

le saunda holdings ltd.

萊爾斯丹控股有限公司

interim report 2016/17

(Stock Code : 0738)

interim report 2016/17

le saunda holdings ltd.



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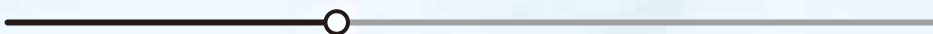
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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lau Shun Wai (*Chief Executive Officer*)
(*resigned with effect from 31 August 2016*)
Chu Tsui Lan (*Chief Operating Officer*)
Chui Kwan Ho, Jacky
Wong Sau Han
Cheng Wang, Gary
(*appointed with effect from 1 September 2016*)

NON-EXECUTIVE DIRECTORS

James Ngai (*Chairman*)
Lee Tze Bun, Marces

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Siu Lun, Simon
Leung Wai Ki, George
Hui Chi Kwan

AUDIT COMMITTEE

Lam Siu Lun, Simon (*Chairman*)
Leung Wai Ki, George
Hui Chi Kwan

REMUNERATION COMMITTEE

Lam Siu Lun, Simon (*Chairman*)
Leung Wai Ki, George
Hui Chi Kwan
James Ngai

NOMINATION COMMITTEE

Hui Chi Kwan (*Chairman*)
Lam Siu Lun, Simon
Leung Wai Ki, George
James Ngai

COMPANY SECRETARY

Lo Tik Man, Ophelia

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
China Construction Bank (Asia)
Corporation Limited

AUDITOR

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISER

Wilkinson & Grist
6th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17th Floor
1063 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)

Computershare Hong Kong Investor Services
Limited
Units 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

LISTING INFORMATION

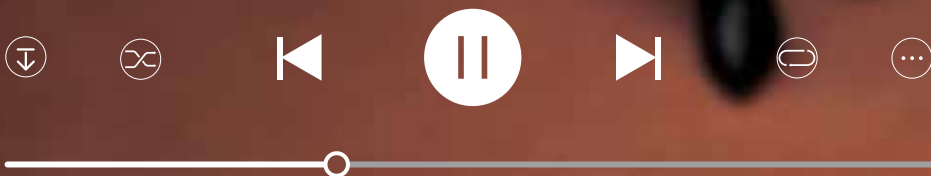
Listing: The Stock Exchange of Hong Kong Limited
Stock Code: 0738
Board Size: 2,000 Shares

INVESTOR RELATIONS

Email address: ir@lesaunda.com.hk

WEBSITE ADDRESS

<http://www.lesaunda.com.hk>



MANAGEMENT'S DISCUSSION AND ANALYSIS

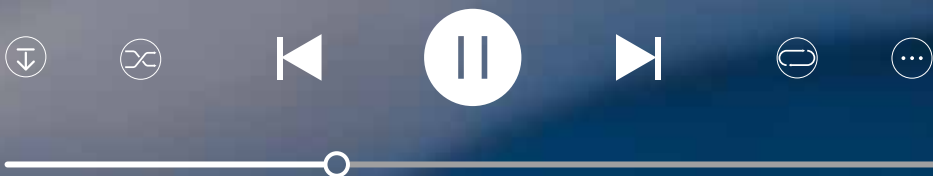


FINANCIAL REVIEW

OPERATING RESULTS

The Group is engaged in the design, development, manufacturing and retailing of ladies' and men's footwear, handbags and accessories in Mainland China, Hong Kong and Macau under a vertically-integrated business model. The major proprietary brands of the Group include le saunda, le saunda MEN, LINEA ROSA and CNE, which aim to appeal to diversified target customer groups with distinctive product lines.

In the first half of the fiscal year 2016/17, total revenue of the Group decreased by 13.8% year-on-year to RMB651,200,000 (2015/16: RMB755,800,000). Consolidated gross profit dropped by 12.7% year-on-year to RMB438,000,000 (2015/16: RMB501,800,000). The Group recorded an overall gross profit margin of 67.3%, increased by 0.9 percentage point as compared to last year. Consolidated profit attributable to owners of the Company decreased by 24.7% year-on-year to RMB41,600,000 (2015/16: RMB55,200,000). The underlying profit attributable to owners of the Company, which reflected the performance of the Group's core footwear business, decreased by 24.0% year-on-year to RMB45,600,000 (2015/16: RMB60,000,000).



MANAGEMENT'S DISCUSSION AND ANALYSIS

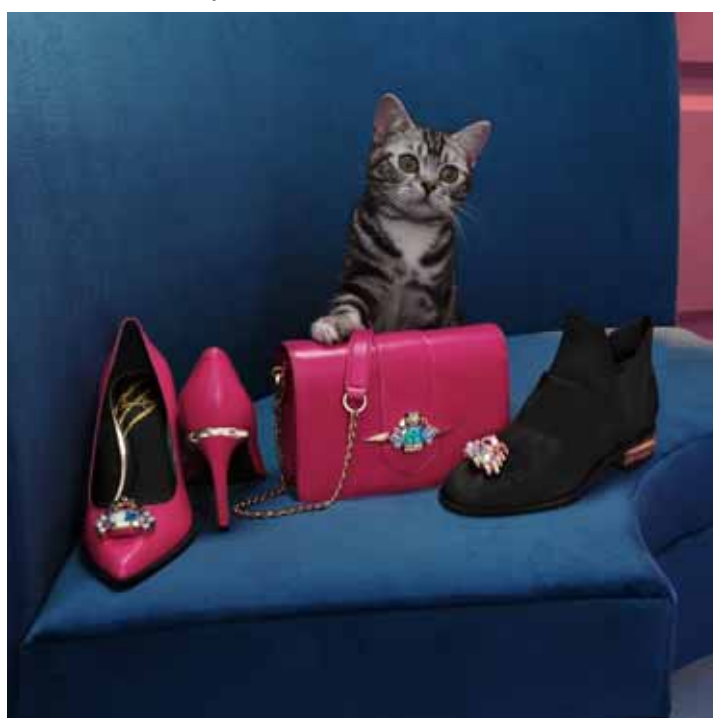
FINANCIAL REVIEW (CONTINUED)

OPERATING RESULTS (CONTINUED)

RMB (million)	1H 2016/17	1H 2015/16	Change
Revenue	651.2	755.8	(13.8%)
Gross profit	438.0	501.8	(12.7%)
Gross profit margin	67.3%	66.4%	0.9 percentage point
Underlying profit attributable to owners <i>(Note)</i>	45.6	60.0	(24.0%)
Consolidated profit attributable to owners	41.6	55.2	(24.7%)
Basic earnings per share (RMB cents)	5.89	8.45	(30.3%)
Interim dividend			
– HK cents	4.3	5.7	
(equivalent to approximately RMB cents [#])	3.6	4.6	
Special dividend			
– HK cents	1.4	—	
(equivalent to approximately RMB cents [#])	1.2	—	
Dividend pay-out ratio	81.8%	58.6%	23.2 percentage points

Note: Underlying profit attributable to owners is an indicator of the sales performance of the Group's core footwear business, calculated by deducting share of profit of joint venture, rental income and foreign exchange losses, from profit for the period attributable to owners of the Company.

[#] For reference only





MANAGEMENT'S DISCUSSION AND ANALYSIS



FINANCIAL REVIEW (CONTINUED)

PROFITABILITY ANALYSIS

During the period under review, the retail markets of Mainland China and Hong Kong remained sluggish, resulting in the decrease of gross profit by 12.7% year-on-year to RMB438,000,000 (2015/16: RMB501,800,000). Benefitted from a lower sales discount, the decline rate of gross profit was less than that of revenue. The gross profit margin increased by 0.9 percentage point year-on-year to 67.3% amid the negative growths recorded in both revenue and same-store sales.

