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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 2023

FINANCIAL HIGHLIGHTS

		Year ended 28 February 2023	Year ended 28 February 2022	change	change in %
Revenue	*RMB million*	**413.2**	569.0	(155.8)	(27.4%)
Gross profit	*RMB million*	**269.2**	357.9	(88.7)	(24.8%)
(Loss)/profit attributable to owners of the Company	*RMB million*	**(50.3)**	3.0		
Basic (losses)/earnings per share	*RMB cents*	**(7.12)**	0.42		
Diluted (losses)/earnings per share	*RMB cents*	**(7.12)**	0.42		
Dividend per share		**-**	-		

**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 2023 together with the comparative figure for the previous year. The consolidated results have been reviewed by the Company’s Audit Committee.

CONSOLIDATED INCOME STATEMENT

		Year ended	
	Note	**28 February 2023** ***RMB’000***	28 February 2022 *RMB’000*
Revenue	*3*	**413,227**	569,034
Cost of sales	*5*	**(143,997)**	(211,182)
Gross profit		**269,230**	357,852
Other income	*4*	**5,451**	4,631
Other (losses)/gains, net	*4*	**(7,843)**	8,465
Impairment losses on trade receivables, net	*5*	**(4)**	(1,060)
Selling and distribution expenses	*5*	**(240,194)**	(259,195)
General and administrative expenses	*5*	**(86,862)**	(93,342)
Operating (loss)/profit		**(60,222)**	17,351
Finance income, net	*6*	**7,065**	6,197
(Loss)/profit before income tax		**(53,157)**	23,548
Income tax credit/(expense)	*7*	**1,890**	(20,907)
(Loss)/profit for the year		**(51,267)**	2,641
(Loss)/profit for the year attributable to:			
- owners of the Company		**(50,271)**	2,980
- non-controlling interest		**(996)**	(339)
		(51,267)	2,641
(Losses)/earnings per share attributable to the owners of the Company *(express in RMB cents)*			
- Basic	*8*	**(7.12)**	0.42
- Diluted	*8*	**(7.12)**	0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 28 February 2023 *RMB'000*	28 February 2022 *RMB'000*
(Loss)/profit for the year	**(51,267)**	2,641
Other comprehensive income/(loss) for the year, net of tax		
Item that will not be reclassified to consolidated income statement		
- Actuarial gains/(losses) on retirement benefit obligation	**6**	(127)
Item that will be reclassified to consolidated income statement		
- Currency translation differences	**9,779**	(12,400)
Total comprehensive loss for the year	**(41,482)**	(9,886)
Total comprehensive loss for the year, attributable to:		
- owners of the Company	**(40,486)**	(9,547)
- non-controlling interest	**(996)**	(339)
	(41,482)	(9,886)

CONSOLIDATED BALANCE SHEET

	Note	**As at 28 February 2023** *RMB'000*	As at 28 February 2022 *RMB'000*
ASSETS			
Non-current assets			
Investment properties		**73,200**	66,999
Property, plant and equipment		**14,534**	18,508
Right-of-use-assets		**34,869**	52,761
Long-term deposits and prepayments		**3,118**	2,624
Deferred income tax assets		**32,390**	32,150
		158,111	173,042
Current assets			
Inventories		**192,376**	186,312
Trade and other receivables	*10*	**42,290**	48,206
Deposits and prepayments		**38,067**	37,237
Pledged bank deposit		**-**	647
Cash and bank balances		**371,606**	442,642
		644,339	715,044
Total assets		**802,450**	888,086
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital		**59,979**	59,979
Reserves		**595,546**	636,032
		655,525	696,011
Non-controlling interest		**8,111**	9,328
Total equity		**663,636**	705,339

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 28 February 2023** ***RMB'000***	As at 28 February 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**18,312**	28,800
Lease liabilities		**14,564**	24,927
		32,876	53,727
Current liabilities			
Trade payables, other payables and contract liabilities	*11*	**81,755**	83,466
Lease liabilities		**22,735**	22,387
Current income tax liabilities		**1,448**	2,967
Short-term bank loan	*12*	**-**	20,200
		105,938	129,020
Total liabilities		**138,814**	182,747
Total equity and liabilities		**802,450**	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, 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").

