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 2024

FINANCIAL HIGHLIGHTS

		Six months ended 31 August			
		2024	2023	Change	Change in %
Revenue	*RMB million*	**149.6**	205.8	(56.2)	(27.3)
Gross profit	*RMB million*	**79.4**	134.9	(55.5)	(41.1)
Loss attributable to owners of the Company	*RMB million*	**(38.0)**	(13.9)		
Basic loss per share	*RMB cents*	**(5.39)**	(1.96)		
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 2024. The unaudited condensed consolidated interim results for the six months ended 31 August 2024 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 2024

		Unaudited	
		Six months ended 31 August	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**149,591**	205,820
Cost of sales	*6*	**(70,176)**	(70,910)
Gross profit		**79,415**	134,910
Other income	*5*	**1,064**	781
Other gains/(losses), net	*5*	**1,426**	(2,226)
Selling and distribution expenses	*6*	**(83,334)**	(108,115)
General and administrative expenses	*6*	**(41,842)**	(41,538)
Operating loss		**(43,271)**	(16,188)
Finance income, net	*7*	**5,283**	3,587
Loss before income tax		**(37,988)**	(12,601)
Income tax expense	*8*	**(1,630)**	(1,647)
Loss for the period		**(39,618)**	(14,248)
Loss for the period attributable to:			
- owners of the Company		**(38,038)**	(13,853)
- non-controlling interest		**(1,580)**	(395)
		(39,618)	(14,248)
Loss per share attributable to owners of the Company *(express in RMB cents)*			
- Basic	*9*	**(5.39)**	(1.96)
- Diluted	*9*	**(5.39)**	(1.96)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2024

	Unaudited Six months ended 31 August	
	2024	2023
	RMB'000	*RMB'000*
Loss for the period	**(39,618)**	(14,248)
Other comprehensive (loss)/income		
Item that will be reclassified to profit or loss		
- Currency translation differences	**(5,745)**	16,954
Other comprehensive (loss)/income for the period	**(5,745)**	16,954
Total comprehensive (loss)/income for the period	**(45,363)**	2,706
Total comprehensive (loss)/income for the period, attributable to:		
- owners of the Company	**(43,783)**	3,101
- non-controlling interest	**(1,580)**	(395)
	(45,363)	2,706

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2024

	Note	**Unaudited 31 August 2024** *RMB'000*	Audited 29 February 2024 *RMB'000*
ASSETS			
Non-current assets			
Investment properties		**75,038**	76,038
Property, plant and equipment		**8,586**	10,338
Right-of-use assets		**23,910**	28,678
Long-term deposits and prepayments		**826**	981
Deferred income tax assets		**28,042**	29,490
		136,402	145,525
Current assets			
Inventories		**119,003**	164,511
Trade receivables and other receivables	*11*	**32,050**	36,275
Deposits and prepayments		**31,699**	33,116
Cash and bank balances		**336,302**	364,655
		519,054	598,557
Total assets		**655,456**	744,082
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**59,979**	59,979
Reserves			
Proposed dividend		**-**	32,173
Others		**477,849**	521,632
		537,828	613,784
Non-controlling interest		**2,747**	4,327
Total equity		**540,575**	618,111

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)
As at 31 August 2024

	Note	**Unaudited 31 August 2024** ***RMB'000***	Audited 29 February 2024 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**17,440**	18,016
Lease liabilities		**4,173**	6,908
		21,613	24,924
Current liabilities			
Trade payables, other payables and contract liabilities	*12*	**80,182**	85,820
Lease liabilities		**11,664**	13,551
Current income tax liabilities		**1,422**	1,676
		93,268	101,047
Total liabilities		**114,881**	125,971
Total equity and liabilities		**655,456**	744,082

NOTES:

1 GENERAL INFORMATION

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

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

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

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 28 October 2024.

