in a challenging and opportunistic retail environment. The Group will continue to employ a progressive yet stable approach to create the highest returns for each shareholder.

PLEDGE OF ASSETS

As at 28 February 2022, bank deposit of RMB600,000 (28 February 2021: 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 RMB64,600,000 (28 February 2021: RMB96,000,000), of which RMB20,800,000 (28 February 2021: RMB700,000) was utilised as at 28 February 2022.

DIVIDEND

The Board has not recommended to declare a final dividend and final special dividend for the year ended 28 February 2022 (28 February 2021: a final dividend of HK15.0 cents per ordinary share and a final special dividend of HK35.0 cents per ordinary share).

No interim dividend and interim special dividend were paid for the six months ended 31 August 2021. (six months ended 31 August 2020: an interim special dividend of HK5.0 cents per ordinary share).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2022, the Group had a full-time staff force of 1,342 people (28 February 2021: 1,403 people). Of this number, 19 were based in Hong Kong and 1,323 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 2022, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB147,900,000 (2020/21: RMB196,700,000). The Group has all along organised 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 2022.

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 2022 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 annual general meeting (the "AGM") is scheduled to be held on Monday, 18 July 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 13 July 2022 to Monday, 18 July 2022 (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, 12 July 2022.

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. Since 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.

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 2022 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 2022 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 AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The annual report and environmental, social and governance report of the Company for the year ended 28 February 2022 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 2022.

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, 30 May 2022

As at the date of this announcement, the Company's executive Directors are Ms. Chui Kwan Ho, Jacky, Mr. Li Wing Yeung, Peter and Ms. Liu Tsz Yan; 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.)