Selling and distribution expenses decreased by 14.1% year-on-year to RMB302,700,000 (2015/16: RMB352,300,000). Under the overall sluggish retail market, the ratio of selling and distribution expenses to total revenue decreased by 0.1 percentage point to 46.5% (2015/16: 46.6%). With more online and offline integrated marketing programs, the Group has significantly reduced the on-line promotional expenses during the period under review. Advertising and promotional expenses finally accounted for 2.4% of total revenue, representing a year-on-year decrease of 1.4 percentage points. During the period under review, to enhance its brand awareness, the Group has continued to introduce large-scale promotional activities with different themes to increase interactive communication with its VIP members.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

PROFITABILITY ANALYSIS (CONTINUED)

General and administrative expenses decreased by 0.4% to RMB87,100,000 (2015/16: RMB87,400,000), compared to the corresponding period of last year. Due to the decrease in revenue, general and administrative expenses accounted for 13.4% of total revenue (2015/16: 11.6%), representing an increase of 1.8 percentage points. The Group has reorganized its production base and back office during the period and expect the related costs will gradually decrease.

Other income decreased by 6.0% to RMB19,000,000 (2015/16: RMB20,200,000). The decrease was mainly attributable to the decrease in local government subsidy. Other losses, mainly represented by exchange losses, decreased by 11.1% to RMB6,100,000 during the period under review.

Consolidated profit attributable to owners of the Company decreased by 24.7% to RMB41,600,000 (2015/16: RMB55,200,000) as compared to last year. Basic earnings per share decreased by 30.3% year-on-year to RMB5.89 cents (2015/16: RMB8.45 cents). In return for the shareholders' longstanding support, the Board recommended an interim dividend of HK4.3 cents per ordinary share (2015/16: interim dividend of HK5.7 cents) and a special dividend of HK1.4 cents per ordinary share (2015/16: Nil), maintaining a high dividend payout ratio of 81.8% (2015/16: 58.6%).

INCOME TAX EXPENSE

During the period under review, income tax expenses amounted to approximately RMB21,400,000 (2015/16: RMB25,100,000), representing a decrease of 15.0% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for corporations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of the People's Republic 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 losses not subject to taxation, the effective income tax rate of the Group was 30.7% (2015/16: 28.6%).



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

INVENTORY MANAGEMENT

As at 31 August 2016, the Group's inventory balance was RMB450,300,000, down 2.4% year-on-year from last period end's balance of RMB461,400,000. Inventory turnover days of finished goods increased by 31 days to 289 days (31 August 2015: 258 days).

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2016	As at 31 August 2015	Changes in value	Changes in %
Raw materials and work-in-progress	42.9	56.4	(13.5)	(23.9%)
Finished goods	407.4	405.0	2.4	0.6%
Total	450.3	461.4	(11.1)	(2.4%)

During the period under review, the inventory of raw materials and work-in-progress significantly decreased by 23.9% year-on-year, which was attributable to the Group's continuous efforts in improving its supply chain and production plant's efficiency. Currently, the Group is adjusting its operations: not only to close underperforming stores and clear up inventory of finished goods but also to limit the number of Stock Keeping Unit ("SKU") and reduce new orders in the coming seasons. As a result, the finished goods inventory at the period-end date was kept at the same level as last year. The Group has been exercising strict control over the stock age of its inventory and as at 31 August 2016, approximately 80% of the Group's finished goods had a stock age of less than one year (31 August 2015: 85%).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2016, the Group's cash and bank balance amounted to RMB542,000,000 (29 February 2016: RMB543,500,000). The cash flow remained stable in spite of the sluggish sales. The quick ratio was 3.4 times (29 February 2016: 3.3 times). As at 31 August 2016, the Group had no outstanding short-term bank loan (29 February 2016: Nil). Forward contracts will be used by the Group, 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. In addition, working capital requirements for business operations in Mainland China will be financed by loans denominated in Renminbi from local banks when necessary.

During the period ended 31 August 2016, the Group's cash and bank balances were held in Hong Kong dollars, US dollars, Euro and Renminbi and were deposited in leading banks with maturity of less than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

The growth of China's gross domestic product (GDP) further eased in the first half of 2016. The overall retail environment has been on a progressive down trend along with the slow-down of China's economic growth since 2012. Retail industry sentiment remained low without any significant sign of rebound noted so far. In the first half of 2016, booming investment in the real estate market has diverted a large extent of purchasing power, which resulted in a more challenging business environment to the operators.

Changes in consumers' preference have made the market more segmented and shopping channels more diversified. Customers have focused more on shopping experience and brand reputation, and demanded more on product quality and brand value. Customers would pursue products more value for money.

Fast changes in the market as well as consistent high cost ratio continuously squeezed the profit margin of retail industry. During the period under review, the Group has proactively adjusted its strategies to further enhance its product quality, reinforce its supply chain and broaden its sales channels. The Group has introduced more stylish and personalized products with youthful twists to capture the business opportunities brought by the change of the consumption trend. In response to the unfavorable environment, the Group has also enhanced the integration of its online and offline operations.

RETAIL BUSINESS

The total retail sales of consumer goods in Mainland China recorded a slow-down in growth in the first half of 2016. For the period under review, the total retail revenue of the Group decreased by 13.8% year-on-year to RMB651,200,000 (2015/16: RMB755,800,000), of which the retail revenue from Mainland China decreased by 12.1% to RMB614,800,000 (2015/16: RMB699,600,000). The Group's same-store sales also decreased by 13.0% (2015/16: decreased by 4.2%). The drop in same-store sales was attributable to the followings: firstly, slackened economic growth in Mainland China made the overall retail market persistently sluggish; secondly, surge in property prices resulted in a significant shift of purchasing power into the real estate market; thirdly, rapid growth of consumer spending in overseas market took away some consumption in domestic market; fourthly, consecutive years of high growth in same-store sales already built a quite high comparative base. To cope with the ever-changing market, the Group will focus on improving its product quality and boosting its price competitiveness, in a bid to gradually improve the same-store sales.

For the first half of 2016 retail sales in Hong Kong decreased by 10.5% year-on-year, showing that the decline has apparently accelerated as compared to the prior year. The slide was the combined effects of the decrease in consumption from inbound tourists in Hong Kong and the local consumers becoming more prudent in spending amid the continual uncertainties towards the economic outlook. The Group's sales revenue in Hong Kong and Macau decreased by 35.4% year-on-year to RMB36,300,000 (2015/16: RMB56,200,000) and the business unit remained at a loss. For the period under review, the number of stores in Hong Kong and Macau reduced by 6 to 10 stores since the Group has to close down underperforming stores while the same-store sales in Hong Kong and Macau not yet recovered.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

RETAIL NETWORK

Mainland China is the key market of the Group's retail business. As at 31 August 2016, the Group had a retail network comprising 836 stores in Mainland China, Hong Kong and Macau, representing a net decrease of 47 stores compared to the same date of last year. The decrease was the net effect of the closure of certain underperforming stores and opening of new stores at other prime locations, in light of the continual slow-down of consumption in department stores.

As at 31 August 2016, there were 604 le saunda stores and 57 le saunda MEN stores, representing net reductions of 62 and 12 stores respectively, as compared to the same date of last year. LINEA ROSA, the high-end fashion brand of the Group, approached its mature stage to provide stable results that maintained a moderate pace of store opening amidst the adverse market condition. LINEA ROSA's network had a net increase of 15 stores to a total of 72 stores as compared to that of the corresponding period of last year. CNE O2O has also maintained its pace of store opening and the number of stores increased from 16 to 22.