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 2024 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 29 February 2024, 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 2024 are consistent with those adopted in the consolidated financial statements for the year ended 29 February 2024, 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 and Non-current Liabilities with Covenants
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback
HK (IFRIC)-Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

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 income (excluding government incentives), other gains/(losses), 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 2024 is as follows:

	Unaudited Six months ended 31 August 2024		
	Mainland China	**Hong Kong and Macau**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Revenue from external customers	**149,591**	**-**	**149,591**
Reportable segment loss	**(45,481)**	**(155)**	**(45,636)**
Rental income			**946**
Other gains, net			**1,426**
Finance income, net			**5,283**
Unallocated items			**(7)**
Loss before income tax			**(37,988)**
Income tax expense			**(1,630)**
Loss for the period			**(39,618)**
Depreciation and amortisation	**13,165**	**-**	**13,165**
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	**5,601**	**1,702**	**7,303**

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

For the six months ended 31 August 2024 and 31 August 2023, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA and charm & easy.

An analysis of the Group's assets and liabilities as at 31 August 2024 by reportable segment is set out below:

	Unaudited As at 31 August 2024 Mainland China *RMB'000*	Hong Kong and Macau *RMB'000*	Total *RMB'000*
Segment assets	**358,593**	**247,171**	**605,764**
Deferred income tax assets			**28,042**
Unallocated assets			**21,650**
Total assets per condensed consolidated interim balance sheet			**655,456**
Segment liabilities	**90,269**	**5,730**	**95,999**
Current income tax liabilities			**1,422**
Deferred income tax liabilities			**17,440**
Unallocated liabilities			**20**
Total liabilities per condensed consolidated interim balance sheet			**114,881**

An analysis of the Group's assets and liabilities as at 29 February 2024 by reportable segment is set out below:

	Audited As at 29 February 2024		
	Mainland China	Hong Kong and Macau	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	430,232	262,903	693,135
Deferred income tax assets			29,490
Unallocated assets			21,457
Total assets per consolidated balance sheet			744,082
Segment liabilities	100,893	5,331	106,224
Current income tax liabilities			1,676
Deferred income tax liabilities			18,016
Unallocated liabilities			55
Total liabilities per consolidated balance sheet			125,971

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

REVENUE

	Unaudited Six months ended 31 August	
	2024	2023
	RMB'000	*RMB'000*
Mainland China	**149,591**	200,523
Hong Kong	**-**	4,909
Macau	**-**	388
Total	**149,591**	205,820

For the six months ended 31 August 2024 and 31 August 2023, 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 2024 *RMB'000*	Audited 29 February 2024 *RMB'000*
Mainland China	**33,868**	41,591
Hong Kong	**1,814**	766
Macau	**72,678**	73,678
Total	**108,360**	116,035

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

	Unaudited Six months ended 31 August	
	2024 *RMB'000*	2023 *RMB'000*
Other income		
Government incentives	**118**	781
Gross rental income from an investment property	**946**	-
	1,064	781
Other gains/(losses), net		
Net exchange gains/(losses) *(Note)*	**1,426**	(2,226)
	1,426	(2,226)

Note:

Net exchange gains/(losses) 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 **2024** ***RMB'000***	 2023 *RMB'000*
Auditors' remuneration	**804**	899
Depreciation of property, plant and equipment	**4,408**	6,023
Depreciation of right-of-use assets	**8,757**	11,958
Loss on write off/disposal of property, plant and equipment	**432**	1,912
Costs of sales	**70,176**	70,910
Expenses relating to short-term leases and variable lease payments	**26,359**	35,980
Freight charges	**1,872**	2,619
Postage and express charges	**672**	610
Advertising and promotional expenses	**5,850**	7,733
Employee benefit expenses (including directors' emoluments)	**59,332**	63,183
Impairment losses/(write back of impairment) on inventories, net	**3,323**	(3,240)
Impairment losses/(write back of impairment) on trade receivables, net	**165**	(119)
Impairment losses on right-of-use assets	**-**	2,256
Direct operating expenses arising from an investment property that generated rental income	**84**	-

7 FINANCE INCOME, NET

	Unaudited Six months ended 31 August **2024** ***RMB'000***	 2023 *RMB'000*
Interest income on bank deposits	**5,848**	4,153
Interest expense on lease liabilities	**(414)**	(566)
Interest expense on short-term bank loan	**(151)**	-
	5,283	3,587

8 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2024	2023
	RMB'000	*RMB'000*
Current income tax		
People's Republic of China ("the PRC") corporate income tax	**449**	323
Deferred income taxation	**1,181**	1,324
	1,630	1,647

No provision for Hong Kong profits tax has been made during the period (2023: Nil).

