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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 INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 31 AUGUST 2022**

<b>FINANCIAL HIGHLIGHTS</b>		<b>Six months ended</b>			
		<b>31 August</b>			
		<b>2022</b>	2021	Change	Change in %
Revenue	<i>RMB million</i>	<b>211.1</b>	279.5	(68.4)	(24.5)
Gross profit	<i>RMB million</i>	<b>137.0</b>	168.0	(31.0)	(18.5)
Operating loss	<i>RMB million</i>	<b>(25.2)</b>	(1.2)		
Loss attributable to owners of the Company	<i>RMB million</i>	<b>(23.4)</b>	(2.2)		
Gross profit margin	<i>Percentage</i>	<b>64.9</b>	60.1		
Operating margin	<i>Percentage</i>	<b>(12.0)</b>	(0.4)		
Net margin attributable to owners of the Company	<i>Percentage</i>	<b>(11.1)</b>	(0.8)		
Basic loss per share	<i>RMB cents</i>	<b>(3.31)</b>	(0.32)		
Dividend per share					
- interim	<i>HK cents</i>	-	-		
- interim special	<i>HK cents</i>	-	-		

\* For identification purpose only

The board (the “Board”) of directors (the “Directors”) of Le Saunda Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 31 August 2022. The unaudited condensed consolidated interim results for the six months ended 31 August 2022 have not been audited by the Company’s auditors, but have been reviewed by the Company’s Audit Committee.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2022

		Unaudited	
		Six months ended 31 August	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	4	211,081	279,544
Cost of sales	6	(74,073)	(111,514)
Gross profit		137,008	168,030
Other income	5	3,619	2,096
Other loss, net	5	(8,077)	(112)
Selling and distribution expenses	6	(115,849)	(123,637)
General and administrative expenses	6	(41,929)	(47,569)
Operating loss		(25,228)	(1,192)
Finance income, net	7	2,603	3,585
(Loss)/profit before income tax		(22,625)	2,393
Income tax expense	8	(1,131)	(4,875)
Loss for the period		<u>(23,756)</u>	<u>(2,482)</u>
Loss for the period attributable to:			
- owners of the Company		(23,357)	(2,230)
- non-controlling interest		(399)	(252)
		<u>(23,756)</u>	<u>(2,482)</u>
Loss per share attributable to owners of the Company (express in RMB cents)			
- Basic	9	<u>(3.31)</u>	<u>(0.32)</u>
- Diluted	9	<u>(3.31)</u>	<u>(0.32)</u>
Dividend	10	<u>-</u>	<u>-</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME**

*For the six months ended 31 August 2022*

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Loss for the period	<u>(23,756)</u>	<u>(2,482)</u>
Other comprehensive income/(loss)		
<i>Item that will be reclassified to profit or loss</i>		
- Currency translation differences	<u>12,835</u>	<u>(248)</u>
Other comprehensive income/(loss) for the period	<u>12,835</u>	<u>(248)</u>
Total comprehensive loss for the period	<u><u>(10,921)</u></u>	<u><u>(2,730)</u></u>
Total comprehensive loss for the period, attributable to:		
- owners of the Company	<u>(10,522)</u>	<u>(2,478)</u>
- non-controlling interest	<u>(399)</u>	<u>(252)</u>
	<u><u>(10,921)</u></u>	<u><u>(2,730)</u></u>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2022

		<b>Unaudited 31 August 2022 RMB'000</b>	Audited 28 February 2022 RMB'000
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Investment properties		<b>72,798</b>	66,999
Property, plant and equipment		<b>21,534</b>	18,508
Right-of-use assets		<b>60,523</b>	52,761
Long-term deposits and prepayments		<b>2,184</b>	2,624
Deferred income tax assets		<b>31,443</b>	32,150
		<b>188,482</b>	173,042
Current assets			
Inventories		<b>191,908</b>	186,312
Trade receivables and other receivables	<i>11</i>	<b>43,060</b>	48,206
Deposits and prepayments		<b>37,780</b>	37,237
Pledged bank deposit		-	647
Cash and bank balances		<b>421,653</b>	442,642
		<b>694,401</b>	715,044
Total assets		<b>882,883</b>	888,086
<b>EQUITY</b>			
Capital and reserves attributable to owners of the Company			
Share capital		<b>59,979</b>	59,979
Reserves			
Others		<b>625,510</b>	636,032
		<b>685,489</b>	696,011
Non-controlling interest		<b>8,708</b>	9,328
Total equity		<b>694,197</b>	705,339