As at 31 August 2016, the breakdown of the Group's retail network was as follows:

Number of Outlets by Region	Self-owned		Franchise		Total	
	(Year-on-year change)		(Year-on-year change)		(Year-on-year change)	
Mainland China	742	(-16)	84	(-25)	826	(-41)
• Northern, Northeastern & Northwestern Regions	173	(-20)	73	(-14)	246	(-34)
• Eastern Region	228	(+3)	1	(-1)	229	(+2)
• Central and Southwestern Regions	168	-	10	(-5)	178	(-5)
• Southern Region	173	(+1)	-	(-5)	173	(-4)
Hong Kong and Macau	10	(-6)	-	-	10	(-6)
Total	752	(-22)	84	(-25)	836	(-47)

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

E-COMMERCE BUSINESS

In the first half of 2016, in spite of the double-digit year-on-year growth recorded in the national online retailing, the growth rate of e-commerce industry has been impeded significantly compared to prior years. The overall growth momentum of e-commerce has diminished quickly after years of exponential growth. Severe competition from cross-border e-commerce import players and rapid increase in channel expenses put the profit margin of online business under pressure.

In face of the rapid upsurge in channel costs, the Group has adjusted timely its operational model to boost the sale conversion rate by extending its access to consumers via subscription accounts of various platforms. During the period under review, the Group not only increased the proportion of casual and youthful designs to meet the consumers' needs but also improved its profitability with strict control on costs. Though revenue of the Group's e-commerce decreased by 19.0% year-on-year, its gross profit margin was maintained. Benefitted from cutting costs on online advertising, marketing and courier charges, the e-commerce business still recorded a profit growth despite of the sale decline. During the period, the e-commerce revenue accounted for approximately 12.0% of total revenue of the Group.

The Group strived to increase the interaction with customers and to enlarge its VIP customer base. With the use of social media and official subscription accounts of different platforms, such as Facebook and WeChat, the Group published information of its latest products and games to attract more involvement from the customers. The Group also organized VIP activities in different cities to share the trend of mix and match with the customers and provide them areas to design items of their own. All these online/offline efforts aimed to enrich the customers' shopping experiences.

OUTLOOK

Looking forward, fierce competition in online and offline retail markets and integration of different markets will pose a persistent challenge to the operators. The Chinese government, however, still regards domestic consumption as one of the main drivers of economic growth. GDP per capita in China has already risen beyond US\$7,000, representing the demand for fashionable and high quality products has entered into a fast growing stage. In recent years, the uprise of "experiential shopping" has gradually transformed the retail market from fulfilling customers' "necessity" into enhancing their "shopping experience". These two noted changes have provided development potential for brand operators.

The Group has always committed to product quality. To satisfy the customers with good products, the Group will continue to upgrade the raw materials and craftsmanship of its products with chic and trendy designs. Facing the rapid and rampant changes in the market, the Group will manage to explore different consumer market segments and continue to optimize its product mix to supply more casual comfort and fashionable products and accessories to these markets. The Group has decided to expand the handbag segment as a new growth driver in revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

Consumers have emphasized more on the experience gained on the entire shopping process, including the shopping environment, service of sales staff and after-sales service. Leveraging on the mobile internet platforms, the Group is committed to provide more user-friendly customer service by understanding the shopping habits and needs of customers from different age ranges. The Group will actively refine the store environment and upgrade the store image so as to boost the customers' traffic and their willingness to buy. For example, CNE store has shortened the distance between customers and products to provide customers more convenience in shopping. CNE new store design with semi-self-service setting is well-received by the market.

CNE brand will uphold the fast fashion model to meet its consumer's preferences. CNE will launch popular products in a timely manner to expand this mid-end market. Meanwhile, CNE brand will optimize its online-to-offline ("O2O") operation model to develop new O2O online channel and to lower its cost-to-sales ratio. After years of development, CNE has built a mature team with sufficient talents for future expansion. In the second half of the year, the Group will keep on opening new CNE O2O stores and introduce new product categories and leisure designs for consumers. The integration of IT system will provide technical support to improve the supply chain's efficiency, in a bid to foster a closer connection of all sections along the supply chain. After the comprehensive upgrade of POS system in the second half of the year, the benefits of information sharing will accelerate our responses towards the market.

In the first half of the year, the Group has streamlined the organizational structure in its production base and the outcome was satisfactory. In order to relieve the inventory pressure, the Group will put more efforts in clearing up the inventory and streamlining its new season SKU in the second half of the year. The Group will also continue to build up a more flattened organizational structure. The Group will build a highly efficient offline retail network by closing down underperforming stores and opening up new stores at better locations. The Group believes that in the future retailers will rely on enhancing operational efficiency and refining management process to lower their costs, in a bid to improve its profit margin.

The Group believes that the retail market will remain lacklustre in the foreseeable future, and further internal reforms would be the only way to face up to the challenges. To prepare for its rapid development in the future, the Group will continuously explore new ways to accommodate the market changes and to increase its profitability. To provide stable return to shareholders in the long run, the Group is committed to the transformation from a traditional vertically-integrated offline retailer to a highly data-oriented omni-channel operator.

MANAGEMENT'S DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 August 2016, bank deposits of RMB2.3 million (29 February 2016: RMB2.3 million) have been pledged as rental deposits for certain subsidiaries of the Group.

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 RMB215.6 million (29 February 2016: RMB210.8 million), of which RMB5.1 million (29 February 2016: RMB3.6 million) was utilised as at 31 August 2016.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK4.3 cents (2015: HK5.7 cents) per ordinary share and a special dividend of HK1.4 cents (2015: Nil) per ordinary share for the six months ended 31 August 2016 payable on Thursday, 24 November 2016 to all shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 15 November 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2016, the Group had a staff force of 5,120 people (29 February 2016: 5,286 people). Of this number, 128 were based in Hong Kong and Macau and 4,992 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 2016, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB181.1 million (2015: RMB189.7 million). The Group has all along organized structured and diversified training programmes for staff at different levels. Outside consultants will be invited to broaden the contents of the training programmes.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 31 August 2016

	Note	Unaudited	
		Six months ended 31 August	
		2016	2015
		RMB'000	RMB'000
Revenue	6	651,173	755,792
Cost of sales		(213,160)	(254,025)
Gross profit		438,013	501,767
Other income	7	19,039	20,244
Other losses	7	(6,094)	(6,855)
Selling and distribution expenses		(302,687)	(352,269)
General and administrative expenses		(87,109)	(87,429)
Operating profit	8	61,162	75,458
Finance income		2,089	5,209
Share of profit of a joint venture		204	258
Profit before income tax		63,455	80,925
Income tax expense	9	(21,374)	(25,145)
Profit for the period		42,081	55,780
Profit for the period attributable to:			
— owners of the Company		41,593	55,215
— non-controlling interest		488	565
		42,081	55,780
Earnings per share attributable to the owners of the Company (express in RMB cents)			
— Basic	10	5.89	8.45
— Diluted	10	5.89	8.40
Dividends	11	34,034	32,377

The notes on pages 24 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2016

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Profit for the period	42,081	55,780
Other comprehensive income		
<i>Item that will be reclassified to profit or loss</i>		
– Currency translation differences	12,357	7,714
Other comprehensive income for the period	12,357	7,714
Total comprehensive income for the period	54,438	63,494
Total comprehensive income for the period, attributable to:		
– owners of the Company	54,223	63,167
– non-controlling interest	215	327
	54,438	63,494

The notes on pages 24 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2016

	<i>Note</i>	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
ASSETS			
Non-current assets			
Investment properties	12	143,301	141,505
Property, plant and equipment	12	100,272	108,372
Land use rights	12	14,770	14,880
Long-term deposits and prepayments		9,089	8,961
Interest in a joint venture		34,940	34,733
Interest in and amount due from an available-for-sale financial asset	13	—	—
Deferred tax assets		72,088	69,813
		374,460	378,264
Current assets			
Inventories		450,269	441,819
Trade and other receivables	14	138,996	162,693
Deposits and prepayments		36,472	44,958
Cash and bank balances		541,975	543,466
		1,167,712	1,192,936
Total assets		1,542,172	1,571,200
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	16	59,979	59,979
Reserves			
Dividends		34,034	57,704
Others		1,201,836	1,183,115
		1,295,849	1,300,798
Non-controlling interest		10,475	11,723
Total equity		1,306,324	1,312,521

le saunda holdings ltd.**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

As at 31 August 2016

	<i>Note</i>	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		34,144	44,375
Current liabilities			
Trade payables and accruals	15	158,640	170,086
Amount due to a joint venture		33,000	33,000
Current income tax liabilities		10,064	11,218
		201,704	214,304
Total liabilities		235,848	258,679
Total equity and liabilities		1,542,172	1,571,200
Net current assets		966,008	978,632
Total assets less current liabilities		1,340,468	1,356,896

