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 2023

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2023	2022	Change	Change in %
Revenue	*RMB million*	**205.8**	211.1	(5.3)	(2.5)
Gross profit	*RMB million*	**134.9**	137.0	(2.1)	(1.5)
Loss attributable to owners of the Company	*RMB million*	**(13.9)**	(23.4)		
Basic loss per share	*RMB cents*	**(1.96)**	(3.31)		
Dividend per share					
- interim	*HK cents*	**-**	-		
- interim special	*HK cents*	**5.0**	-		

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of Le Saunda Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 31 August 2023. The unaudited condensed consolidated interim results for the six months ended 31 August 2023 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 2023

		Unaudited	
		Six months ended 31 August	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**205,820**	211,081
Cost of sales	*6*	**(70,910)**	(74,073)
Gross profit		**134,910**	137,008
Other income	*5*	**781**	3,619
Other loss, net	*5*	**(2,226)**	(8,077)
Selling and distribution expenses	*6*	**(108,115)**	(115,849)
General and administrative expenses	*6*	**(41,538)**	(41,929)
Operating loss		**(16,188)**	(25,228)
Finance income, net	*7*	**3,587**	2,603
Loss before income tax		**(12,601)**	(22,625)
Income tax expense	*8*	**(1,647)**	(1,131)
Loss for the period		**(14,248)**	(23,756)
Loss for the period attributable to:			
- owners of the Company		**(13,853)**	(23,357)
- non-controlling interest		**(395)**	(399)
		(14,248)	(23,756)
Loss per share attributable to owners of the Company *(express in RMB cents)*			
- Basic	*9*	**(1.96)**	(3.31)
- Diluted	*9*	**(1.96)**	(3.31)
Dividend	*10*	**31,748**	-

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 August 2023

	Unaudited Six months ended 31 August	
	2023	2022
	RMB'000	*RMB'000*
Loss for the period	**(14,248)**	(23,756)
Other comprehensive income		
Item that will be reclassified to profit or loss		
- Currency translation differences	**16,954**	12,835
Other comprehensive income for the period	**16,954**	12,835
Total comprehensive income/(loss) for the period	**2,706**	(10,921)
Total comprehensive income/(loss) for the period, attributable to:		
- owners of the Company	**3,101**	(10,522)
- non-controlling interest	**(395)**	(399)
	2,706	(10,921)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
As at 31 August 2023

	Note	**Unaudited 31 August 2023 *RMB'000***	Audited 28 February 2023 *RMB'000*
ASSETS			
Non-current assets			
Investment properties		**76,786**	73,200
Property, plant and equipment		**10,963**	14,534
Right-of-use assets		**30,049**	34,869
Long-term deposits and prepayments		**2,298**	3,118
Deferred income tax assets		**30,361**	32,390
		150,457	158,111
Current assets			
Inventories		**192,305**	192,376
Trade receivables and other receivables	*11*	**37,555**	42,290
Deposits and prepayments		**35,628**	38,067
Cash and bank balances		**399,816**	371,606
		665,304	644,339
Total assets		**815,761**	802,450
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Dividend		**31,748**	-
Others		**566,899**	595,546
		658,626	655,525
Non-controlling interest		**7,716**	8,111
Total equity		**666,342**	663,636

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2023

	Note	**Unaudited 31 August 2023** *RMB'000*	Audited 28 February 2023 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**18,708**	18,312
Lease liabilities		**11,011**	14,564
		29,719	32,876
Current liabilities			
Trade payables, other payables and contract liabilities	*12*	**98,835**	81,755
Lease liabilities		**19,597**	22,735
Current income tax liabilities		**1,268**	1,448
		119,700	105,938
Total liabilities		**149,419**	138,814
Total equity and liabilities		**815,761**	802,450

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").

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 30 October 2023.

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 2023 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 2023, 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 2023 are consistent with those adopted in the consolidated financial statements for the year ended 28 February 2023, except for the adoption of new and amended standards as set out below.