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)***As at 31 August 2022*

		<b>Unaudited</b>	Audited
		<b>31 August</b>	28 February
		<b>2022</b>	2022
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		<b>28,782</b>	28,800
Lease liabilities		<b>23,983</b>	24,927
		<b>52,765</b>	53,727
Current liabilities			
Trade payables, other payables and contract liabilities	<i>12</i>	<b>103,754</b>	83,466
Lease liabilities		<b>31,079</b>	22,387
Current income tax liabilities		<b>1,088</b>	2,967
Short-term bank loan	<i>13</i>	<b>-</b>	20,200
		<b>135,921</b>	129,020
Total liabilities		<b>188,686</b>	182,747
Total equity and liabilities		<b>882,883</b>	888,086

## 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 and cosmetic products. The Group mainly operates in Mainland China, Hong Kong and Macau.

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

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

This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the board (“the Board”) of directors (the “Directors”) on 24 October 2022.

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

### 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2022 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 ‘Interim Financial Reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 28 February 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the condensed consolidated interim financial information for the six months ended 31 August 2022 are consistent with those adopted in the consolidated financial statements for the year ended 28 February 2022, except for the adoption of new and amended standards as set out below.

#### **New and amended standards adopted by the Group**

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

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs 2018-2020
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope Amendments
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

#### **4 REVENUE AND SEGMENT INFORMATION**

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

The executive Directors review the Group's financial information mainly from 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)/profit. This measurement basis excludes other loss, net, 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.

- (i) The segment information provided to the executive Directors for the reportable segments for the six months ended 31 August 2022 is as follows:

	<b>Unaudited</b>		
	<b>Six months ended 31 August 2022</b>		
	<b>Mainland China RMB'000</b>	<b>Hong Kong and Macau RMB'000</b>	<b>Total RMB'000</b>
Revenue from external customers	<u><b>210,352</b></u>	<u><b>729</b></u>	<u><b>211,081</b></u>
Reportable segment loss	<u><b>(9,716)</b></u>	<u><b>(7,434)</b></u>	<b>(17,150)</b>
Other loss, net			<b>(8,077)</b>
Finance income, net			<b>2,603</b>
Unallocated items			<u><b>(1)</b></u>
Loss before income tax			<b>(22,625)</b>
Income tax expense			<u><b>(1,131)</b></u>
Loss for the period			<u><b>(23,756)</b></u>
Depreciation and amortisation	<u><b>20,837</b></u>	<u><b>2,737</b></u>	<u><b>23,574</b></u>
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	<u><b>15,933</b></u>	<u><b>15,973</b></u>	<u><b>31,906</b></u>



The segment information provided to the executive Directors for the reportable segments for the six months ended 31 August 2021 is as follows:

	Unaudited		
	Six months ended 31 August 2021		
	Mainland China <i>RMB'000</i>	Hong Kong and Macau <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from external customers	<u>275,406</u>	<u>4,138</u>	<u>279,544</u>
Reportable segment profit/(loss)	<u>2,573</u>	<u>(3,639)</u>	(1,066)
Other loss, net			(112)
Finance income, net			3,585
Unallocated items			<u>(14)</u>
Profit before income tax			2,393
Income tax expense			<u>(4,875)</u>
Loss for the period			<u>(2,482)</u>
Depreciation and amortisation	<u>14,757</u>	<u>2,412</u>	<u>17,169</u>
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	<u>28,365</u>	<u>-</u>	<u>28,365</u>

For the six months ended 31 August 2022 and 31 August 2021, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA and charm & easy.