The PRC corporate income tax is provided for on the profits of the Group's subsidiaries in the PRC at 25% (2023: 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	
	2024	2023
Loss attributable to owners of the Company *(RMB'000)*	**(38,038)**	(13,853)
Weighted average number of ordinary shares in issue *('000)*	**705,895**	705,895
Basic loss per share *(RMB cents)*	**(5.39)**	(1.96)

Diluted

For the six months ended 31 August 2024 and 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.

10 DIVIDEND

	Unaudited Six months ended 31 August	
	2024	2023
	RMB'000	*RMB'000*
No interim dividend (six months ended 31 August 2023: No interim dividend)	**-**	-
No interim special dividend (six months ended 31 August 2023: Interim special dividend of HK5.0 cents per ordinary share)	**-**	31,748

A final special dividends of approximately RMB32,173,000 that related to the financial year ended 29 February 2024 were paid in August 2024 (2023: Nil).

At the Board meeting held on 28 October 2024, the Directors did not recommend the payment of an interim dividend for the six months ended 31 August 2024.

11 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	Unaudited 31 August 2024	Audited 29 February 2024
	RMB'000	*RMB'000*
Trade receivables *(Note)*		
Current to 30 days	**25,690**	28,655
31 to 60 days	**948**	617
61 to 90 days	**482**	154
Over 90 days	**46**	543
	27,166	29,969
Other receivables	**4,884**	6,306
Total	**32,050**	36,275

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 2024 ***RMB'000***	Audited 29 February 2024 *RMB'000*
Trade payables *(Note)*		
Current to 30 days	**13,635**	18,539
31 to 60 days	**-**	14
61 to 90 days	**-**	-
91 to 120 days	**-**	-
Over 120 days	**75**	75
	13,710	18,628
Other payables	**41,818**	42,684
Value added tax payables	**8,135**	8,603
Contract liabilities	**16,519**	15,905
Total	**80,182**	85,820

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 and LINEA ROSA, which aim to appeal to diversified target customer groups with their distinctive product lines.

In the first half of fiscal year 2024/25, total revenue of the Group decreased by 27.3% year-on-year to RMB149,600,000 (2023/24: RMB205,800,000). Consolidated gross profit decreased by 41.1% year-on-year to RMB79,400,000 (2023/24: RMB134,900,000). The Group recorded an overall gross profit margin of 53.1%, representing a decrease of 12.4 percentage points as compared to the corresponding period in last year. During the period under review, consolidated loss attributable to owners of the Company was RMB38,000,000 (2023/24: consolidated loss of RMB13,900,000).

RMB (million)	**1H 2024/25**	**1H 2023/24**	**Change**
Revenue	**149.6**	205.8	(27.3%)
Gross profit	**79.4**	134.9	(41.1%)
Gross profit margin	**53.1%**	65.5%	(12.4 percentage points)
Consolidated loss attributable to owners	**(38.0)**	(13.9)	
Basic loss per share (RMB cents)	**(5.39)**	(1.96)	
Interim dividend (HK cents)	**-**	-	
Interim special dividend (HK cents)	**-**	5.0	
Dividend pay-out ratio	**N/A**	N/A	

PROFITABILITY ANALYSIS

During the year under review, the continuing sluggish retail market in Mainland China caused the Group's total retail sales to drop significantly. On the other hand, the Group offered higher retail discounts to clear up slow-moving inventories, resulting in a decrease in gross profit margin. Hence, the total revenue of the Group decreased by 27.3% year-on-year to RMB149,600,000 (2023/24: RMB205,800,000). Consolidated gross profit decreased by 41.1% to RMB79,400,000 (2023/24: RMB134,900,000). Gross profit margin decreased by 12.4 percentage points to 53.1% as compared to the corresponding period of last year.