New and amended standards and interpretation adopted by the Group

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

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Revised) (Amendments)	Disclosure of Accounting Policies
HKFRS Practice Statement 2 (Amendment)	Making Materiality Judgements
HKAS 8 (Amendments)	Accounting Policies, Change in Accounting Estimates and Errors
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contract
HK (IFRIC)-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these new and amended standards and interpretation 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 result. 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 2023 is as follows:

	Unaudited		
	Six months ended 31 August 2023		
	Mainland China	**Hong Kong and Macau**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers	**200,523**	**5,297**	**205,820**
Reportable segment loss	**(4,339)**	**(9,616)**	**(13,955)**
Other loss, net			**(2,226)**
Finance income, net			**3,587**
Unallocated items			**(7)**
Loss before income tax			**(12,601)**
Income tax expense			**(1,647)**
Loss for the period			**(14,248)**
Depreciation and amortisation	**17,698**	**283**	**17,981**
Impairment losses on right-of-use assets	**-**	**2,256**	**2,256**
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	**11,750**	**25**	**11,775**

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

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

For the six months ended 31 August 2023 and 31 August 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 31 August 2023 by reportable segment is set out below:

	Unaudited As at 31 August 2023 Mainland China *RMB'000*	 Hong Kong and Macau *RMB'000*	 Total *RMB'000*
Segment assets	**461,803**	**302,388**	**764,191**
Deferred income tax assets			**30,361**
Unallocated assets			**21,209**
Total assets per condensed consolidated interim balance sheet			**815,761**
Segment liabilities	**111,691**	**17,725**	**129,416**
Current income tax liabilities			**1,268**
Deferred income tax liabilities			**18,708**
Unallocated liabilities			**27**
Total liabilities per condensed consolidated interim balance sheet			**149,419**

An analysis of the Group's assets and liabilities as at 28 February 2023 by reportable segment is set out below:

	Audited As at 28 February 2023		
	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

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

REVENUE

	Unaudited Six months ended 31 August	
	2023 ***RMB'000***	2022 *RMB'000*
Mainland China	**200,523**	210,352
Hong Kong	**4,909**	729
Macau	**388**	-
Total	**205,820**	211,081

For the six months ended 31 August 2023 and 31 August 2022, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

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

NON-CURRENT ASSETS

	Unaudited 31 August 2023 *RMB'000*	Audited 28 February 2023 *RMB'000*
Mainland China	**41,168**	44,057
Hong Kong	**4,496**	6,828
Macau	**74,432**	74,836
Total	**120,096**	125,721

5 OTHER INCOME AND OTHER LOSS, NET

	Unaudited Six months ended 31 August	
	2023	2022
	RMB'000	*RMB'000*
Other income		
Government incentives	**781**	3,619
Other loss, net		
Net exchange loss *(Note)*	**(2,226)**	(8,077)
	(1,445)	(4,458)

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:

	Unaudited	
	Six months ended 31 August	
	2023	2022
	RMB'000	*RMB'000*
Auditors' remuneration	**899**	805
Depreciation of property, plant and equipment	**6,023**	7,815
Depreciation of right-of-use assets	**11,958**	15,759
Loss on write off/disposal of property, plant and equipment	**1,912**	332
Costs of sales	**70,910**	74,073
Expenses relating to short-term leases and variable lease payments	**35,980**	35,696
Freight charges	**2,619**	2,576
Postage and express charges	**610**	955
Advertising and promotional expenses	**7,733**	7,055
Employee benefit expenses (including directors' emoluments)	**63,183**	67,915
Write back of impairment on inventories, net	**(3,240)**	(3,456)
Write back of impairment on trade receivables, net	**(119)**	(321)
Impairment losses on right-of-use assets	**2,256**	-

7 FINANCE INCOME, NET

	Unaudited	
	Six months ended 31 August	
	2023	2022
	RMB'000	*RMB'000*
Interest income on bank deposits	**4,153**	3,635
Interest expense on lease liabilities	**(566)**	(949)
Interest expense on short-term bank loan	**-**	(83)
	3,587	2,603

8 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
People's Republic of China ("the PRC") corporate income tax	**323**	189
Deferred income taxation	**1,324**	942
	1,647	1,131

No provision for Hong Kong profits tax has been made during the period (2022: Nil).

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

	Unaudited	
	Six months ended 31 August	
	2023	2022
Loss attributable to owners of the Company *(RMB'000)*	**(13,853)**	(23,357)
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic loss per share *(RMB cents)*	**(1.96)**	(3.31)

Diluted

For the six months ended 31 August 2023, the diluted loss per share was the same as the basic loss per share as there was no dilutive potential ordinary share outstanding. For the six months ended 31 August 2022, the diluted loss per share was the same as the basic loss per share as the Company's share options outstanding was anti-dilutive potential ordinary shares.