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, annual improvements and accounting guideline adopted by the Group

The Group has applied the following amendments, annual improvements and accounting guideline for the first time for their annual reporting period commencing 1 March 2022:

HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions beyond 30 June 2021
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use
Annual Improvements Project (Amendments)	Annual Improvements to HKFRSs Standards 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 amendments, annual improvements and accounting guideline 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 and interpretation not yet adopted

Certain new accounting standard, amendments to accounting standards and interpretation have been published that are not mandatory for 28 February 2023 reporting periods and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
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 (Amendment)	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 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 result. This measurement basis excludes other (losses)/gains, net (excluding gains 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 2023 is as follows:

	Mainland China *RMB'000*	Hong Kong and Macau *RMB'000*	Total *RMB'000*
Revenue from external customers	**410,426**	**2,801**	**413,227**
Reportable segment loss	**(23,535)**	**(28,717)**	**(52,252)**
Other losses, net (excluding gains on early termination of leases)			**(8,199)**
Finance income, net			**7,065**
Unallocated items			**229**
Loss before income tax			**(53,157)**
Income tax credit			**1,890**
Loss for the year			**(51,267)**
Depreciation	**30,287**	**6,527**	**36,814**
Impairment losses on property, plant and equipment	**3,115**	**2,954**	**6,069**
Impairment losses on right-of-use assets	**583**	**10,972**	**11,555**
Additions to non-current assets (other than deferred income tax assets)	**15,772**	**19,056**	**34,828**

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

For the years ended 28 February 2023 and 28 February 2022, 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 28 February 2023 by reportable segment is set out below:

	Mainland China *RMB'000*	**Hong Kong and Macau** *RMB'000*	**Total** *RMB'000*
Segment assets	**442,228**	**306,752**	**748,980**
Deferred income tax assets			**32,390**
Unallocated assets			**21,080**
Total assets per consolidated balance sheet			**802,450**
Segment liabilities	**96,466**	**22,544**	**119,010**
Current income tax liabilities			**1,448**
Deferred income tax liabilities			**18,312**
Unallocated liabilities			**44**
Total liabilities per consolidated balance sheet			**138,814**

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

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

Revenue

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**410,426**	560,708
Hong Kong	**2,801**	7,020
Macau	**-**	1,306
Total	**413,227**	569,034

For the years ended 28 February 2023 and 28 February 2022, 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

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**44,057**	62,953
Hong Kong	**6,828**	12,767
Macau	**74,836**	65,172
Total	**125,721**	140,892

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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Government incentives *(Note (a))*	**5,451**	4,631
Other (losses)/gains, net		
Fair value losses on investment properties	**-**	(747)
Net exchange (losses)/gains *(Note (b))*	**(8,199)**	9,212
Gains on early termination of leases	**356**	-
	(7,843)	8,465

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 (losses)/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 one-off exchange gain from deregistration of a subsidiary in the PRC last year.

5 EXPENSES BY NATURE

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

	2023	2022
	RMB'000	*RMB'000*
Auditors' remuneration		
- Audit services	**1,610**	1,490
- Non-audit services	**97**	104
Depreciation of property, plant and equipment	**13,191**	11,933
Depreciation of right-of-use assets	**23,623**	20,529
Loss on write off/disposal of plant and equipment	**1,607**	674
Cost of sales	**143,997**	211,182
Expenses relating to short-term leases and variable lease payments	**72,229**	94,363
Freight charges	**4,877**	6,222
Postage and express charges	**1,711**	1,966
Advertising and promotional expenses	**16,286**	18,535
Employee benefit expenses (including directors' emoluments)	**135,893**	147,876
(Write-back of impairment)/impairment losses on inventories, net	**(3,839)**	2,258
Impairment losses on trade receivables, net	**4**	1,060
Impairment losses on property, plant and equipment *(Note (a))*	**6,069**	4,109
Impairment losses on right-of-use assets *(Note (a))*	**11,555**	3,305