The notes on pages 24 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2016

	Unaudited													Total equity RMB'000
	Attributable to the owners of the Company												Non- controlling interest RMB'000	
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Exchange translation reserve RMB'000	Statutory reserve RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Capital reserve RMB'000	Revaluation reserve RMB'000	Employee Share- based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000		
Balance at 1 March 2016	59,979	88,982	145	(42,545)	47,145	326,982	770,931	4,812	11,070	32,836	461	1,300,798	11,723	1,312,521
Profit for the period	-	-	-	-	-	-	41,593	-	-	-	-	41,593	488	42,081
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
– Currency translation differences	-	-	-	12,630	-	-	-	-	-	-	-	12,630	(273)	12,357
Total comprehensive income for the period ended 31 August 2016	-	-	-	12,630	-	-	41,593	-	-	-	-	54,223	215	54,438
Employees share option scheme:	-	-	-	-	-	-	-	-	-	537	-	537	-	537
– value of employee services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends relating to 2016 paid in July 2016 (Note 11)	-	-	-	-	-	-	(59,709)	-	-	-	-	(59,709)	(1,463)	(61,172)
	-	-	-	-	-	-	(59,709)	-	-	537	-	(59,172)	(1,463)	(60,635)
Balance at 31 August 2016	59,979	88,982	145	(29,915)	47,145	326,982	752,815	4,812	11,070	33,373	461	1,295,849	10,475	1,306,324
Representing:														
Share capital														59,979
2016 interim dividend and special dividend														34,034
Others														1,201,836
Non-controlling interest														10,475
														<u>1,306,324</u>

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**CONDENSED CONSOLIDATED
INTERIM STATEMENT OF CHANGES IN EQUITY**
For the six months ended 31 August 2016

	Unaudited											
	Attributable to the owners of the Company										Non- controlling interest RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Exchange translation reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Capital reserve RMB'000	Employee Share-based compensation reserve RMB'000	Other reserve RMB'000	Total RMB'000			
Balance at 1 March 2015	54,754	421,507	(57,906)	47,145	751,089	4,812	32,472	439	1,254,312	12,429	1,266,741	
Profit for the period	–	–	–	–	55,215	–	–	–	55,215	565	55,780	
Other comprehensive income												
– Currency translation differences	–	–	7,952	–	–	–	–	–	7,952	(238)	7,714	
Total comprehensive income for the period ended 31 August 2015	–	–	7,952	–	55,215	–	–	–	63,167	327	63,494	
Employees share option scheme:												
– value of employee services	–	–	–	–	–	–	2,803	–	2,803	–	2,803	
– exercise of share options	110	2,509	–	–	–	–	–	–	2,619	–	2,619	
Bonus issue	5,165	(5,165)	–	–	–	–	–	–	–	–	–	
Dividends relating to 2015 paid in July 2015 (Note 11)	–	–	–	–	(72,276)	–	–	–	(72,276)	(1,925)	(74,201)	
Share premium reduction and transfer to capital reserve	–	(321,063)	–	–	–	321,063	–	–	–	–	–	
	5,275	(323,719)	–	–	(72,276)	321,063	2,803	–	(66,854)	(1,925)	(68,779)	
Balance at 31 August 2015	60,029	97,788	(49,954)	47,145	734,028	325,875	35,275	439	1,250,625	10,831	1,261,456	
Representing:												
Share capital											60,029	
2015 interim dividend											32,377	
Others											1,158,219	
Non-controlling interest											10,831	
											<u>1,261,456</u>	

The notes on pages 24 to 48 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2016

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Net cash inflows from operating activities	61,032	101,525
Net cash outflows from investing activities	(5,938)	(10,622)
Net cash outflows from financing activities	(61,145)	(71,512)
Net (decrease)/increase in cash and cash equivalents	(6,051)	19,391
Effect of foreign exchange rate changes, net	10,578	5,877
Cash and cash equivalents at 1 March	515,132	436,209
Cash and cash equivalents at 31 August	519,659	461,477
Analysis of the cash and bank balances:		
Cash and cash equivalents	519,659	461,477
Term deposits with initial term over three months	20,000	81,000
Cash restricted for specific purposes	2,316	2,288
Cash and bank balances at 31 August	541,975	544,765

The notes on pages 24 to 48 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Le Saunda Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in manufacturing and sales of shoes. The Group mainly operates in Mainland China, Hong Kong and Macau.

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

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

These condensed consolidated interim financial information are 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 of Directors on 27 October 2016.

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

2 BASIS OF PREPARATION

2.1 Change of presentation currency from Hong Kong Dollars (“HK\$”) to Renminbi (“RMB”)

The presentation currency of the Group’s consolidated financial statements have been changed from HK\$ to RMB for the financial year ended 29 February 2016 and onwards as the Group currently mainly operates its business in Mainland China and most of the assets and liabilities of the Group are denominated in RMB, the directors of the Company (the “Directors”) consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of consolidated financial statements in RMB can provide more relevant information for management to control and monitor the operating performance.

2.2 Basis of preparation

The unaudited condensed consolidated interim financial information of the Group for the six months ended 31 August 2016 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 29 February 2016, as described in those annual financial statements.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs and a new standard that are mandatorily effective for the financial year ending 28 February 2017. The application of the amendments to HKFRSs and the new standard in the current interim period has had no material impact on the results and financial position of the Group.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 29 February 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk.

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 29 February 2016.

There has been no change in the risk management policies of the Group since the year ended 29 February 2016.

5.2. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, which is mainly generated from the operating cash flow, and the availability of funding from an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	31 August 2016 RMB'000	29 February 2016 RMB'000
Less than 1 year		
Trade payables and accruals	158,640	170,086
Amount due to a joint venture	33,000	33,000
	191,640	203,086

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 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 retail and non-retail perspective. For the retail business, the Executive Directors further assess the performance of operations on a geographical basis (Mainland China, Hong Kong and Macau) respectively. The reportable segments are classified in a manner consistent with the information reviewed by the Executive Directors.

The Executive Directors assess the performance of the operating segments based on a measure of reportable segment profit. This measurement basis excludes other income and other loss, finance income, share of profit of a joint venture and unallocated expenses.

Segment assets mainly exclude interest in a joint venture, interest in and amount due from an available-for-sale financial asset, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a joint venture, current income tax liabilities, deferred 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.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (i) The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2016 is as follows:

	Unaudited			
	Six months ended 31 August 2016			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	614,837	36,336	—	651,173
Reportable segment profit	53,959	(5,537)	—	48,422
Other income				19,039
Other losses				(6,094)
Finance income				2,089
Share of profit of a joint venture				204
Unallocated expenses				(205)
Profit before income tax				63,455
Income tax expense				(21,374)
Profit for the period				42,081
Depreciation and amortisation	20,297	1,107	—	21,404
Additions to non-current assets (Other than deferred tax assets)	13,086	959	—	14,045

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (i) The segment information provided to the Executive Directors for the reportable segments for the six months ended 31 August 2015 is as follows:

	Unaudited			Total
	Six months ended 31 August 2015			
	Retail	Others		
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	699,566	56,226	—	755,792
Reportable segment profit	67,584	(5,321)	—	62,263
Other income				20,244
Other losses				(6,855)
Finance income				5,209
Share of profit of a joint venture				258
Unallocated expenses				(194)
Profit before income tax				80,925
Income tax expense				(25,145)
Profit for the period				55,780
Depreciation and amortisation	20,237	1,153	—	21,390
Additions to non-current assets (Other than deferred tax assets)	12,879	642	—	13,521