10 DIVIDEND

	Unaudited Six months ended 31 August	
	2023	2022
	RMB'000	*RMB'000*
No interim dividend (six months ended 31 August 2022: No interim dividend)	**-**	-
Interim special dividend of HK5.0 cents (six months ended 31 August 2022: No interim special dividend) per ordinary share	**31,748**	-

At the Board meeting held on 30 October 2023, the Board has resolved to declare an interim special dividend of HK5.0 cents (equivalent to approximately RMB4.5 cents) per ordinary share, totaling approximately RMB31,748,000. The dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings of the Company for the year ending 29 February 2024.

11 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	Unaudited	Audited
	31 August	28 February
	2023	2023
	RMB'000	*RMB'000*
Trade receivables *(Note)*		
Current to 30 days	**32,325**	36,796
31 to 60 days	**833**	341
61 to 90 days	**313**	246
Over 90 days	**-**	625
	33,471	38,008
Other receivables	**4,084**	4,282
Total	**37,555**	42,290

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:

	Unaudited 31 August 2023 *RMB'000*	Audited 28 February 2023 *RMB'000*
Trade payables *(Note)*		
Current to 30 days	**28,670**	11,802
31 to 60 days	**-**	75
61 to 90 days	**-**	-
91 to 120 days	**-**	-
Over 120 days	**139**	135
	28,809	12,012
Other payables	**46,106**	46,483
Value added tax payables	**8,750**	9,863
Contract liabilities	**15,170**	13,397
Total	**98,835**	81,755

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.

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 operated the brand, charm & easy, and established diverse cosmetic shops in Hong Kong.

In the first half of fiscal year 2023/24, total revenue of the Group decreased by 2.5% year-on-year to RMB205,800,000 (2022/23: RMB211,100,000). Consolidated gross profit decreased by 1.5% year-on-year to RMB134,900,000 (2022/23: RMB137,000,000). The Group recorded an overall gross profit margin of 65.5%, representing an increase of 0.6 percentage point as compared to the corresponding period in last year. During the period, consolidated loss attributable to owners of the Company was RMB13,900,000 (2022/23: consolidated loss of RMB23,400,000).

RMB (million)	**1H 2023/24**	**1H 2022/23**	**Change**
Revenue	**205.8**	211.1	(2.5%)
Gross profit	**134.9**	137.0	(1.5%)
Gross profit margin	**65.5%**	64.9%	0.6 percentage point
Consolidated loss attributable to owners	**(13.9)**	(23.4)	
Basic loss per share (RMB cents)	**(1.96)**	(3.31)	
Interim dividend (HK cents)	**-**	-	
Interim special dividend (HK cents)	**5.0**	-	
Dividend pay-out ratio	**N/A**	N/A	

PROFITABILITY ANALYSIS

In view of the diminishing threat of COVID-19 to the public's health, the Mainland China government lifted a series of preventive and control measures in the beginning of 2023, but the local consumer sentiment did not improve significantly as expected. Hence, the total revenue of the Group decreased by 2.5% year-on-year to RMB205,800,000 (2022/23: RMB211,100,000). Consolidated gross profit decreased by 1.5% to RMB134,900,000 (2022/23: RMB137,000,000). Gross profit margin increased by 0.6 percentage point to 65.5% as compared to the corresponding period in last year.

During the period, selling and distribution expenses decreased by 6.7% year-on-year to RMB108,100,000 (2022/23: RMB115,800,000). The ratio of selling and distribution expenses to total revenue decreased by 2.4 percentage points to 52.5% (2022/23: 54.9%). The decrease of such ratio was mainly attributable to the optimization of the Group's regional sales network in the past, which in turn reduced its relevant fixed selling expenses.

General and administrative expenses decreased by 0.9% to RMB41,500,000 as compared to the corresponding period in last year (2022/23: RMB41,900,000). As many of the expenses of the back office were fixed cost and the Group's revenue slightly decreased during the period, the ratio of general and administrative expenses to total revenue of the Group increased by 0.3 percentage point to 20.2% (2022/23: 19.9%).