Note:

(a) Certain retail stores with operation were making losses during the year and the Group is uncertain whether the stores could meet the sales target. 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 indicators of impairment. As a result, impairment loss of approximately RMB6,069,000 (2022: RMB4,109,000) and approximately RMB11,555,000 (2022: RMB3,305,000) 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

	2023	2022
	RMB'000	*RMB'000*
Interest income on bank deposits	**8,641**	8,130
Interest expense on lease liabilities	**(1,491)**	(1,692)
Interest expense on short-term bank loan	**(85)**	(241)
	7,065	6,197

7 INCOME TAX (CREDIT)/EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current income tax		
- Hong Kong profits tax	**-**	-
- Macau complementary tax	**-**	-
- People's Republic of China ("the PRC") corporate income tax	**9,523**	18,924
Deferred income taxation	**(11,413)**	1,983
	(1,890)	20,907

The PRC corporate income tax is provided for on the profits of the Group's subsidiaries in the PRC at 25% (2022: 25%).

The applicable rate of Hong Kong profits tax is 16.5% (2022: 16.5%). No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group does not have any assessable profit arising in Hong Kong during each of the two years ended 28 February 2023 and 28 February 2022.

The applicable rate of Macau complementary tax is 12% (2022: 12%). No provision for Macau complementary tax has been made in the consolidated financial statement as the Group does not have any assessable profit arising in Macau during each of the two years ended 28 February 2023 and 28 February 2022.

8 (LOSSES)/EARNINGS PER SHARE

Basic

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

	2023	2022
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(50,271)**	2,980
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic (losses)/earnings per share *(RMB cents)*	**(7.12)**	0.42

Diluted

For the years ended 28 February 2023 and 28 February 2022, the Company had share options outstanding which were anti-dilutive potential ordinary shares, the diluted (losses)/earnings per share equals basic (losses)/earnings per share.

9 DIVIDEND

At the Board of Directors' meeting held on 29 May 2023, the Directors did not propose a payment of final dividend for the year ended 28 February 2023 (2022: Nil).

10 TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**43,682**	51,678
Less: loss allowance	**(5,674)**	(6,750)
	38,008	44,928
Other receivables	**4,282**	3,278
	42,290	48,206

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:

	2023	2022
	RMB'000	*RMB'000*
Current to 30 days	**36,796**	40,385
31 to 60 days	**341**	2,443
61 to 90 days	**246**	936
Over 90 days	**625**	1,164
	38,008	44,928

11 TRADE PAYABLES, OTHER PAYABLES AND CONTRACT LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**12,012**	22,406
Other payables	**46,483**	40,880
Value added tax payables	**9,863**	9,634
Contract liabilities	**13,397**	10,546
	81,755	83,466

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

	2023	2022
	RMB'000	*RMB'000*
Current to 30 days	**11,802**	22,242
31 to 60 days	**75**	-
61 to 90 days	**-**	-
91 to 120 days	**-**	-
Over 120 days	**135**	164
	12,012	22,406

12 SHORT-TERM BANK LOAN

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

	2023	2022
	RMB'000	*RMB'000*
Unsecured and repayable within 1 year or on demand	**-**	20,200

As at 28 February 2023, 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 year, 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.

For the financial year 2022/23, total revenue of the Group decreased by 27.4% year-on-year to RMB413,200,000 (2021/22: RMB569,000,000). Consolidated gross profit decreased by 24.8% year-on-year to RMB269,200,000 (2021/22: RMB357,900,000), and an overall gross profit margin of 65.2% was recorded, representing an increase of 2.3 percentage points as compared to the corresponding period in the previous financial year. For the financial year 2022/23, consolidated loss attributable to owners of the Company was RMB50,300,000 (2021/22: consolidated profit of RMB3,000,000).