An analysis of the Group's assets and liabilities as at 31 August 2022 by reportable segment is set out below:

	<b>Unaudited</b>		
	<b>As at 31 August 2022</b>		
	<b>Mainland China RMB'000</b>	<b>Hong Kong and Macau RMB'000</b>	<b>Total RMB'000</b>
Segment assets	<u>661,328</u>	<u>169,243</u>	<b>830,571</b>
Deferred income tax assets			<b>31,443</b>
Unallocated assets			<u>20,869</u>
Total assets per condensed consolidated interim balance sheet			<u><b>882,883</b></u>
Segment liabilities	<u>132,431</u>	<u>26,128</u>	<b>158,559</b>
Current income tax liabilities			<b>1,088</b>
Deferred income tax liabilities			<b>28,782</b>
Unallocated liabilities			<u>257</u>
Total liabilities per condensed consolidated interim balance sheet			<u><b>188,686</b></u>

An analysis of the Group's assets and liabilities as at 28 February 2022 by reportable segment is set out below:

	Audited		Total <i>RMB'000</i>
	As at 28 February 2022		
	Mainland China <i>RMB'000</i>	Hong Kong and Macau <i>RMB'000</i>	
Segment assets	661,545	173,750	835,295
Deferred income tax assets			32,150
Unallocated assets			20,641
Total assets per consolidated balance sheet			<u>888,086</u>
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			<u>182,747</u>

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

#### REVENUE

	Unaudited	
	Six months ended 31 August	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	210,352	275,406
Hong Kong	729	3,435
Macau	-	703
Total	<u>211,081</u>	<u>279,544</u>

For the six months ended 31 August 2022 and 31 August 2021, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

#### NON-CURRENT ASSETS

	<b>Unaudited 31 August 2022 RMB'000</b>	Audited 28 February 2022 RMB'000
Mainland China	<b>60,318</b>	62,953
Hong Kong	<b>24,878</b>	12,767
Macau	<b>71,843</b>	65,172
	<hr/>	<hr/>
Total	<b>157,039</b>	140,892
	<hr/> <hr/>	<hr/> <hr/>

#### 5 OTHER INCOME AND OTHER LOSS, NET

	<b>Unaudited Six months ended 31 August 2022 RMB'000</b>	2021 RMB'000
Other income		
Government incentives	<b>3,619</b>	2,096
Other loss, net		
Net exchange loss ( <i>Note</i> )	<b>(8,077)</b>	(112)
	<hr/>	<hr/>
	<b>(4,458)</b>	1,984
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

*Net exchange loss arose from the settlement of transactions denominated in foreign currencies and from the translation at period-end exchange rates of monetary assets and liabilities, including inter-company balances, denominated in foreign currencies.*

## 6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Auditors' remuneration	<b>805</b>	724
Depreciation of property, plant and equipment	<b>7,815</b>	6,217
Depreciation of right-of-use assets	<b>15,759</b>	10,952
Loss on disposal of property, plant and equipment	<b>332</b>	393
Costs of sales	<b>74,073</b>	111,514
Expenses relating to short-term leases and variable lease payments	<b>35,696</b>	45,652
Freight charges	<b>2,576</b>	3,414
Postage and express charges	<b>955</b>	916
Advertising and promotional expenses	<b>7,055</b>	8,580
Employee benefit expenses (including directors' emoluments and value of employees services)	<b>67,915</b>	72,266
Write back of impairment on inventories	<b>(3,456)</b>	(806)
(Write back of impairment)/impairment losses on trade receivables	<b>(321)</b>	370

## 7 FINANCE INCOME, NET

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Interest income on bank deposits	<b>3,635</b>	4,382
Interest expense on lease liabilities	<b>(949)</b>	(731)
Interest expense on short-term bank loan	<b>(83)</b>	(66)

## 8 INCOME TAX EXPENSE

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

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax		
People's Republic of China ("the PRC") corporate income tax	<b>189</b>	12,089
Deferred income taxation	<b>942</b>	(7,214)
	<b>1,131</b>	<b>4,875</b>

No provision for Hong Kong profits tax has been made during the period (2021: Nil).