Other income decreased by 78.4% year-on-year to RMB800,000 as compared to the corresponding period in last year (2022/23: RMB3,600,000). This was attributable to a decrease of government subsidies and incentives as compared to the corresponding period in last year. Other losses mainly comprised of exchange gains or losses. During the period under review, while Renminbi further depreciated, the magnitude was lower than that of the corresponding period in last year. As a result, the Group recorded an exchange loss of RMB2,200,000 (2022/23: loss of RMB8,100,000).

Overall, during the first half of financial year 2023/24, the consolidated loss attributable to owners of the Company was RMB13,900,000 (2022/23: consolidated loss of RMB23,400,000). Basic loss per share was RMB1.96 cents (2022/23: loss of RMB3.31 cents). In return for shareholders' longstanding support, the Board has resolved to declare the payment of an interim special dividend of HK5.0 cents per ordinary share (2022/23: Nil).

INCOME TAX EXPENSE

During the period under review, income tax expense amounted to approximately RMB1,600,000 (2022/23: RMB1,100,000), representing an increase of 45.6% year-on-year. Such expense was mainly attributable to deferred tax expenses made for the reversal of expenses provision. Effective from 2012, all business entities of the Group in China have been 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 21.8% (2022/23: 28.8%).

INVENTORY MANAGEMENT

As at 31 August 2023, the Group's inventory balance was RMB192,300,000, representing an increase of approximately 0.2% as compared to the inventory balance of RMB191,900,000 of the corresponding date of last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2023	As at 31 August 2022	Changes in value	Changes in %
Finished goods	**192.3**	191.9	0.4	0.2%

To avoid excess inventory, the Group has been actively controlling its inventory level. Notwithstanding the impact of the pandemic is diminishing, the Group still adopts a prudent procurement strategy for finished goods, and timely purchases new products. Due to a significant decrease on the procurement of the current season finished goods during the period under review, as at 31 August 2023, the proportion of the inventory of footwear of the Group aged less than one year decreased by 15.0 percentage points to 55% (31 August 2022: 70%). Although the Group maintained a similar level and amount of inventory as at the end of the period as compared to that of the last year, in light of the sluggish retail market in Mainland China, the revenue of the Group continuously decreased over the year, inventory turnover of finished goods has therefore increased by 109 days to 498 days (31 August 2022: 389 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2023, the Group's cash and bank balances amounted to RMB399,800,000 (28 February 2023: RMB371,600,000). While the retail market has not fully recovered, the Group still maintains sufficient cash. Quick ratio was 3.7 times (28 February 2023: 3.9 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 did not borrow any bank loans. As at the end of the financial period, the Group had no outstanding bank loan (28 February 2023: Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the period.

During the period ended 31 August 2023, the Group's cash and bank balances were held in Hong Kong dollar, United States dollar and Renminbi, respectively, and all deposits maturing within one year were placed in several 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

As of the first half of 2023, China's Gross Domestic Product increased by 5.5% year-on-year, which exceeded the 5% growth target pre-determined in the "Report on the Work of the Government" of China, which was also 3 percent points higher than that of the previous year. However, interest rates in other countries remained high and the uncertain macro-economy environment indirectly exerted pressure on the economy in China. Meanwhile, material concerns and risks are noted in the overall China's economy including commercial debt issues, decreased industrial commercial activities in major cities such as Beijing, Shanghai, Guangzhou, and Shenzhen, real estate debt issues and rising unemployment rate among the young people. These concerns had direct impact on the recovery progress of the China's economy and weakened consumer sentiments.

Despite national policies have been introduced in China continuously, such policies focused on stabilizing the financial and property markets and no tailor made policy on the retail market was introduced. During the period under review, the Group's total retail revenue decreased by 2.5% to RMB205,800,000 (2022/23: RMB211,100,000) as compared to that of last year, while same store sales increased by 13.5% (2022/23: decreased by 26.5%). However, in order to promote domestic needs and strengthen consumer sentiments, the China central government plans to gradually increase the stimulus of the economic policy, the retail market is expected to grow significantly in the third and fourth quarter of 2023. The Group has been actively responding to the challenges and enforcing flexible operational policy, it is believed that the Group would be able to seize the opportunity and enhance business performance.

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 297 physical stores in Mainland China and Hong Kong, representing a net reduction of 84 stores compared to the corresponding date of last year. The number of self-owned stores dropped by 74, while the number of franchised stores decreased by 10 during the period under review.