During the period under review, selling and distribution expenses decreased by 22.9% year-on-year to RMB83,300,000 (2023/24: RMB108,100,000). The ratio of selling and distribution expenses to total revenue increased by 3.2 percentage points to 55.7% (2023/24: 52.5%). One of the reasons for the increase of such ratio was that one-off employees' compensation expenses were incurred due to the closure of shops and the giving out of a higher sales commission to incentivise sales staff for slow-moving stock clearance. Another reason was attributable to a greater decline in revenue than that of expenses of the Group.

During the period under review, general and administrative expenses increased by 0.7% to RMB41,800,000 as compared to the corresponding period of last year (2023/24: RMB41,500,000). As most of the expenses of the back-office are fixed and the Group's total sales recorded a significant decline, and one-off employees' compensation expenses owing to the optimisation of back-office administrative staff were incurred during the period under view, the ratio of general and administrative expenses to total revenue of the Group consequently increased by 7.8 percentage points to 28.0% (2023/24: 20.2%).

The Group recorded other income of RMB1,100,000 during the period under review, increased by 36.2% year-on-year as compared to the corresponding period of last year (2023/24: RMB800,000). Such other income included local government incentives and property rental income. Other gains comprised of exchange gains or losses. During the period under review, the exchange rate of renminbi slightly rebounded, the Group recorded an exchange gain of RMB1,400,000 (2023/24: loss of RMB2,200,000).

Overall, in the first half of financial year 2024/25, the consolidated loss attributable to owners of the Company was RMB38,000,000 (2023/24: consolidated loss of RMB13,900,000). Basic loss per share was RMB5.39 cents (2023/24: loss of RMB1.96 cents). The Directors did not recommend the payment of an interim dividend (2023/24: an interim special dividend of HK5.0 cents per ordinary share).

INCOME TAX EXPENSE

During the period under review, income tax expense amounted to approximately RMB1,600,000 (2023/24: RMB1,600,000). The income tax expenses included the deferred tax expenses made for the reversal of provision items and the withholding tax paid for the remittance of profit from a Chinese subsidiary to its foreign parent company. Effective from 2012, all business entities of the Group in Mainland China are subject to an income tax rate of 25% while the profit tax rate for the operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5-10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the items not subject to taxation, the effective income tax rate of the Group was 24.7% (2023/24: 21.8%).

INVENTORY MANAGEMENT

As at 31 August 2024, the Group's inventory balance was RMB119,000,000, representing a significant decrease of approximately 38.1% as compared to the inventory balance of RMB192,300,000 as at the corresponding date of last year.

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2024	As at 31 August 2023	Changes in value	Changes in %
Finished goods	**119.0**	192.3	(73.3)	(38.1%)

The Group has been monitoring the changes of market demand and prudently procuring its products. Since the current retail environment remains sluggish and uncertain, the quantities of purchases in current season decreased comparing to the corresponding period of last year. As at 31 August 2024, the proportion of the inventory of footwear of the Group aged less than one year therefore decreased by 12.8 percentage points to 42.2% (31 August 2023: 55.0%). In addition, in order to avoid overstocking and speed up inventory turnover, the Group conducted stock clearance sales through different sales channels during the period under review to reduce the volume of off-season inventories. During the period under review, the Group's inventory turnover of finished goods decreased by 119 days to 379 days (31 August 2023: 498 days).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained strong and healthy. As at 31 August 2024, the Group's cash and bank balances amounted to RMB336,300,000 (29 February 2024: RMB364,700,000). With the sluggish retail market, the Group still maintains sufficient cash. Quick ratio was 3.9 times (29 February 2024: 4.0 times). When necessary, the Group would finance its operations and 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 under review, the Group had borrowed a revolving loan of HK$10,000,000 from the bank and has repaid it. As at the end of the financial period, the Group had no outstanding bank loan (29 February 2024: 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 under review.