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

## 9 LOSS PER SHARE

### Basic

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

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<b>(23,357)</b>	(2,230)
Weighted average number of ordinary shares in issue ( <i>'000</i> )	<b>705,895</b>	705,895
Basic loss per share ( <i>RMB cents</i> )	<b>(3.31)</b>	(0.32)

### Diluted

For the six months ended 31 August 2022 and 31 August 2021, the diluted loss per share was the same as the basic loss per share as the Company's share options outstanding during the period was anti-dilutive potential ordinary shares.

## 10 DIVIDEND

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
No interim dividend (six months ended 31 August 2021: No interim dividend)	-	-
No interim special dividend (six months ended 31 August 2021: No interim special dividend)	-	-

At the Board meeting held on 24 October 2022, the Board did not recommend the payment of an interim dividend for the six months ended 31 August 2022.

## 11 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>31 August</b>	<b>28 February</b>
	<b>2022</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade receivables ( <i>Note</i> )		
Current to 30 days	<b>37,256</b>	40,385
31 to 60 days	<b>1,272</b>	2,443
61 to 90 days	<b>576</b>	936
Over 90 days	<b>766</b>	1,164
	<b>39,870</b>	44,928
Other receivables	<b>3,190</b>	3,278
Total	<b>43,060</b>	48,206

*Note:*

*The Group's concessionaire sales through department stores are generally collectible within 30 to 60 days from the invoice date.*

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

## 12 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

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

	<b>Unaudited</b> <b>31 August</b> <b>2022</b> <i>RMB'000</i>	Audited 28 February 2022 <i>RMB'000</i>
Trade payables ( <i>Note</i> )		
Current to 30 days	<b>37,737</b>	22,242
31 to 60 days	<b>16</b>	-
61 to 90 days	-	-
91 to 120 days	-	-
Over 120 days	<b>164</b>	164
	<b>37,917</b>	22,406
Other payables	<b>45,371</b>	40,880
Value added tax payables	<b>9,341</b>	9,634
Contract liabilities	<b>11,125</b>	10,546
	<b>103,754</b>	83,466
Total	<b>103,754</b>	83,466

*Note:*

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

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

## 13 SHORT-TERM BANK LOAN

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

	<b>Unaudited</b> <b>31 August</b> <b>2022</b> <i>RMB'000</i>	Audited 28 February 2022 <i>RMB'000</i>
Unsecured and repayable within 1 year or on demand	-	20,200

As at 31 August 2022, the Group had no outstanding bank loan. As at 28 February 2022, the short-term bank loan was 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. The major proprietary brands of the Group include le saunda, le saunda MEN, LINEA ROSA and PITTI DONNA, which aim to appeal to diversified target customer groups with their distinctive product lines. During the period, the Group also established diverse cosmetic shops in Hong Kong, in order to explore new consumer market and develop new customer base with the Group's new brand, charm & easy.

In the first half of fiscal year 2022/23, total revenue of the Group decreased by 24.5% year-on-year to RMB 211,100,000 (2021/22: RMB279,500,000). Consolidated gross profit decreased by 18.5% year-on-year to RMB137,000,000 (2021/22: RMB168,000,000). The Group recorded an overall gross profit margin of 64.9%, representing an increase of 4.8 percentage points as compared to the corresponding period in the last financial year. During the period, consolidated loss attributable to owners of the Company was RMB23,400,000 (2021/22: consolidated loss of RMB2,200,000).

<b>RMB (million)</b>	<b>1H 2022/23</b>	<b>1H 2021/22</b>	<b>Change</b>
Revenue	<b>211.1</b>	279.5	(24.5%)
Gross profit	<b>137.0</b>	168.0	(18.5%)
Gross profit margin	<b>64.9%</b>	60.1%	4.8 percentage points
Consolidated loss attributable to owners	<b>(23.4)</b>	(2.2)	
Basic loss per share (RMB cents)	<b>(3.31)</b>	(0.32)	
Interim dividend (HK cents)	-	-	
Interim special dividend (HK cents)	-	-	
Dividend pay-out ratio	<b>N/A</b>	N/A	

## **PROFITABILITY ANALYSIS**

During the period under review, due to the persistent COVID-19 pandemic (the “Pandemic”) in China, the operations of some of the Group’s retail stores in China were significantly impacted by strict precautionary measures. Lockdown measures even led to short-term closure in some areas, resulting in a year-on-year decrease of 24.5% in the Group’s overall revenue to RMB211,100,000 (2021/22: RMB279,500,000) and a year-on-year decrease of 18.5% in consolidated gross profit to RMB137,000,000 (2021/22: RMB168,000,000). The Group recorded an overall gross profit margin of 64.9%, representing an increase of 4.8 percentage points compared to the corresponding period in the last financial year.