As at 31 August 2023, there were an aggregate of 215 stores under the core brands le saunda and le saunda MEN, representing a net decrease of 73 stores as compared to the end of last corresponding period. The high-end fashion brand, LINEA ROSA, also saw a net reduction of 6 stores, bringing the total number of stores to 26, as compared to the end of last corresponding period. The Hong Kong brand, charm & easy, saw a net reduction of 1 store, bringing the total number of stores to 1, as compared to the end of last corresponding period.

As at 31 August 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	270	(-73)	26	(-10)	296	(-83)
• Northern, Northeastern & Northwestern Regions	69	(-23)	25	(-8)	94	(-31)
• Eastern Region	89	(-21)	-	(-1)	89	(-22)
• Central and Southwestern Regions	55	(-11)	1	(-1)	56	(-12)
• Southern Region	57	(-18)	-	-	57	(-18)
Hong Kong and Macau	1	(-1)	-	-	1	(-1)
Total	271	(-74)	26	(-10)	297	(-84)

Mainland China

Retail Business

In the first half of 2023, total retail sales of consumer goods increased by 8.2% year-on-year. Total domestic retail sales of consumer goods in April 2023 rapidly increased year-on-year by 18.4%. However, just two months later, the year-on-year growth rate for June 2023 was only 3.1%. Such volatile retail sales figures indicating that the domestic economy is not poised for steady growth in the near future, and consumer sentiment has not also sustained its upward trend. The slowdown in public consumption power in the past six months has undoubtedly had a significant impact on the sales of footwear stores. In addition, the growth rate of garments, footwear, hats and knitwear in July 2023 was only 2.3%, which was also lower than that of the overall retail sales of goods, reflecting the fact that the retail market in the future is more uncertain than ever before.

During the period under review, as the domestic retail industry remained sluggish and has not fully recovered, the Group's sales in Mainland China dropped by 4.7% year-on-year to RMB 200,500,000 (2022/23: RMB210,400,000). On the contrary, same-store sales increased by 12.1% (2022/23: decreased by 26.5%). The turnaround in same-store sales reflects the achievement of the Group's past efforts to optimise its retail network and to improve its single-store sales performance and profitability. The Group has implemented a decentralised strategy for key specialty stores, department stores and outlet malls to improve sales ranking and enhance market position. In addition to closely monitoring market changes, capturing footwear trends and meeting customers' footwear needs, the Group also constantly promotes the Le Saunda brand through different channels to enhance revenue.

E-Commerce Business

Due to the influence of the pandemic in the past, the public was accustomed to online shopping. Notwithstanding the impact of the pandemic has gradually subsided, online consumption is still on the rise. As of August this year, online retail sales of physical goods increased by 12.1% year-on-year, with online retail sales accounting for 26.4% of the total retail sales of consumer goods. Among online retail sales of physical goods, sales of wearable goods increased by 10.9%. Nonetheless, due to the robust development of e-commerce, competition in the online market is fierce as various apparel and footwear retailers have launched intensive promotional campaigns on traditional large-scale e-commerce platforms and social media platforms to attract consumers, and at the same time, customers can easily obtain a wide range of footwear choices online, thus the loyalty of customers to a single brand has become much lower, which imperceptibly increased the cost and difficulty of acquiring new online customers for the Group. Consumption in the post pandemic era becomes more rational, with consumers mainly engaging in prudent, reasonable and rational consumption, and the proportion of customers seeking low-priced consumption has increased. During the period under review, the Group's e-commerce revenue decreased by 12.1% year-on-year. Nevertheless, e-commerce business remains a key development area for the Group. The Group will continue to implement different programs to enhance market competitiveness and restore the upward sales trend of its e-commerce business.

The Group has attached great importance to the investment of resources in traditional large-scale e-commerce platforms and social media platforms to improve engagement with its customers and attract the attention of its existing target customers and potential consumers. During the period under review, the Group invited well-known artists and celebrities for collaboration and promotion of its products by product placement filming, introducing the features and philosophy of design of its products and publishing on various e-commerce platforms and social media platforms for promotion so as to increase exposure of its brand and establish a closer relationship with customers as well as to enhance the awareness and values of its brand.