For the six months ended 31 August 2016 and 31 August 2015, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA and CNE.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (i) An analysis of the Group's assets and liabilities as at 31 August 2016 by reportable segment is set out below:

	Unaudited			Total
	As at 31 August 2016			
	Retail	Others	Total	
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,025,944	401,095	7,848	1,434,887
Interest in a joint venture				34,940
Interest in and amount due from an available-for-sale financial asset				—
Deferred tax assets				72,088
Unallocated assets				257
Total assets per condensed consolidated balance sheet				<u>1,542,172</u>
Segment liabilities	143,453	14,161	1,014	158,628
Amount due to a joint venture				33,000
Current income tax liabilities				10,064
Deferred tax liabilities				34,144
Unallocated liabilities				12
Total liabilities per condensed consolidated balance sheet				<u>235,848</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (i) An analysis of the Group's assets and liabilities as at 29 February 2016 by reportable segment is set out below:

	Audited			Total
	As at 29 February 2016			
	Retail	Others		
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,161,005	295,284	10,261	1,466,550
Interest in a joint venture				34,733
Interest in and amount due from an available-for-sale financial asset				—
Deferred tax assets				69,813
Unallocated assets				104
Total assets per condensed consolidated balance sheet				<u>1,571,200</u>
Segment liabilities	155,691	13,479	894	170,064
Amount due to a joint venture				33,000
Current income tax liabilities				11,218
Deferred tax liabilities				44,375
Unallocated liabilities				22
Total liabilities per condensed consolidated balance sheet				<u>258,679</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Revenue

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Mainland China	614,837	699,566
Hong Kong	31,775	47,667
Macau	4,561	8,559
Total	651,173	755,792

For the six months ended 31 August 2016 and 31 August 2015, 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 tax assets) of the Group by geographical segments is as follows:

Non-Current Assets

	Unaudited	Audited
	31 August	29 February
	2016	2016
	RMB'000	RMB'000
Mainland China	200,531	209,085
Hong Kong	22,693	20,536
Macau	79,148	78,830
Total	302,372	308,451

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

7 OTHER INCOME AND OTHER LOSSES

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Other income		
Gross rental income from investment properties	2,067	1,966
Government incentives	16,972	18,278
	19,039	20,244
Other losses		
Exchange losses (<i>Note (a)</i>)	(6,094)	(6,855)
	(6,094)	(6,855)
	12,945	13,389

- (a) Net exchange 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Auditors' remuneration	1,148	847
Amortisation of land use rights	239	299
Depreciation of property, plant and equipment	21,165	21,091
Loss on disposal of property, plant and equipment	1,261	1,989
Costs of inventories recognised as expenses included in cost of sales	171,340	194,062
Operating lease rentals in respect of land and buildings		
— minimum lease payments	44,265	45,417
— contingent rents	1,185	486
Freight charges	4,402	4,649
Advertising and promotional expenses	15,862	28,907
Postage and express charges	3,141	6,017
Concessionaire fees	118,974	139,421
Direct operating expenses arising from investment properties that generated rental income	203	194
Employee benefit expenses (including directors' emoluments and value of employees services)	181,103	189,697
Write back of impairment on inventories	(3,302)	(685)
Write back of impairment losses on trade receivables	(915)	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Current income tax		
People's Republic of China ("PRC") corporate income tax	34,395	28,964
Deferred taxation	(13,021)	(3,819)
	<u>21,374</u>	<u>25,145</u>

No provision for Hong Kong profits tax has been made during the period.

PRC corporate income tax is provided on the profits of the Group's subsidiaries in the PRC at 25% (2015: 25%).

10 EARNINGS PER SHARE

Basic

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

	Unaudited	
	Six months ended 31 August	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	41,593	55,215
Weighted average number of ordinary shares in issue ('000)	705,895	653,472
Basic earnings per share (RMB cents)	<u>5.89</u>	<u>8.45</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 31 August 2016, the diluted earnings per share was the same as the basic earnings per share as the Company's share options outstanding during the period was anti-dilutive potential ordinary shares.

For the six months ended 31 August 2015, the Company had share options outstanding which were dilutive potential ordinary shares. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited	
	Six months ended 31 August	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	<u>41,593</u>	<u>55,215</u>
Weighted average number of ordinary shares in issue ('000)	705,895	653,472
Adjustments for share options ('000)	<u>—</u>	<u>3,630</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>705,895</u>	<u>657,102</u>
Diluted earnings per share (RMB cents)	<u>5.89</u>	<u>8.40</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 DIVIDENDS

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Interim dividend of HK4.3 cents (six months ended 31 August 2015: HK5.7 cents) per ordinary share	25,675	32,377
Special dividend of HK1.4 cents (six months ended 31 August 2015: Nil) per ordinary share	8,359	—
	<u>34,034</u>	<u>32,377</u>

A dividend of approximately RMB59,709,000 that related to the financial year ended 29 February 2016 was paid in July 2016 (2015: RMB72,276,000).

At the Board of Directors' meeting held on 27 October 2016, the Board of Directors has resolved to declare an interim dividend of HK4.3 cents (equivalent to approximately RMB3.6 cents) per ordinary share and a special dividend of HK1.4 cents (equivalent to approximately RMB1.2 cents) per ordinary share, totaling approximately RMB34,034,000. These dividends are 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 28 February 2017.

le saunda holdings ltd.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

**12 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND
LAND USE RIGHTS**

	Unaudited Six months ended 31 August 2016			
	Investment properties RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 1 March 2016	141,505	108,372	14,880	264,757
Additions	—	14,045	—	14,045
Disposals	—	(1,261)	—	(1,261)
Exchange differences	1,796	281	129	2,206
Depreciation and amortisation	—	(21,165)	(239)	(21,404)
At 31 August 2016	<u>143,301</u>	<u>100,272</u>	<u>14,770</u>	<u>258,343</u>

	Unaudited Six months ended 31 August 2015			
	Investment properties RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 1 March 2015	77,033	164,089	20,929	262,051
Additions	—	13,521	—	13,521
Disposals	—	(1,989)	—	(1,989)
Exchange differences	1,852	151	272	2,275
Depreciation and amortisation	—	(21,091)	(299)	(21,390)
At 31 August 2015	<u>78,885</u>	<u>154,681</u>	<u>20,902</u>	<u>254,468</u>

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

**13 INTEREST IN AND AMOUNT DUE FROM AN AVAILABLE-FOR-SALE
FINANCIAL ASSET**

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Unlisted shares, at fair value <i>(Note (a))</i>		
— Investment cost	2,500	2,500
— Provision for impairment	(2,500)	(2,500)
	—	—
Amount due from an available-for-sale financial asset <i>(Note (b))</i>	7,500	7,500
Less: Provision for impairment	(7,500)	(7,500)
	—	—
Total	—	—

(a) Details of an available-for-sale financial asset are as follows:

Name of the company	Place of establishment/ operation	Principal activities	Group's equity interest
佛山市順德區陳村鎮碧桂園 物業發展有限公司 ("陳村鎮碧桂園")	PRC	Property development	25%

The Group's Directors do not regard 陳村鎮碧桂園 as an associate of the Group on the grounds that the Group has no participation in decision making of its financial and operating policies. Accordingly, the Group does not have any significant influence over 陳村鎮碧桂園.