The Group has been exercising strict control over various selling expenses. During the period, selling and distribution expenses decreased by 6.3% year-on-year to RMB115,800,000 (2021/22: RMB123,600,000). The ratio of selling and distribution expenses to total revenue increased by 10.7 percentage points to 54.9% (2021/22: 44.2%). Such increase was mainly attributable to a greater decline in revenue than that of expense of the Group.

General and administrative expenses decreased by 11.9% to RMB41,900,000 as compared to the corresponding period of last year (2021/22: RMB47,600,000). As much of the expenses of the back office were fixed cost, the decrease in sales led to an increase in the ratio of general and administrative expenses to total revenue by 2.9 percentage points to 19.9% (2021/22: 17.0%).

Other income increased by 72.7% year-on-year to RMB3,600,000 (2021/22: RMB2,100,000). Other loss was mainly represented by the foreign exchange difference. During the period, due to significant depreciation of RMB, the foreign exchange loss increased to RMB8,100,000 (2021/22: loss of RMB100,000).

Overall, during the first half of financial year 2022/23, the consolidated loss attributable to owners of the Company was RMB23,400,000 (2021/22: consolidated loss of RMB2,200,000). Basic loss per share was RMB3.31 cents (2021/22: loss of RMB0.32 cent). The Board did not recommend the payment of an interim dividend (2021/22: Nil).

## **INCOME TAX EXPENSE**

During the period under review, income tax expense amounted to approximately RMB1,100,000 (2021/22: RMB4,900,000), representing a decrease of 76.8% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for the operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5-10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the items not subject to taxation, the effective income tax rate of the Group was 28.8% (2021/22: 29.5%).

## INVENTORY MANAGEMENT

As at 31 August 2022, the Group's inventory balance was RMB191,900,000, representing an increase of 7.6% as compared to the inventory balance of RMB178,400,000 of the corresponding date of last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2022	As at 31 August 2021	Changes in value	Changes in %
<b>Finished goods</b>	<b><u>191.9</u></b>	<b><u>178.4</u></b>	<b><u>13.5</u></b>	<b>7.6%</b>

The Group has adopted a prudent strategy towards inventory management since the outbreak of the Pandemic in early 2020. During the period, the Group had actively cleared off-season inventory and had appropriately replenished new products for the coming season in order to maintain a healthy product mix, so as to meet the anticipated market demand. Nevertheless, the Group will, as usual, maintain strict control on the ageing of inventory. As at 31 August 2022, 70% of the Group's inventory of finished goods aged less than one year (31 August 2021: 65%). In light of the significant decrease of the Group's total revenue as a result of the strict lockdown measures implemented to contain the Pandemic in China, inventory turnover of finished goods increased by 101 days to 389 days (31 August 2021: 288 days).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2022, the Group's cash and bank balance amounted to RMB421,700,000 (28 February 2022: RMB442,600,000). Despite the continued slowdown of the retail market, the cash flow remained steady. The quick ratio was 3.4 times (28 February 2022: 3.8 times). When necessary, the Group would finance its operations and to fulfil its working capital requirements by banking facilities provided by its principal bankers in Hong Kong including but not limited to revolving loans and trade finance, which are primarily on a floating interest rate basis. During the period, the Group had repaid a bank loan of RMB20,200,000. As at the end of the financial period, the Group had no outstanding bank loan (28 February 2022: RMB20,200,000). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the period.

During the period ended 31 August 2022, the Group's cash and bank balances were held in Hong Kong dollars, U.S. dollars and RMB respectively, and were deposited in several leading banks with maturity of less than one year.