In respect of operations of e-commerce, the Group has been strengthening the online and offline integration in order to promote new products to VIP customers more efficiently as well as to offer a more convenient and faster online shopping experience to customers. Moreover, in order to manifest our popularity and influence of the e-commerce sector, a major subsidiary of the Group has been re-elected as the executive director unit of The Guangdong Electronic Commerce Association since May 2023. During its term of office as the executive director unit, such subsidiary, on behalf of the Group, actively performed its obligations and devoted its resources and time for the affairs of the association. In light of its outstanding performance, such subsidiary was accredited as an “Outstanding Member Enterprise” by the association in August 2023 and awarded an honour certificate.

Hong Kong

Hong Kong’s economy has shown a gradual recovery in the second quarter of 2023 with its actual Gross Domestic Product increased 1.5% year-on-year as compared to the increase of 2.9% last quarter, demonstrating a slowdown in the recovery. By comparing quarter-to-quarter after seasonal adjustments, the actual Gross Domestic Product of Hong Kong dropped by 1.3%, which indicates that the situation being even worse. Since Hong Kong's interest rates have increased following the U.S. interest rate hike, there was a decline in domestic consumption sentiment which reflects the economic activities in Hong Kong were still weak in the short term. Nevertheless, the Group adheres to its decisive operation plan to sustain its competitiveness. Since the resumption of cross-border travel in early 2023, tourists from Mainland China visiting Hong Kong are mainly for sightseeing which reflects the consumption pattern of free individual travelling has changed. In addition, there was only a slight increase in the number of overseas tourists visiting Hong Kong while the locals tended to travel Mainland China and overseas. As a result, an improvement in the business environment of the local retail market turned out to be not as substantial as expected. Though there was a significant boost in sales of the Group’s cosmetic business during the period under review, the sales target has yet to be reached. In view of the above, the Group closed a physical cosmetic store during the period under review while the other one continued to offer cosmetic and skin-care products to customers.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

Not only are there still full of uncertainties in the global economy, but the current economy of Mainland China has yet to show significant and enduring good momentum in its recovery. The market wishes that the State Council of China would further implement favourable economic policies with in-depth and detailed arrangements in order to boost investment activities, expand domestic demand, stabilize the debt market and create more job vacancies, etc., so that citizens have confidence in the economic prospects, thereby increasing their consumption sentiment. The Group believes that the domestic economy could overcome the current challenges. Leveraging on the Group’s role as a pure brand retailer, as well as its commitment to develop cost-effective and high-quality products for customers and meet the requirements of different customers for various products, it will design and launch more product series for outdoor sports and leisure footwear so as to introduce new elements and brand strengths to the le saunda Y series. Meanwhile, the Group will invest additional resources in platform promotion by opening Tmall LSY brand flagship store, Xiaohongshu LS flagship store and Douyin women’s shoe flagship store to differentiate the customer base of each platform store and drive newly emerged consumer groups for brands, as well as to improve performance during traditional peak seasons.

On the other hand, the Group will continue to implement flexible brand management, including publishing high-quality advertisement with soft copywriting, through innovative promotional plans which will focus on cross-over cooperation with intangible cultural heritage and with IP for co-branding, with a view to increasing the brand’s exposure and consumers’ awareness of the brand, strengthening the brand image and attractiveness and, eventually increase its market share.

Among which, le saunda will carry out artistic crossover cooperation with the instructor of intangible cultural heritage paper-cutting technique for art creation by using the environmentally friendly papers from shoe boxes of the le saunda brand, aiming to present visual communication in a new artistic form, which may offer consumers with perceived experience and deliver the Group's 46 years of ingenuity and persistence in footwear craftsmanship through intangible cultural heritage techniques. Another high-end brand of the Group, LINEA ROSA, will collaborate with Chaoqu's original IP to conduct co-branding static exhibitions in major shopping malls to create a check-in hotspot and topic buzz. By way of crossover co-branding, the Group will be able to enhance the youthfulness of our brand and seize the market of young consumers through exploring their preferences.

During the downturn of the retail industry, the Group will, as usual, prudently plan its future goals and constantly review its brand positioning. The Group plans to strengthen customer relationship management by integrating the customer relationship management data with WeChat Corporate Account, optimising membership experience, constructing store assistant and WeChat mini app store and boosting the sales through the development of Private Traffic. Its goal is to upgrade the Group's operational efficiency and keep abreast of the latest trend in the booming e-commerce business, so that customers can experience convenient and fast online services and enjoy high-quality services in offline physical stores as well. It also aims to cultivate long-term customer loyalty and create more seamless customer experience, and thereby enhancing sales performance.