RMB (million)	**2022/23**	**2021/22**	**Change**
Revenue	**413.2**	569.0	(27.4%)
Gross profit	**269.2**	357.9	(24.8%)
Gross profit margin	**65.2%**	62.9%	2.3 percentage points
Consolidated (loss)/profit attributable to owners	**(50.3)**	3.0	
Final dividend (HK cents)	**-**	-	
Annual dividend pay-out ratio	**N/A**	N/A	

PROFITABILITY ANALYSIS

During the year under review, novel corona virus COVID-19 pandemic (the "Pandemic") is still prevalent across the world and have a direct impact to the recovery progress of markets in Mainland China, Hong Kong and Macau. Economic activities and consumer confidence remain weak. Hence, the total revenue of the Group decreased by 27.4% year-on-year to RMB413,200,000. Meanwhile, the Group recorded a gross profit of RMB269,200,000 (2021/22: RMB357,900,000), representing a year-on-year decrease of 24.8%, however, the gross profit margin improved as compared to last year, as it increased to 65.2%, representing a year-on-year increase of 2.3 percentage points.

The Group's selling and distribution expenses for the year decreased by 7.3% year-on-year to RMB240,200,000 (2021/22: RMB259,200,000). During the year, despite the PRC footwear business related selling and distribution expenses decreased, the decrease in overall sales resulted in the increase in the ratio of selling and distribution expenses to total revenue. In addition, more resources need to be invested at the early stage of the newly developed cosmetic business in Hong Kong region, resulting in the increase in selling and distribution expenses. Overall, the ratio of selling and distribution expenses to total revenue increased by 12.5 percentage points to 58.1% (2021/22: 45.6%).

Whether we are under the Pandemic or not, the Group has been implementing strict control over the cost consistently to lower general and administrative expenses and enhance the cost effectiveness. General and administrative expenses for the year decreased by 6.9% to RMB86,900,000 as compared to the corresponding period of last year (2021/22: RMB93,300,000). As much of the expenses of the back office were fixed cost and the total sales of the Group decreased, the ratio of general and administrative expenses to total revenue increased by 4.6 percentage points to 21.0% (2021/22: 16.4%).

Other income comprised of local government incentives, increased by 17.7% year-on-year to RMB5,500,000 as compared to last year (2021/22: RMB4,600,000).

Other gains or losses recorded a net loss of RMB7,800,000 (2021/22: gain of RMB8,500,000), among which the exchange loss was approximately RMB8,200,000 (2021/22: gain of RMB9,200,000). It is mainly due to the significant depreciation of RMB during the year and one-off exchange gain from deregistration of a subsidiary in the PRC last year.

The consolidated loss attributable to owners of the Company amounted to RMB50,300,000 (2021/22: profit of RMB3,000,000). Basic losses per share amounted to RMB7.12 cents (2021/22: earnings of RMB0.42 cents).

INCOME TAX

During the year under review, income tax credit amounted to approximately RMB1,900,000 (2021/22: expense of RMB20,900,000). Income tax credit for the year was mainly attributable to deferred tax income recognised upon the provision made for the 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 2023, the Group's inventory balance, net of provision for impairment, was RMB192,400,000, representing an increase of 3.3% as compared to that of last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 28 February 2023	As at 28 February 2022	Changes in value	Changes in %
Finished goods	192.4	186.3	6.1	3.3%

Since the outbreak of the Pandemic, the Group has been adopting a flexible inventory management strategy. During the year under review, the continuous outbreak of the Pandemic in the PRC had an impact on people's consumption desire towards footwear. Although the Group prudently procured goods for the coming seasons to control the ending inventory level and amount as at 28 February 2023 to be similar to that of the last year, the significant drop of the Group's total revenue due to the strict pandemic prevention policies and consecutive lockdowns measures caused the proportion of the inventory of footwear aged less than one year decreased by 14.1 percentage points to 57.3% as at 28 February 2023 (28 February 2022: 71.4%). Inventory turnover of finished goods has therefore increased by 187 days to 480 days (2022: 293 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 28 February 2023, the Group's cash and bank balances amounted to RMB371,600,000 (28 February 2022: RMB442,600,000), representing a decrease of 16.0% year-on-year. While the retail market has not fully recovered, the Group still maintains sufficient cash. If necessary, the Group can maintain sufficient working capital 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 3.9 times (28 February 2022: 3.8 times). During the year, the Group repaid bank loan of RMB20,200,000. At the end of the financial year, the Group has 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. 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 2023, 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