During the period ended 31 August 2024, 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, the Group has adequate financial resources to fund its future needs in development.

BUSINESS REVIEW

Overview

The National Bureau of Statistics announced that China's gross domestic product ("GDP") for the first half of 2024 increased by 5.0% year-on-year, which attained the GDP growth target as set out in the "Report on the Work of the Government". The economic performance of Mainland China appeared to be stable and improving in general; however, the driving force of China's economy was mainly subject to the recovery of external demand and the accelerated development of the advanced technology industry. Although the retail sales figures demonstrated a significant resurgence for some time, the retail environment in Mainland China is not entirely optimistic since such rebound in retail sales figures did not last and was followed by a gradual decline. This highlights that the public's confidence towards retail commodities consumption is relatively low, and that consumption in Mainland China still faces shrinking pressure.

In view of the above, the Chinese government has implemented policies for a large-scale renewal of automobile equipment and the preferential trade-in of durable consumer goods such as home appliances, resulted in a dual effect of both boosting domestic demand and driving the manufacturing needs for relevant equipment. Nevertheless, those policies focused mainly on particular retail market segments and had not benefitted the entire retail and footwear industry. To cope with such a weak market, the Group has closed underperformed stores in a timely manner and focused on increasing efforts to sell the off-season products during the period under review. The Group's total retail revenue decreased by 27.3% to RMB149,600,000 (2023/24: RMB205,800,000) as compared to that of last year while same store sales decreased by 19.5% (2023/24: increased by 13.5%) during the period under review. The Group has been actively responding to uncertainties arising from the change of economic structure and the downgrade of consumption in Mainland China by adjusting its operation strategy to improve the Group's internal operation efficiency.

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 224 physical stores in Mainland China and Hong Kong, representing a net reduction of 73 stores compared to the corresponding date of last year. The number of self-owned stores dropped by 69 while the number of franchised stores decreased by 4 during the period under review.

As at 31 August 2024, there were an aggregate of 154 stores under the core brands le saunda and le saunda MEN, representing a net decrease of 61 stores as compared to the end of last corresponding period. The high-end fashion brand, LINEA ROSA, also had a net reduction of 6 stores, bringing the total number of stores to 20, as compared to the end of last corresponding period. As at the end of the period under review, 1 cosmetic store in Hong Kong was closed.

As at 31 August 2024, 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	202	(-68)	22	(-4)	224	(-72)
• Northern, Northeastern & Northwestern Regions	53	(-16)	21	(-4)	74	(-20)
• Eastern Region	68	(-21)	-	-	68	(-21)
• Central and Southwestern Regions	43	(-12)	1	(0)	44	(-12)
• Southern Region	38	(-19)	-	-	38	(-19)
Hong Kong	0	(-1)	-	-	0	(-1)
Total	202	(-69)	22	(-4)	224	(-73)

Mainland China

Retail Business

In the first half of 2024, the total retail sales of the overall consumer goods increased by 3.7% year-on-year. Even though retail sales have been growing steadily, the growth rate was mainly driven by individual retail consumption, such as grain and oil, food, tobacco and alcohol, etc. On the contrary, retail sales of garments, footwear, hats, and knitwear have shown signs of decline since April 2024. Such retail sales continued to show negative growth till August this year, reflecting a declining demand for commodities of garments, footwear, hats, and knitwear. Such a situation represents that the footwear retail market is still gloomy and full of challenges. Moreover, according to the statistics and analysis as at August 2024 regarding retail channels in Mainland China, retail sales through department stores and brand specialty stores dropped by 3.3% year-on-year and 1.9% year-on-year, respectively, and the performance of in-store consumption even deteriorated as compared to the past. The sales performance of the Group's physical store has unavoidably been affected.