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

## **BUSINESS REVIEW**

### **Overview**

As of the first half of 2022, China's economy demonstrated sluggish growth, recording a year-on-year growth of 2.5% in GDP, as compared to the year-on-year growth of 12.7% in GDP in the previous year. This was not only due to complex geopolitical environment and the increasing uncertainties in the macro economy, but also due to the strict implementation of lockdowns, travel restrictions, large scale testing and other precautionary measures in various regions in April and May to prevent the spread of the Pandemic, which affected the economic activities in multiple key cities, especially the growth of industrial and commercial added value, investment and consumption in main cities like Shanghai, Beijing, Tianjin, Guangzhou and Shenzhen, and placed downward pressure on China's economy.

During the period under review, as a result of the domestic precautionary measures and the uncertainties on the recovery of domestic economy, the retail revenue of the Group decreased by 24.5% year-on-year to RMB211,100,000 (2021/22: RMB279,500,000), while its same-store sales decreased by 26.5% (2021/22: increased by 14.2%). Despite the great pressure on the retail industry of Mainland China and Hong Kong under the backdrop of the persistent Pandemic and sluggish economy, the Group stood fast on its operating policy of proactively facing challenges, and made the most suitable arrangements to mitigate the risks from the Pandemic and the unstable economy.

### **Retail Network**

Mainland China is the key market of the Group's retail business. As at the end of the period under review, the Group had a total of 381 physical stores in Mainland China and Hong Kong, representing a net reduction of 8 stores compared to the corresponding date of last year. The number of self-owned stores dropped by 6, while the number of franchised stores decreased by 2 during the period.

As at 31 August 2022, there were an aggregate of 288 stores under the core brands le saunda and le saunda MEN, representing a net decrease of 5 stores as compared to the end of last corresponding period (among which: stores in Mainland China decreased by 2, while stores in Hong Kong and Macau decreased by 3). The high-end fashion brand, LINEA ROSA, also saw a net reduction of 7 stores, bringing the total number of stores to 32, as compared to the end of last corresponding period. There were also 2 new cosmetics stores under the brand charm & easy established in Hong Kong during the period under review.

As at 31 August 2022, the breakdown of the Group's retail network was as follows:

Number of Outlets by Region	Self-owned		Franchise		Total	
	(Year-on-year change)		(Year-on-year change)		(Year-on-year change)	
<b>Mainland China</b>	343	(-5)	36	(-2)	379	(-7)
• Northern, Northeastern & Northwestern Regions	92	(6)	33	(-1)	125	(5)
• Eastern Region	110	(-6)	1	(-1)	111	(-7)
• Central and Southwestern Regions	66	(3)	2	(0)	68	(3)
• Southern Region	75	(-8)	-	-	75	(-8)
<b>Hong Kong and Macau</b>	2	(-1)	-	-	2	(-1)
<b>Total</b>	<u>345</u>	<u>(-6)</u>	<u>36</u>	<u>(-2)</u>	<u>381</u>	<u>(-8)</u>

## Mainland China

### Retail Business

In the first half of 2022, the central government maintained the strict pandemic prevention policies, the Chinese economic and business environment was still very challenging, while consumption sentiment of citizens showed no significant rise. For the first six months of 2022, total retail sales of consumer goods dropped by 0.7% year-on-year, with a two-year average growth rate of only 0.5%. Hit by a new wave of the Pandemic since late March, with Eastern China suffering the most, consumer spending activities had significantly reduced due to lockdowns and travel restrictions imposed by the central government in April and May, which has severely impacted the sales of physical stores in various industries. Despite precautionary measures were slightly loosened in June and subsequent period, total retail sales of consumer goods only mildly increased. In particular, the growth rates of the garments, footwear, hats and knitwear category in this June and July were only at 1.2% and 0.8% respectively, lower than the growth rate of overall retail sales of goods.