External unfavorable factors such as the Pandemic, which has ravaged the world for more than three years, and geopolitical conflicts have hindered the recovery and development of macro-economy. Although the central government relaxed the pandemic prevention restrictions in an orderly manner at the end of 2022, the Pandemic in the past year has inevitably caused heavy blow to domestic consumption desire. In April and May 2022, major cities of China such as Shanghai, Beijing, Tianjin, Guangzhou and Shenzhen all stringently implemented various pandemic prevention measures. Such measures of lockdowns, travel restrictions, and large-scale screening have impacted the industrial and commercial added value, economy, investment and consumption activities of those cities to a certain extent. In addition, the Pandemic reached its peak in December 2022, hitting sales in the traditional peak season. As a result, the year-on-year growth of gross domestic product ("GDP") throughout 2022 was 3.0%, slowing down from 8.4% last year. However, since the relaxation of control measures in China, it is bound to be conducive to economic recovery and consumer sentiment.

During the year under review, under the severe retail environment, the Group actively reviewed and adjusted its operating structure, including integrating the network of retail stores and reorganising warehouses in various regions, with an aim to strive for excellence and maximise the Group's operation efficiency in response to market changes and to reduce business risk. In order to maintain its brand competitiveness and its leading position in the female footwear market, the Group is committed to keeping abreast of market trends, adding new brand elements to Le Saunda. However, due to the weak economy and consumption power coupled with the disruption of the supply logistics chain, the Group's overall retail revenue decreased. The Group's annual retail revenue decreased by 27.4% year-on-year to RMB413,200,000 (2021/22: RMB569,000,000) as compared to last year, with annual same store sales declining by 27.7% (2021/22: a decline of 0.2%).

RETAIL NETWORK

Mainland China is the key market of the Group's footwear retail business, while Hong Kong is the key market of our cosmetic retail business. At the end of the year under review, the Group had a retail network comprised of 328 stores in total in Mainland China and Hong Kong. During the year, the number of self-owned stores decreased by 56 stores while the number of franchised stores decreased by 5 stores.

As at 28 February 2023, there were 243 core brand le saunda stores, representing a net decrease of 54 stores as compared to the end of last year; LINEA ROSA, our high-end fashionable brand, had 27 stores, representing a net decrease of 7 stores as compared to the end of last year. There were also 2 new and diverse cosmetics stores under the brand charm & easy established in Hong Kong during the year under review.

As at 28 February 2023, 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	295	(-58)	31	(-5)	326	(-63)
• Northern, Northeastern & Northwestern Regions	80	(-11)	29	(-4)	109	(-15)
• Eastern Region	97	(-19)	1	(0)	98	(-19)
• Central and Southwestern Regions	57	(-8)	1	(-1)	58	(-9)
• Southern Region	61	(-20)	-	-	61	(-20)
Hong Kong and Macau	2	2	-	-	2	2
Total	297	(-56)	31	(-5)	328	(-61)

MAINLAND CHINA

RETAIL BUSINESS

China's total retail sales of consumer goods fell by 0.2% year-on-year in 2022, as compared to the growth of 12.5% last year. This was mainly because of the widespread of the Pandemic in China, leading to the strict lockdown of major cities and towns again. This is the second negative growth since the outbreak of the Pandemic, while the first negative growth was a 3.9% drop in 2020. Throughout 2022, the retail sales of consumer goods in garments, footwear, hats and knitwear category dropped by 6.5%, which was worse than the growth rate of the overall retail sales of consumer goods. In response to the volatile Pandemic, China has strictly implemented long-term prevention and control measures, which greatly reduced national consumption sentiment. At the same time, the physical stores in the affected areas were forced to close temporarily, thus severely affecting the performance of the Group. During the year under review, the retail sales in Mainland China decreased by 26.8% to RMB410,400,000 (2021/22: RMB560,700,000).