(b) The amount due from an available-for-sale financial asset is unsecured, interest-free, not repayable within twelve months and is denominated in RMB.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND OTHER RECEIVABLES

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

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Trade receivables		
Current to 30 days	113,286	140,012
31 to 60 days	11,642	11,503
61 to 90 days	4,264	2,997
Over 90 days	4,802	5,193
	133,994	159,705
Other receivables	5,002	2,988
Total	138,996	162,693

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE PAYABLES AND ACCRUALS

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

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Trade payables		
Current to 30 days	28,925	43,263
31 to 60 days	13,691	8,037
61 to 90 days	3,978	435
91 to 120 days	1,129	856
Over 120 days	2,467	1,583
	50,190	54,174
Accruals	108,450	115,912
Total	158,640	170,086

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

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NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

16 SHARE CAPITAL

	Note	Unaudited		Audited	
		31 August 2016		29 February 2016	
		Number of ordinary shares	Share capital HKD'000	Number of ordinary shares	Share capital HKD'000
Shares of HK\$0.10 each					
Authorised:					
At the beginning of period/year		1,000,000,000	100,000	800,000,000	80,000
Increase on 13 July 2015	(i)	—	—	200,000,000	20,000
At end of period/year		1,000,000,000	100,000	1,000,000,000	100,000
		Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:					
At beginning of period/year		705,895,060	59,979	641,972,600	54,754
Exercise of share options (Note 17)		—	—	1,372,000	112
Bonus issue	(ii)	—	—	64,318,460	5,258
Shares repurchase	(iii)	—	—	(1,768,000)	(145)
At end of period/year		705,895,060	59,979	705,895,060	59,979

Notes:

- (i) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 13 July 2015, the authorised share capital of the Company was increased from HK\$80,000,000 (divided into 800,000,000 ordinary shares of HK\$0.1 each) to HK\$100,000,000 (divided into 1,000,000,000 ordinary shares of HK\$0.1 each) by the creation of an additional 200,000,000 ordinary shares of HK\$0.1 each of the Company.
- (ii) Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 13 July 2015, the Company completed the bonus issue and issued one bonus share for every ten shares held on 30 July 2015. The issued share capital of the Company was therefore increased from 643,184,600 shares of HK\$0.1 each to 707,503,060 shares of HK\$0.1 each.
- (iii) For the year ended 29 February 2016, the Company repurchased and cancelled its 1,768,000 ordinary shares at purchase prices ranging from HK\$1.99 to HK\$2.10 per share at a total consideration of approximately RMB2,985,000.

le saunda holdings ltd.**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION****17 SHARE OPTIONS**

At a special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the adoption of the share option scheme (the "Scheme"), pursuant to which the Directors may grant options to eligible persons (as defined under the Scheme) to subscribe for shares in the Company in accordance with the terms of the Scheme. The number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as at the date of shareholders' approval. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

Each share option under the Scheme entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a price, which is to be determined by the Board of Directors provided always that it shall be at least the higher of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

- (a) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Unaudited		Audited	
	For the six months ended 31 August 2016		For the year ended 29 February 2016	
	Average exercise price per share (HK\$)	Number of share options (thousands)	Average exercise price per share (HK\$)	Number of share options (thousands)
At beginning of period/year	3.223	24,511	3.573	26,864
Exercised	—	—	2.404	(1,212)
Exercised	—	—	2.185	(160)
Lapsed	—	—	2.404	(939)
Lapsed	2.185	(3,982)	2.185	(863)
Lapsed	4.300	(5,500)	4.300	(1,650)
Adjustment for bonus issue	—	—	—	2,471
At end of period/year	3.269	15,029	3.223	24,511

The Group has no legal or constructive obligation to repurchase or settle the options in cash. 14,100,000 share options at an exercise price of HK\$4.73 each and 17,440,000 share options at an exercise price of HK\$2.404 were granted on 27 June 2011 and 10 July 2012 respectively.

le saunda holdings ltd.NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**17 SHARE OPTIONS (CONTINUED)**

- (b) Share options outstanding at the end of the period/year have the following expiry dates and exercise prices:

	Unaudited		Audited	
	31 August 2016		29 February 2016	
Expiry date at	Exercise price per share (HK\$)	Number of share options (thousands)	Exercise price per share (HK\$)	Number of share options (thousands)
	Note (c)	Note (c)	Note (c)	Note (c)
26 June 2021 (Note (a))	4.300	7,700	4,300	13,200
9 July 2022 (Note (b))	2.185	7,329	2,185	11,311

Notes:

- (a) Become exercisable from a range of dates between 27 June 2014 and 27 June 2016 and expiring on the 10th anniversary from date of grants.
- (b) Become exercisable from a range of dates between 10 July 2014 and 10 July 2016 and expiring on the 10th anniversary from date of grants.
- (c) As a result of the bonus issue, adjustments were made to the exercise price and the number of outstanding share options with effect from 30 July 2015.

Options are conditional on the employee completing two to five years' service (the vesting period).

For the six months ended 31 August 2016, a total share option expenses of RMB537,000 were recognized and included in "employee benefit expenses".

18 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 loan to the extent of RMB215,601,000 (29 February 2016: RMB210,801,000) of which RMB5,136,000 (29 February 2016: RMB3,633,000) was utilized as at 31 August 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 COMMITMENTS

(a) Capital commitments

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Contracted but not provided for, in respect of — purchase of property, plant and equipment	120	187

(b) Commitments under operating leases

- (i) At the period/year end, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Land and buildings:		
Not later than one year	67,149	56,098
Later than one year and not later than five years	30,617	41,931
	97,766	98,029

The above operating lease commitments include commitments for fixed rent only. Rentals payable in some cases include additional rent, calculated according to gross revenue, in excess of the fixed rent.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases (continued)

- (ii) At the period/year end, the Group had future aggregate minimum rental receivable under non-cancellable operating leases as follows:

	Unaudited 31 August 2016 RMB'000	Audited 29 February 2016 RMB'000
Land and buildings:		
Not later than one year	2,103	4,014
Later than one year and not later than five years	<u>—</u>	<u>41</u>
	<u>2,103</u>	<u>4,055</u>

20 PLEDGE OF ASSETS

As at 31 August 2016, bank deposits of RMB2,316,000 (29 February 2016: RMB2,334,000) have been pledged as rental deposits for certain subsidiaries of the Group.

le saunda holdings ltd.NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**21 RELATED PARTY TRANSACTIONS****(a) Transactions with related parties**

Significant transactions with related parties and companies, which were carried out in the normal course of the Group's business, are summarised as follows:

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Rental expenses charged by:		
– a related party (<i>Note (i)</i>)	2,030	1,926
– a related company (<i>Note (ii)</i>)	397	397
	2,427	2,323
	2016	Audited
	RMB'000	29 February
		2016
		RMB'000
Amount due to a related company (<i>Note (iii)</i>)	–	132

Notes:

- (i) During the period, the Group rented a shop located in Macau from Mr. Lee Tze Bun, Marces ("Mr. Lee"), a substantial shareholder and non-executive Director of the Company, as retail outlet in Macau.
- (ii) During the period, the Group rented office premise located in Mainland China from Super Billion Properties Limited ("Super Billion"), a company controlled by Mr. Lee.
- (iii) The amount due to Super Billion is unsecured, interest-free and repayable on demand and to be settled in cash.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB'000	RMB'000
Salaries and other employee benefits	3,945	3,376
Contributions to retirement scheme	29	42
Staff option expense	479	2,025
	4,453	5,443

22 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

Details of the interim dividend and the special dividend are given in Note 11.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 August 2016, the interests and short positions of the Directors and chief executive of Le Saunda Holdings Limited (the "Company") in the ordinary shares of HK\$0.10 each in the capital of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(I) Long positions in Shares (including underlying Shares)

(a) The Company

Name of Directors	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee")	51,841,000	–	36,292,000 (Notes 1 & 2)	280,500,000 (Notes 3 & 4)	368,633,000	52.22%
Ms. Chu Tsui Lan ("Ms. Chu")	8,470,000	–	–	–	8,470,000 (Note 5)	1.19%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	2,027,000	–	–	55,000,000	57,027,000 (Note 6)	8.07%
Ms. Wong Sau Han ("Ms. Wong")	5,900,400	385,000	–	–	6,285,400 (Note 7)	0.89%
Mr. Leung Wai Ki, George ("Mr. Leung")	–	–	–	1,700,000	1,700,000 (Note 8)	0.24%

Notes:

- Succex Limited, a corporation which was controlled and wholly owned by Mr. Lee, held 33,000,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.
- Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited, which held 3,292,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.