During the period under review, the domestic retail industry declined significantly in April and May, dragging the Group's sales in Mainland China down by 23.6% year-on-year to RMB210,400,000 (2021/22: RMB275,400,000), while same-store sales declined by 26.5% (2021/22: increased by 14.2%). However, since this June, the central government had gradually lifted the lockdown measures in affected areas, especially that of Eastern and Northern China, whereby citizens could resume their normal pace of life and social activities. The Group organized a series of promotional events during this period, inviting celebrities, such as Tian Liang, Ye Yi Qian and Jessica Jung, to promote its products, so as to ride the recovery momentum of the retail industry.

### E-Commerce Business

Despite the Pandemic-blighted environment, e-commerce was still the Group's most stable business. With reduced out-of-home consumption due to the Pandemic, the self-owned online store and various e-commerce platforms became practical shopping alternatives. Online consumption at home became the norm. As of this August, online retail sales of physical goods increased by 5.8% year-on-year, accounting for 25.6% of the total retail sales of consumer goods. Among online retail sales of physical goods, sales of wearable goods increased by 4.0%.

In spite of the fierce competition in the online market, the Group has always proactively adopted targeted measures. Apart from launching multiple online shopping promotions, the Group joined the Guangdong E-Commerce Association and became its executive director unit in this May, which raised the brand recognition of the Group in the e-commerce sector. During the period under review, revenue from the e-commerce business of the Group increased by 4.1% year-on-year, which slightly exceeded that of the overall online retail sales of wearable goods. Moreover, the Group continued to invest in social media platforms to enhance its interaction with existing and potential customers more proactively. In particular, the Group launched effective promotion on the benefits and characteristics of le saunda's products on Douyin social platform, so as to enhance the exposure of the brand. During the period, the Group's sales through Douyin platform recorded impressive results, with sales of the period increased by more than two folds year-on-year. Furthermore, domestic precautionary strategies led to an increase in customers' reliance on online shopping. Since the late August, the Group has been preparing for the "Omni-Channel Middle Platform Project", so as to further strengthen the integration of offline and online channels. Additionally, by improving the supply chain, the Group can ensure stable supply and speed up the launching of new products, so as to provide customers with reliable products and after-sales services.

## **Hong Kong**

Due to the fifth wave of outbreaks, Hong Kong's economy has not yet entered to a path of recovery with real GDP declined by 3.9% and 1.3% in the first and second quarter of 2022. After over two years of its border being closed, the number of visitors to Hong Kong, both from Mainland China and overseas, has dropped significantly, putting the retail and tourism industry in a very difficult position. Meanwhile, with Hong Kong following the US's step towards a rate-hike cycle, as well as external uncertain economic and trade and political environment, the economy of Hong Kong would surely worsen. Despite this, the Group would hold fast on its forward-looking operating strategy to address current challenges and prepare for future recovery of retail activities.

In this April and July, the Group launched physical stores in traditional shopping areas in Causeway Bay and Mong Kok, engaging in cosmetic business under the new brand, charm & easy. With the philosophy of "Clean Beauty", the brand addressed the consumers' demand for mid to high-end cosmetic products and paid close attention to the cosmetic trend of non-toxic, non-damaging and natural products, by introducing over a hundred cosmetic brands from Europe, the US, Japan, Korea, Taiwan and Hong Kong. Furthermore, the Group's staff at physical stores would conduct thorough assessment on the skin condition and habits of consumers and provide tailored cosmetic solutions for each customer as well as providing complimentary hand massage services, in order to improve customer shopping experience.

## **OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP**

Currently, uncertainties in the global political environment and economy remain high, while the persistent Pandemic also slowed down the economic recovery in Mainland China. In the end of August, the State Council of China implemented 19 economic revival policies, while at the same time launched economic stimulus measures of over a trillion in RMB, in order to revitalize the economy and expand domestic demand under the backdrop of the Pandemic outbreaks and the real-estate crisis. On the other hand, the Hong Kong SAR government also adopted expansionary fiscal policies in its budget, with over HK\$54 billion ready for citizen financial reliefs and revitalizing the local economy. The Group will utilise the fundamentals of improving economy of China and Hong Kong, making use of its role as an asset-light brand and retail operator to focus on product design and brand management, in order to provide the latest and high-quality products and services for customers.