During the first half of 2022, the government had gradually lifted the lockdown measures in affected areas, especially those of Eastern and Northern China, whereby citizens had started to resume normal consumption and social activities. The Group also seized the opportunity of economic recovery to launch several advertising campaigns, and invited celebrities such as Tian Liang, Ye Yiqian and Jessica Jung to promote the Group's products. During this period, although the Group's sales initially rebounded, a new round of the Pandemic spread again across China at the end of 2022, which once again severely hit the retail business of the Group's physical stores. To overcome the difficult period of the new round of the Pandemic, all members of the Group worked together and immediately adopted a number of key operating plans.

In addition to actively promoting to target customer groups, actively strengthening online interaction with customers and promptly responding to customer needs, the Group also constantly reviewed the network of physical stores, paid attention to inefficient stores and their leasing arrangements and renewed leases in the form of short-term leases. The Group evaluated the self-sustainability development of its inefficient stores, or early terminated the stores that did not contribute to save rent and improve the related cost structure. In addition, the Group had also negotiated with the property owners to limit the lease period of the stores to two years or less, to cancel signed long-term lease contracts and to renew them with shorter lease periods, so as to increase the flexibility of our store network and optimise the overall performance of our sales channels. In addition, the Group also optimised the supply chain, centralised warehouse management, closed local small warehouses, and directly delivered goods from the regional warehouse, with a view to improving the speed of inventory allocation and accelerating the release of new goods for customers to purchase.

E-COMMERCE BUSINESS

Due to the severe Pandemic during the year under review, the growth rate of online retail sales of physical goods (wearing goods) slowed down from 8.3% of last year to 4.0%. Yet, the e-commerce business is still in a good momentum, and is an important channel under vigorous development. 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 27.5% in 2022. All retailers have seized this opportunity to allocate resources to promote their products by planning and developing different livestream content in order to attract consumers' attention and increase market share. Although the demand for e-commerce consumption has been constantly increasing, in face of the keen competition in the online market, customers' loyalty to a single brand is getting lower and the competition in the same industry is getting more intense, resulting in the continuous increase in e-commerce operating costs for retailers because of their attempts to draw the customers' attention and novelty to purchase their products. The Group adheres to strict control of e-commerce business costs. The proportion of e-commerce sales promotion expenses on e-commerce platforms remained the same as last year and had not increased due to the fierce e-commerce market environment.

Social e-commerce is an increasingly popular and important marketing channel, and the Group has always attached great importance to the business and resource investment on social e-commerce platforms. We interacted with customers in real time on different social platforms, including but not limited to Douyin, Xiaohongshu, Weibo, etc. We continued to promote the Y collection launched in January 2021 and released the latest trends of the brand, so that customers can get the latest product information, and thereby the popularity of the le saunda brand can be enhanced. In addition, in May 2022, the Guangdong E-Commerce Association recognised the Group's achievements in the e-commerce field and authorised one of the Group's subsidiaries to become its executive director unit. The Group believes that such recognition may arouse concerns among potential consumers and enhance our brand influence. In February 2023, a marketing campaign with the theme of "追光行者 LIGHT CHASER" was launched on various social media platforms. The Group will inject new elements, with its product image, design concept, promotion pictures and copywriting to be based on this theme direction. Subsequently, the "Light" collection will be used to promote products to meet the needs of target customer groups for personalised products. During the year under review, in addition to the constantly weak domestic consumer sentiment due to the large-scale Pandemic, local governments also adopted strict lockdown measures, which hindered logistics and transportation and reduced the growth of the Group's e-commerce business. The overall revenue of the e-commerce business for the year increased by 1.4% year-on-year.