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DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(I) Long positions in Shares (including underlying Shares) (continued)

(a) The Company (continued)

Notes: (continued)

3. Stable Gain Holdings Limited ("Stable Gain") held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust, of which Mr. Lee was a founder and an eligible beneficiary thereunder. Mr. Lee was also a sole director of Stable Profit. Therefore, Mr. Lee was deemed to be interested in these Shares.
4. The Lee Keung Charitable Foundation (the "Charitable Foundation"), of which Mr. Lee was a founder, held 55,000,000 Shares, representing approximately 7.79% of the issued share capital of the Company. Therefore, Mr. Lee was deemed to be interested in these Shares.
5. Ms. Chu personally held 2,530,000 Shares and was entitled to 5,940,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest.
6. Ms. Chui personally held 2,027,000 Shares and was deemed to be interested in 55,000,000 Shares jointly held with Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee") and Ms. Tsui Oi Kuen ("Ms. Tsui") as trustees of the Charitable Foundation.
7. Ms. Wong personally held 1,060,400 Shares and was entitled to 4,840,000 share options granted by the Company, the underlying Shares of which she was taken to have an interest. She was also deemed to be interested in the 385,000 Shares owned by her husband.
8. Mr. Leung was a governor of Xin Chuan Middle School Foundation Limited, which held 1,700,000 Shares. Therefore, Mr. Leung was deemed to be interested in these Shares.

(b) Associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Percentage of the issued voting shares of the associated corporation
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares (Note 1)	0%

Note:

1. Mr. Lee beneficially owned 20,000 non-voting deferred shares in L. S. Retailing Limited. All voting shares in L. S. Retailing Limited are wholly-owned by the Company.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(II) Long positions in underlying Shares and debentures of the Company

Interests in share options

Name of Directors	Date of share options granted <i>(Notes 1 & 2)</i>	Number of Shares					Outstanding as at 31 August 2016	Adjusted exercise price <i>(Note 3)</i> HK\$	Exercise period
		Balance as at 1 March 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Ms. Lau Shun Wai (resigned with effect from 31 August 2016)	27 June 2011	1,832,600	–	–	–	(1,832,600)	–	4.300	27 June 2014 – 26 June 2021
	27 June 2011	1,832,600	–	–	–	(1,832,600)	–	4.300	27 June 2015 – 26 June 2021
	27 June 2011	1,834,800	–	–	–	(1,834,800)	–	4.300	27 June 2016 – 26 June 2021
	10 July 2012	842,600	–	–	–	(842,600)	–	2.185	10 July 2014 – 9 July 2022
	10 July 2012	1,282,600	–	–	–	(1,282,600)	–	2.185	10 July 2015 – 9 July 2022
	10 July 2012	1,284,800	–	–	–	(1,284,800)	–	2.185	10 July 2016 – 9 July 2022
Ms. Chu	27 June 2011	1,100,000	–	–	–	–	1,100,000	4.300	27 June 2014 – 26 June 2021
	27 June 2011	1,100,000	–	–	–	–	1,100,000	4.300	27 June 2015 – 26 June 2021
	27 June 2011	1,100,000	–	–	–	–	1,100,000	4.300	27 June 2016 – 26 June 2021
	10 July 2012	880,000	–	–	–	–	880,000	2.185	10 July 2014 – 9 July 2022
	10 July 2012	880,000	–	–	–	–	880,000	2.185	10 July 2015 – 9 July 2022
	10 July 2012	880,000	–	–	–	–	880,000	2.185	10 July 2016 – 9 July 2022
Ms. Wong	27 June 2011	1,100,000	–	–	–	–	1,100,000	4.300	27 June 2014 – 26 June 2021
	27 June 2011	1,100,000	–	–	–	–	1,100,000	4.300	27 June 2015 – 26 June 2021
	27 June 2011	1,100,000	–	–	–	–	1,100,000	4.300	27 June 2016 – 26 June 2021
	10 July 2012	512,600	–	–	–	–	512,600	2.185	10 July 2014 – 9 July 2022
	10 July 2012	512,600	–	–	–	–	512,600	2.185	10 July 2015 – 9 July 2022
	10 July 2012	514,800	–	–	–	–	514,800	2.185	10 July 2016 – 9 July 2022
TOTAL		19,690,000	–	–	–	(8,910,000)	10,780,000		

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (CONTINUED)

(II) Long positions in underlying Shares and debentures of the Company (continued)

Interests in share options (continued)

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.
2. The closing prices of the Shares immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK\$4.65 and HK\$2.41 per Share respectively.
3. On 13 July 2015, an ordinary resolution was duly passed by the shareholders of the Company (the "Shareholders") at the annual general meeting of the Company to approve the issue of bonus Shares on the basis of one bonus Share for every ten existing Shares held by the qualifying Shareholders on the record date (the "Bonus Issue"). As a result of the Bonus Issue, adjustments were made to the exercise price and the number of Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options with effect from 30 July 2015. The exercise price per Share indicated in the above table is the exercise price per Share after the said adjustments were made on 30 July 2015. Prior to the adjustments, the exercise price per Share in relation to share options granted on 27 June 2011 was HK\$4.730 while that in relation to share options granted on 10 July 2012 was HK\$2.404. For details, please refer to the announcement of the Company dated 29 July 2015.

Save as disclosed above, as at 31 August 2016, none of the Directors or chief executive (including their spouse and children under 18 years of age) of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above and the paragraph headed "Share Option Scheme" below, during the six months ended 31 August 2016, (a) at no time was the Company or a specified undertaking (as defined in the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) of the Company a party to any arrangements to enable the Directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate; and (b) none of the Directors, their respective spouses nor their respective children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such rights.

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DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 August 2016, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the following persons or corporations (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(I) Interests and short positions of substantial shareholders in the Shares and underlying Shares

Long positions in Shares

Name of Shareholders	Note	Number of Shares and nature of interests			Total	Approximate percentage of the issued Share capital of the Company
		Beneficial owner	Interests of controlled corporation	Other interests		
Stable Gain	1	225,500,000	–	–	225,500,000	31.94%
Stable Profit	1	–	225,500,000	–	225,500,000	31.94%
HSBC Trustee	1	–	–	225,500,000	225,500,000	31.94%

Note:

1. Stable Gain held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit, a company wholly-owned by HSBC Trustee which acted as trustee of the LTB Family Trust, a discretionary trust, of which Mr. Lee was a founder and an eligible beneficiary thereunder. Mr. Lee was also a sole director of Stable Profit. Therefore, HSBC Trustee was deemed to be interested in these Shares in its capacity as trustee (other than a bare trustee) and Stable Profit was deemed to be interested in these Shares by virtue of the interest of its controlled corporation (being Stable Gain). The respective interests of Stable Gain, Stable Profit and HSBC Trustee were thus duplicated.

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DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)**(II) Interests and short positions of other persons in the Shares and underlying Shares****Long positions in Shares**

Name of Shareholders	Note	Number of Shares and nature of interests			Approximate percentage of the issued Share capital of the Company
		Personal interests	Other interests	Total	
Ms. Lee	1	6,985,000	55,000,000	61,985,000	8.78%
Ms. Tsui	2	1,287,000	55,000,000	56,287,000	7.97%
Ms. Lee, Ms. Tsui and Ms. Chui as trustees of the Charitable Foundation	3	–	55,000,000	55,000,000	7.79%

Notes:

- Ms. Lee was interested in an aggregate of 61,985,000 Shares (comprising 6,985,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held with Ms. Tsui and Ms. Chui as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.
- Ms. Tsui was interested in an aggregate of 56,287,000 Shares (comprising 1,287,000 Shares personally held as beneficial owner and 55,000,000 Shares jointly held with Ms. Lee and Ms. Chui as trustees of the Charitable Foundation), representing approximately 7.97% of the issued share capital of the Company.
- Ms. Lee, Ms. Tsui and Ms. Chui jointly held 55,000,000 Shares as trustees of the Charitable Foundation, representing approximately 7.79% of the issued share capital of the Company. Therefore, all of them were deemed to be interested in these Shares which were duplicated amongst their respective interests.