In the face of the sluggish retail industry, the Group will continue to review its development goals and brand positioning, enhance its brand value and provide a unique consumption experience for customers. With consumption mode evolving along with digitalization, the management of the Group will launch the “Omni-Channel Middle Platform Project” to further integrate offline and online marketing, provide digitalized management and an integration of shopping experience as well as to facilitate interactions with existing members. The Group has formed a project team to manage the progress of implementation and formulate the schedule of the implementation of the project and encourage close cooperation among all departments, in order to ensure the smooth launch of the project in the future. The final goal of the project is to cope with the diverse customer demands in the era of “stay-at-home economy”, while at the same time enhancing the brand value and increasing operating profit of the Group.

During the Pandemic, the Group has focused on the development of the e-commerce market. This is because the younger generation in China frequently shops on e-commerce platforms with high traffic, such as T-Mall, Douyin, Weibo and Xiaohongshu, etc. The Group will continue to concentrate on promoting and selling its products in a couple of large scale e-commerce platforms, in order to further develop its social e-commerce business and to facilitate the growth of its e-commerce business.

As for the cosmetic business in Hong Kong, the Group will also develop its e-commerce market. Apart from building its own online sales platform, the Group will also strengthen the cooperation with HKTVmall to allow customers to browse its latest product information and immediately order products anytime they want. The Group believes adopting both offline and online market promotion strategies at the same time can raise its brand recognition, expand its customer base and increase its market share in the cosmetic market.

In terms of operation, the Group will continue to focus its resources on product design and brand management. The Group will periodically reorganizes the coverage of its sales networks, closing physical stores that could not meet the target and launching new stores in shopping areas with high traffic. Furthermore, the Group believes that investing in an all-channel retail system could optimize its production cycle, speed up the delivery of new products and improve inventory management efficiency. The Group will continue to review its operating structure and implement the enhancement, such as using digitalized tools to develop new source of revenue, reduce cost and enhance operation efficiency, laying a sound foundation for future development. With the upcoming resumption of normal traveler clearance between China, Hong Kong and Macau, the Group will gear up for the opportunities arising from market recovery.

The Group believes that the consumer market in China will gradually recover. The Group, with its le saunda brand, has established itself in China, Hong Kong and Macau for over 45 years, will work hard to keep up with changes in operating environment, allocate suitable amount of resources to improve its competitive edges in the market and expand its brand’s market share.

## **PLEDGE OF ASSETS**

As at 31 August 2022, the Group had no pledge of assets. (28 February 2022: RMB600,000).

## **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 RMB70,400,000 (28 February 2022: RMB64,600,000), of which was not yet utilised as at 31 August 2022 (28 February 2022: RMB20,800,000).

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 31 August 2022 (2021: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 August 2022, the Group had a staff force of 1,296 people (28 February 2022: 1,342 people). Of this number, 36 were based in Hong Kong and 1,260 in Mainland China. The remuneration level of the Group's employees was in line with market trends and commensurate to the level of pay in the industry. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total employee benefit expenses for the six months ended 31 August 2022, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB67,900,000 (2021/22: RMB72,300,000). 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 six months ended 31 August 2022.

## **AUDIT COMMITTEE**

As at 31 August 2022 and up to the date of this announcement, the audit committee of the Board (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

The Audit Committee has reviewed this announcement, which was prepared based on (i) the accounting policies and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2022. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 31 August 2022.

## **CORPORATE GOVERNANCE PRACTICES**

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



During the period under review, the Company has complied with the code provisions of, and applied the principles in, the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix 14 to the Listing Rules. Since October 2019, the position of Chief Executive Officer has been vacant. To ensure the roles of the Chairman and the Chief Executive Officer not to be performed by the same individual, the responsibilities of the Chief Executive Officer for the conduct of the business of the Company have been taken up by other executive Directors of the Company, who have extensive knowledge of the Group’s operations and business issues, particularly on corporate strategy matters, that they can exercise the appropriate judgement and make proposal to the Board.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the Code of Conduct and the requirements set out in the Model Code during the six months ended 31 August 2022 and up to the date of this announcement.

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for the six months ended 31 August 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 November 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 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 October 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.)*