In order to facilitate with the further integration of physical store retail business and e-commerce business, the Group is making every effort to organise the "Omni-Channel Middle Platform Project". This project can achieve the integration of the Group's footwear business, enhance internal operation efficiency and stabilise of online supply to speed up the time for launching new products. Customers can also instantly find the highlights of the Group's latest products and experience high-quality online retail services.

HONG KONG AND MACAU

Hong Kong's actual GDP realised negative growth of 3.5% in 2022. In the past year, Hong Kong and Macau were also affected by the Pandemic and border closures. The number of domestic and overseas tourists visiting Hong Kong kept decreasing, and the economy and consumption of both places have not yet recovered. Although the Hong Kong and Macau governments have also proposed a number of relief measures for merchants and citizens, industries such as retail, tourism and shipping are still struggling to survive in a downturn. In view of the expected recovery of the retail industry, in April and July 2022, the Group opened physical stores in the shopping hubs in Causeway Bay and Mong Kok respectively, under the new brand charm & easy, operating cosmetic business, covering skin care, hair care, make-up, fragrances and even body care products. The philosophy of the new brand is "Clean Beauty", which introduces almost a thousand beauty products from Europe, America, Japan, South Korea, Taiwan and local areas to take care of customers' skin in a non-toxic, non-damaging, safe and hypoallergenic approach and to prevent burden to the environment at the same time. Furthermore, to allow customers to buy the most suitable products for their skin, our stores offer one-on-one professional beauty consultant service to help customers thoroughly understand their skin conditions and daily needs. The stores have been equipped with facial moisture analysers to further provide professional skin analysis and tailor-made beauty solutions to our customers. During the year under review, the Group's sales in Hong Kong and Macau decreased by 66.4% year-on-year to RMB2,800,000 (2021/22: RMB8,300,000). The drop in sales was due to the fact that the sales for the year were derived from the cosmetic business, as compared to the footwear business last year.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

It is believed that China has entered a new stage of post-Pandemic, and the Chinese economy, after experiencing ups and downs, will see overall improvement gradually after several pandemic prevention measure being adjusted. Domestic productivity and public consumption power will be strengthened in an orderly manner as well, and both physical sales and online sales will continue to grow. China supports the expansion of domestic demand, the stablisation of prices and lower deposit reserve ratio to achieve the speedy recovery of traffic, logistics and capital flow, leading to the continuous release of market vitality. Being a pure brand owner, the Group will continue to grasp the market trends, focus on designing and developing innovative models, and provide high-quality products and superior online and offline services to customers.

The vigorous Pandemic prevention policies in the past have facilitated the development of online marketing activities, and consumers are now fond of and accustomed to online consumption. Therefore, the e-commerce business has created a good momentum to keep its growth is on the right track. The Group will continue to focus on investing in online platforms, aiming to maintain the growth of e-commerce business. The Group will continue to innovate on traditional and large-scale e-commerce platforms with high traffic, such as Tmall, JD.com and vip.com, hoping to constantly bring refreshing experience to existing and potential customers. In addition, the social e-commerce market is also a critical online sales channel. Consumers attach great importance to information available on social platforms, user sharing and influencer recommendations. Therefore, the Group will continue its marketing strategy, enhances its brand power, and focuses on several mainstream e-commerce social platforms, including Douyin, Xiaohongshu, Weibo, etc., to promote the le saunda brand with blind advertising. Following the marketing theme of "追光行者 LIGHT CHASER" launched in February 2023, the Group will publish promotional content on its WeChat corporate account in the form of graphics and texts. As the content presented in form of text will be more atmospheric, consumers on social platforms may have a more visual understanding of our current seasonal theme, thereby deepening consumers' awareness and impression of Le Saunda. Also, the Y collection will also be promoted online on large flagship e-commerce platforms in the second half of 2023. It is believed that such strategies will not only strengthen our existing presence in the ladies' fashion market and increase consumers' loyalty to the brand, but also broaden the new generation of target customers group, thereby expanding market share.