Save as disclosed above, as at 31 August 2016, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) or corporation who had interests directly or indirectly and/or short positions in the Shares and underlying Shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME

At the special general meeting of the Company held on 22 July 2002, the Shareholders approved the adoption of a share option scheme (the "Scheme") pursuant to Chapter 17 of the Listing Rules. The purpose of the Scheme was to enable the board of Directors of the Company to grant share options to selected eligible persons (as defined under the Scheme) as incentives or rewards for their contribution or potential contribution to the Group (as defined below).

Pursuant to the Scheme, the Company granted 14,100,000 and 17,440,000 share options to certain Directors and employees of the Company to subscribe for up to a total of 31,540,000 ordinary shares of HK\$0.10 each in the capital of the Company on 27 June 2011 and 10 July 2012 respectively.

Particulars of such share options and their movement during the six months ended 31 August 2016 were as follows:

Name or Category of Participant	Date of share options granted <i>(Notes 1 & 2)</i>	Number of Share Options					Outstanding as at 31 August 2016	Adjusted exercise price <i>(Note 4)</i> HK\$	Exercise period
		Balance as at 1 March 2016	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Directors									
<i>(Note 5)</i>	27 June 2011	4,032,600	-	-	-	(1,832,600)	2,200,000	4.300	27 June 2014 – 26 June 2021
	27 June 2011	4,032,600	-	-	-	(1,832,600)	2,200,000	4.300	27 June 2015 – 26 June 2021
	27 June 2011	4,034,800	-	-	-	(1,834,800)	2,200,000	4.300	27 June 2016 – 26 June 2021
	10 July 2012	2,235,200	-	-	-	(842,600)	1,392,600	2.185	10 July 2014 – 9 July 2022
	10 July 2012	2,675,200	-	-	-	(1,282,600)	1,392,600	2.185	10 July 2015 – 9 July 2022
	10 July 2012	2,679,600	-	-	-	(1,284,800)	1,394,800	2.185	10 July 2016 – 9 July 2022
Sub-total		19,690,000	-	-	-	(8,910,000)	10,780,000		
Employees									
	27 June 2011	366,300	-	-	-	-	366,300	4.300	27 June 2014 – 26 June 2021
	27 June 2011	366,300	-	-	-	-	366,300	4.300	27 June 2015 – 26 June 2021
	27 June 2011	367,400	-	-	-	-	367,400	4.300	27 June 2016 – 26 June 2021
	10 July 2012	389,400	-	-	-	(182,600)	206,800	2.185	10 July 2014 – 9 July 2022
	10 July 2012	960,300	-	-	-	(182,600)	777,700	2.185	10 July 2015 – 9 July 2022
	10 July 2012	2,371,600	-	-	-	(206,800)	2,164,800	2.185	10 July 2016 – 9 July 2022
Sub-total		4,821,300	-	-	-	(572,000)	4,249,300		
TOTAL		24,511,300	-	-	-	(9,482,000)	15,029,300		

DISCLOSURE OF INTERESTS

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.
2. The closing prices of the Shares immediately before 27 June 2011 and 10 July 2012 on which the share options were granted were HK\$4.65 and HK\$2.41 per Share respectively.
3. Upon grant of 17,440,000 share options to eligible persons by the Company on 10 July 2012, there were 1,960 shares options available for grant under the Scheme. The Scheme expired on 21 July 2012.
4. On 13 July 2015, an ordinary resolution was duly passed by the Shareholders at the annual general meeting of the Company to approve the Bonus Issue. As a result of the Bonus Issue, adjustments were made to the exercise price and the number of Shares to be allotted and issued upon full exercise of subscription rights attaching to the outstanding share options with effect from 30 July 2015. The exercise price per Share indicated in the above table is the exercise price per Share after the said adjustments were made on 30 July 2015. Prior to the adjustments, the exercise price per Share in relation to share options granted on 27 June 2011 was HK\$4.730 while that in relation to share options granted on 10 July 2012 was HK\$2.404. For details, please refer to the announcement of the Company dated 29 July 2015.
5. For a detailed breakdown of each of the Directors' interests in share options, please refer to page 51 of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board (the “Board”) of directors (the “Directors”) of Le Saunda Holdings Limited (the “Company”) and its subsidiaries (collectively, 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 (the “Shareholders”) of the Company and create value for the Shareholders.

During the period under review, the Company has complied with the provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for deviation from code provision A.6.7 of the CG Code which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Ms. Lau Shun Wai, an Executive Director as she then was (who resigned with effect from 31 August 2016), and Mr. Lee Tze Bun, Marces, a Non-Executive Director, were unable to attend the annual general meeting of the Company held on 11 July 2016.

CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION

The changes in directorship and other changes in the information of the Director of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the annual report of the Company for the year ended 29 February 2016 are set out below:

Name of Directors	Details of change
Executive Directors: Ms. Chui Kwan Ho, Jacky	<ul style="list-style-type: none"> Appointed as Executive Director with effect from 8 April 2016 Entered into service agreement with the Company without fixed term commencing on 8 April 2016
Mr. Cheng Wang, Gary	<ul style="list-style-type: none"> Appointed as Executive Director with effect from 1 September 2016 Entered into service agreement with the Company without fixed term commencing on 1 September 2016
Ms. Lau Shun Wai	<ul style="list-style-type: none"> Resigned as Executive Director and Chief Executive Officer with effect from 31 August 2016

CORPORATE GOVERNANCE AND OTHER INFORMATION**CHANGES IN DIRECTORSHIP AND OTHER CHANGES IN DIRECTORS' INFORMATION (CONTINUED)**

Name of Directors	Details of change
Non-Executive Director: Mr. Lee Tze Bun, Marces	<ul style="list-style-type: none"> Renewed service contract of the Company with 2 years' fixed term commencing on 1 June 2016 and ending on 31 May 2018

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

As at 31 August 2016 and up to the date of this report, the Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Audit Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan. Mr. Lam has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules.

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

The Audit Committee has reviewed this report, which was prepared based on (i) the accounting principles and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 31 August 2016. 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 2016.

REMUNERATION COMMITTEE

As at 31 August 2016 and up to the date of this report, the Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Lam Siu Lun, Simon (chairman of the Remuneration Committee), Mr. Leung Wai Ki, George and Mr. Hui Chi Kwan, and one Non-Executive Director, namely Mr. James Ngai.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REMUNERATION COMMITTEE (CONTINUED)

The primary functions and duties of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, determine the terms of specific remuneration package of the Executive Directors and senior management, and review and approve the performance-based remuneration proposals with reference to the corporate goals and objective resolved by the Board from time to time. The full terms of reference of the Remuneration Committee are posted on the respective websites of the Stock Exchange and the Company.

NOMINATION COMMITTEE

As at 31 August 2016 and up to the date of this report, the Nomination Committee comprises three Independent Non-Executive Directors, namely Mr. Hui Chi Kwan (chairman of the Nomination Committee), Mr. Lam Siu Lun, Simon and Mr. Leung Wai Ki, George, and one Non-Executive Director, namely Mr. James Ngai.

The primary functions and duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies, identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. The full terms of reference of the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

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 required standard set out in the Model Code during the six months ended 31 August 2016 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM DIVIDEND AND SPECIAL DIVIDEND

In order to ascertain the entitlement to an interim dividend and a special dividend, the register of members of the Company will be closed from Monday, 14 November 2016 to Tuesday, 15 November 2016 (both days inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend and the special dividend is 15 November 2016. In order to qualify for the interim dividend and the special dividend for the six months ended 31 August 2016, 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 Friday, 11 November 2016.

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
James Ngai
Chairman

Hong Kong, 27 October 2016