During the period under review, as the retail market in Mainland China remained sluggish, the Group's sales dropped by 25.4% year-on-year to RMB149,600,000 (2023/24: RMB200,500,000), while same-store sales also decreased by 19.5% (2023/24: increased by 12.1%). During the period under review, in response to the downturn in the retail environment, the Group further consolidated its retail store network in order to enhance the efficiency of its offline sales channel. The Group closed stores with unsatisfactory performance when necessary to concentrate resources on profitable key stores so as to reach its target customers more effectively. Furthermore, the Group had also decisively implemented promotion sales for stock clearance during market downturns. This was to avoid large stockpiles of off-season inventories on the one hand, and to accelerate its inventory turnover and enhance the liquidity on the other hand so as to maintain the Group's operation capability while stabilising its cash flows.

E-Commerce Business

Since the economy in Mainland China has not fully recovered, the ratio of consumption expenditure per capita to disposable income per capita showed a downward trend in general, and the e-commerce platform was also adversely affected. As of August of 2024, online retail sales of physical goods in Mainland China increased by 8.1% year-on-year while it increased by 12.1% for the corresponding period in last year. Among online retail sales of physical goods, sales of wearable goods increased by 5.0%, compared with the increase of 10.9% for the corresponding period in last year. The drops in growth rate reflected, at a certain extent, the decreasing need for consumers to purchase consumer goods online. Meanwhile, consumers' need for low-priced goods gradually increased and it is getting more persistent. Such consumption downgrade led to more fierce competition in the e-commerce business and increased the cost and difficulty of acquiring customers. During the period under review, the revenue from the Group's e-commerce business dropped by 9.9%. The Group is now optimising the CRM system, which would automatically disseminate information on the online platform that meets the specific needs of the target customer groups to offer different promotional and feedback programs to attract customers' attention to the product and encourage existing members to repurchase.

The Group, as always, invests resources to implement effective online brand management and establishes a closer cooperation with e-commerce platforms. On each traditional e-commerce platform and emerging social media platform, the Group provided high quality products for online customers to choose from and launched promotion activities in a regular basis. Accordingly, apart from meeting target customer groups' need, the Group also drove online traffic of the related e-commerce platform and achieved a win-win situation. In particular, the Group was awarded with "Big Brand Outlet Award (年度大牌奧萊獎)" from JD.com's fashion division in April 2024 and the Group's brand has been highly recognised accordingly. Besides, in May 2024, Guangdong Electronic-Commerce Association continued to appoint a main subsidiary of the Group to be an executive director unit. Performing the duty of such unit would be conducive to consolidating the Group's brand image and influence.

In respect of e-commerce operation, for the purpose of lowering the cost of acquiring customers, the Group has launched a system of mini app store which provides the members with an additional channel to access the Group's product information. The mini app store does not require the platforms to operate, so that sales commission fees of relevant platforms could be saved and the overall operation expense of e-commerce business could be lowered in the long run. In order to strengthen the management of customer relationships, enhance the interactions with online members and arouse members' interest towards the products of Le Saunda, the Group has optimised its VIP membership program. Together with the new CRM system connected to the mini app store, the Group can further understand the personalised needs and consumption habits of different members and recommend more suitable products to target members, which would in turn increase the sales success rate. By integrating online and offline resources and the internal member data base, the Group could interact with members more easily and more proactively, and hence the loyalty of the brand would be cultivated and brand value would be enhanced.

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

While the pressure of inflation gradually subsiding during the second half of 2024, various countries would reduce the interest rate to maintain economy upturn which strengthened the resilience of global economy. The Mainland China's economy has yet to improve entirely while the market is expecting the State Council of the People's Republic of China to promote a new round of measures that would stimulate domestic demand and the People's Bank of China to announce a combination of policies which would benefit the economy, including persistent reduction of deposit reserve ratio and interest rate reduction, in order to release more liquidity to the financial market and in turn induce the consumption sentiment of the public. Though there are still many uncertainties in the retail environment and the consumption preferences of the consumers are constantly changing, the Group still believes that the economy in Mainland China would grow as expected. The Group will review its brand positioning constantly, capture the current trends of popular footwear styles, and strive to meet the needs of consumers by providing products with high quality, great style and exquisite craftsmanship, aiming to establish a better brand reputation. Similarly, the Group will continue to introduce new sales and marketing plans that would increase brand exposure and strengthen the influence of its brand so as to maintain the market share of ladies' fashion footwear.