In respect of footwear operation in China, the Group will continue to focus on the efficiency of its sales channels and adhere to its channel development strategy. The Group will also continue to streamline and optimise the network of physical stores, including regularly assessing inefficient stores and carefully reviewing the suitability of new stores opening. Currently, traditional department stores are showing a downward performance. In the future, the Group will focus on developing outlet channels and expanding regional high-quality specialty stores. Therefore, store closures will be concentrated in traditional department stores while store openings will be concentrated in outlets and shopping malls in future. As for Hong Kong business, although the border between China and Hong Kong were opened at the beginning of 2023, visitors travelling to Hong Kong are mainly for sightseeing, and hence the Hong Kong retail market has not yet benefitted from such resumption of cross-border travelling. Therefore, the Group will continue to review the performance of its cosmetic business in Hong Kong as well as to assess its sustainability.

In addition, the green growth philosophy is one of the Group's long-term strategies. In order to create a green society, the Group will soon adopt a new supplier assessment system to select suppliers that are consistent with the Group's green philosophy and set targets for energy saving, emission reduction and waste reduction. Environmentally friendly materials including the application of latest shoes box packaging, will be used to further reduce carbon emissions,. The Group also encourages employees to save energy and recycle resources. Overall, the Group will adhere to a positive attitude in formulating and adjusting its operating policies for sustainable development.

Le Saunda has been established in the retail market for more than 46 years. Despite the economic downturn, the Group still adheres to the objective of making steady progress, by making appropriate use of resources and constantly seizing any opportunities to enhance brand value and expand market share, with a view to achieving satisfactory financial results for our stakeholders.

PLEDGE OF ASSETS

As at 31 August 2023, the Group had no pledge of assets (28 February 2023: Nil).

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 RMB74,400,000 (28 February 2023: RMB70,800,000), of which was not yet utilised as at 31 August 2023 (28 February 2023: Nil).

INTERIM DIVIDEND

The Board has resolved to declare an interim special dividend of HK5.0 cents per ordinary share (the "Interim Special Dividend") for the six months ended 31 August 2023 (31 August 2022: no interim special dividend) payable on Friday, 24 November 2023 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 15 November 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2023, the Group had a staff force of 1,017 people (28 February 2023: 1,120 people) out of which, 27 were based in Hong Kong and 990 were based 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 2023, including Directors' emoluments and net pension contributions, amounted to RMB63,200,000 (2022/23: RMB67,900,000). The Group has all along organised structured and diversified training programmes for staff at different levels. External consultants will be invited to broaden the contents of the training programmes.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM SPECIAL DIVIDEND

In order to ascertain the entitlement to the Interim Special Dividend, the register of members of the Company will be closed from Tuesday, 14 November 2023 to Wednesday, 15 November 2023 (both dates inclusive) during which no transfer of shares will be registered. The record date for entitlement to the Interim Special Dividend is Wednesday, 15 November 2023. In order to qualify for the Interim Special Dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 November 2023.

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 2023.

AUDIT COMMITTEE

As at 31 August 2023 and up to the date of this announcement, the audit committee of the Board (the "Audit Committee") comprises four independent non-executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George, Mr. Hui Chi Kwan and Ms. Chan Kit Yin. 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 2023. 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 2023.

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 save for deviation described below. 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.

While the Company intended to appoint a new independent non-executive Director, Dr. Lui Tsz Wai ("Dr. Lui"), at its annual general meeting on 18 July 2023 ("2023 AGM") in accordance with Code Provision B.2.4(b) of the CG Code, subsequent to the despatch of the notice of 2023 AGM, the Board received a notice from Dr. Lui notifying the Company that she had decided to withdraw her consent to act as an independent non-executive Director. Since the proposed appointment at the 2023 AGM did not materialise, the Board appointed Ms. Chan Kit Yin as a new independent non-executive Director with effect from 28 August 2023.

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 2023 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 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 November 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 dedication and hard work, plus my sincere appreciation to all customers, business partners and Shareholders for their continuing supports.

By Order of the Board
Le Saunda Holdings Limited
James Ngai
Chairman

Hong Kong, 30 October 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, Mr. Hui Chi Kwan and Ms. Chan Kit Yin.

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