The Group will continue to review its brand positioning and conduct research on various operation options to enhance its brand value and bring superior consumption experience to its customers. All departments of the Group will make unremitting efforts and work closely with one another to implement and launch the "Omni-Channel Middle Platform Project" successfully, transforming the management and operation system into a more digitalised one, integrating online and offline sales channels, and subsequently enhancing the efficiency in terms of logistics and delivery of goods. Under the "stay-at-home economy", target customer group or potential customers may get to know the brand and purchase products at home via this system, and every household can also quickly obtain the purchased goods. In addition, consumers can immediately provide feedback through the system and receive real-time responses from customer service staff catering to different needs. The Group believes that such project transformation shall not only enhance its brand value, but also improve operation efficiency and help increase turnover and operating profit. In the medium and long term, the Group's sales scale is expected to gradually return to the pre-Pandemic level.

As for the cosmetics business, the Group will continue to adopt online and offline market advertising strategies simultaneously, thereby establishing the brand awareness of charm & easy, developing a customer base based on "Clean Beauty", and increasing the market share of its cosmetic business. In Hong Kong, the Group will launch large-scale promotional activities during the traditional sales periods in order to increase sales and brand popularity. In addition to the opening of two physical stores in Hong Kong, the Group will soon establish its footprints in the famous tourist area of Macau by opening a physical store on Rua de S. Domingos near the Ruins of St. Paul's to attract local consumers and Mainland China tourists in Macau. Self-owned online stores and online shopping platforms also offer delivery to Macau. With online and offline services supporting each other, we are able to provide customers with high-quality experience.

In terms of operations, the Group will continue to consolidate the distribution network of physical retail stores on a regular basis. As in the past, the Group will continue to review physical stores with substandard performance and will also examine the opening of new stores in shopping areas with high traffic. The Group will renew leases and open the stores with the shortest lease periods, thereby increasing the flexibility of the store network and responding to the uncertain demand in various regions. In addition, the Group will continue to invest resources in product management in order to shorten the production cycle and expedite business operation. As for reorganising inventory management, coordinating with logistics companies will definitely improve the performance of the logistics supply chain so as to deliver products to the designated locations of customers more rapidly to ensure customer satisfaction. The Group will continue to develop new sources of revenue and reduce cost and enhance operation efficiency using digitalised tools. Furthermore, the Group has always placed great emphasis to human resource management and will continue to attract more experienced talents to maintain its corporate competitiveness and strengthen its marketing efforts on footwear and cosmetic businesses.

With the resumption of travel among China, Hong Kong and Macau and the gradual improvement of economy, Le Saunda will also seize the opportunities arising from the recovery and continue to implement the above strategies and measures, which will surely strengthen the competitiveness of its brand. The Group will strive for better performance and bring the greatest return to its every shareholder.

PLEDGE OF ASSETS

As at 28 February 2023, 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 RMB70,800,000 (28 February 2022: RMB64,600,000), of which was not yet utilised as at 28 February 2023 (28 February 2022: RMB20,800,000 was utilised).

DIVIDEND

The Board has not recommended to declare a final dividend for the year ended 28 February 2023 (28 February 2022: no final dividend).

No interim dividend was paid for the six months ended 31 August 2022 (six months ended 31 August 2021: no interim dividend).

EMPLOYEES AND REMUNERATION POLICIES

As at 28 February 2023, the Group had a full-time staff force of 1,120 people (28 February 2022: 1,342 people). Of this number, 35 were based in Hong Kong and 1,085 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 2023, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB135,900,000 (2021/22: RMB147,900,000). 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 2023.

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 2023 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 of the Company (the "AGM") is scheduled to be held on Monday, 17 July 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 12 July 2023 to Monday, 17 July 2023 (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, 11 July 2023.

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 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, 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.

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 2023 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 2023 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 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 2023 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 2023.

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, 29 May 2023

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.)