In respect of operation, the Group will continue to optimise its supply chain management such as improving procurement planning and workflow. The Group will identify suppliers with excellent production quality for its key procurement to ensure that the quality of finished products is in line with its standard so as to enhance customers' confidence in the Le Saunda brand. In addition, the Group plans to further consolidate the logistics chain and optimise the integration with the logistics provider's systems by gradually standardising the workflow of the inventory inbound, outbound and internal transfer in order to streamline the processes of procurement, transportation and warehousing as well as saving the related logistics and manpower costs. This will also enable the Group to have a better control of the inventory movement and minimise the chances of inventory shortage or slow-moving goods stock up, thereby enhancing operational efficiency. In respective of the strategy of sales network, the Group has been continuously weighing the effectiveness of the stores in various regions and re-position their role of sales function, in order to maintain the Group's overall offline sales capacity and further enhance the flexibility of inventory allocation which would cope with sales and marketing strategy that the Group will adjust from time to time.

On the other hand, the Group will, with its ongoing effort, to actively reduce excess off-season inventory in order to accelerate its inventory turnover and strengthen the cash flow. Nevertheless, low-priced selling is only a short term strategy for clearing off the off-season products, it would not satisfy the consumers' need in a long run. The disadvantages of low-priced selling strategy outweigh its advantages as the business revenue would not grow continuously. The brand would be downgraded in the long run. On the contrary, brand promotion is still one of the Group's key long-term strategies. Its core value is to increase customer traffic and sales by enhancing the brand's value. The Group will offer offline experience services through its particular self-owned physical retail stores, which these offline experience services could enhance brand value and promote the Group's brand. These experience services allow our online customers to visit our stores for shoes fitting and obtain detailed product introductions and professional footwear recommendations from sales staff at the same time which they could be directly experiencing the Group's professional and thoughtful services.

These self-owned physical retail stores will not only showcase seasonal and popular footwear products that could boost the sales through Private Traffic, but also the live streaming to be held in these stores would improve the sales performance of traditional e-commerce platforms. The Group will also hold customers' sharing sessions at these stores, and the interaction with existing VIP customers could allow us to understand their opinions and needs on our products so that we would adjust sales approach from time to time and these customers' sharing sessions could also attract the potential consumers to visit our store to further understand the Group's products features instantly, and hence, this will allow the Group to reach new customer group efficiently so as to enhance the sales performance. The Group will also explore new relevant consumer product types to be introduced into the existing product portfolio with an aim to meet the diversified market demands.

Leveraging on the Group's experience in retail business for over 40 years, the Group has solid execution capability to consolidate various operation solutions with different aspects such as products, retail network, pricing and promotion. Under this challenging retail environment, all the staff of the Group will work together with immense effort to continue striving for long-term developments and achieving better business results.

PLEDGE OF ASSETS

As at 31 August 2024, the Group had no pledge of assets (29 February 2024: 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 RMB100,900,000 (29 February 2024: RMB101,400,000), of which no credit amount was utilised as at 31 August 2024 (29 February 2024: RMB100,000).

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 31 August 2024 (2023: interim special dividend of HK5.0 cents per ordinary share).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2024, the Group had a staff force of 805 people (29 February 2024: 927 people) out of which, 16 were based in Hong Kong and 789 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 2024, including Directors' emoluments and net pension contributions, amounted to RMB59,300,000 (2023/24: RMB63,200,000). 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.

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 2024.

AUDIT COMMITTEE

As at 31 August 2024 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 ("Mr. Lam") (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 2024. 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 2024.

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 C1 to the Listing Rules save for deviation described below. Since October 2019, the position of Chief Executive Officer of the Company 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.

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 C3 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 2024 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 2024 containing all the information required by the Listing Rules will be despatched to the Shareholders (if a printed copy is requested) 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 2024.

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, 28 October 2024

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

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