

le saunda holdings ltd.

萊爾斯丹控股有限公司

interim report 2017/18

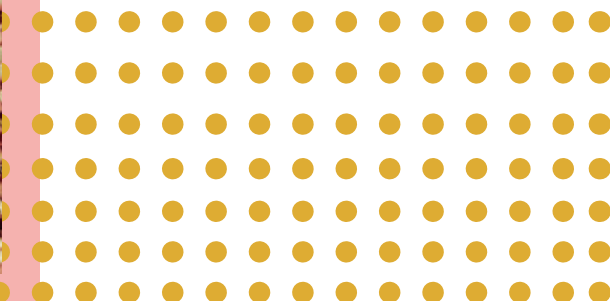
(Stock Code : 0738)





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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Cheng Wang, Gary (*Chief Executive Officer*)  
Chui Kwan Ho, Jacky  
Chu Tsui Lan (*Chief Operating Officer*)  
(*resigned with effect from 1 August 2017*)

### 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

Suites 1104-1106, 11th Floor  
1063 King's Road  
Quarry Bay, Hong Kong

### PRINCIPAL SHARE REGISTRAR (IN BERMUDA)

Conyers Corporate Services (Bermuda) 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](mailto: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 fashionable 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, PITTI DONNA and CNE, which aim to appeal to diversified target customer groups with their distinctive product lines.

In the first half of fiscal year 2017/18, total revenue of the Group decreased by 17.4% year-on-year to RMB537,700,000 (2016/17: RMB651,200,000). Consolidated gross profit dropped by 18.8% year-on-year to RMB355,600,000 (2016/17: RMB438,000,000). The Group recorded an overall gross profit margin of 66.1%, representing a decrease of 1.2 percentage points as compared to the corresponding period in last financial year. Consolidated profit attributable to owners of the Company decreased by 22.1% year-on-year to RMB32,400,000 (2016/17: RMB41,600,000).





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (CONTINUED)

#### OPERATING RESULTS (CONTINUED)

RMB (million)	1H 2017/18	1H 2016/17	Change
Revenue	<b>537.7</b>	651.2	(17.4%)
Gross profit	<b>355.6</b>	438.0	(18.8%)
Gross profit margin	<b>66.1%</b>	67.3%	(1.2 percentage points)
Consolidated profit attributable to owners	<b>32.4</b>	41.6	(22.1%)
Basic earnings per share (RMB cents)	<b>4.59</b>	5.89	(22.1%)
Interim dividend – HK cents	<b>3.3</b>	4.3	
(equivalent to approximately RMB cents#)	<b>2.9</b>	3.6	
Interim special dividend – HK cents	<b>1.7</b>	1.4	
(equivalent to approximately RMB cents#)	<b>1.5</b>	1.2	
Dividend pay-out ratio	<b>95.3%</b>	81.8%	13.5 percentage points

# 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 18.8% year-on-year to RMB355,600,000 (2016/17: RMB438,000,000). The Group has put great efforts on off-season inventory clearance, resulting in the decrease of gross profit margin by 1.2 percentage points year-on-year to 66.1%.

Selling and distribution expenses decreased by 12.1% year-on-year to RMB266,100,000 (2016/17: RMB302,700,000), mainly attributable to the decrease in concessionaire fees and rental. As the rate of decrease of the said expenses was less than that of revenue, the ratio of selling and distribution expenses to total revenue increased by 3.0 percentage points to 49.5% (2016/17: 46.5%). During the period under review, the Group initiated a series of large promotional and brand marketing campaigns to celebrate its 40th anniversary. Also, PITTI DONNA, a new online leisure brand, was launched. As a result, the advertising and promotional expenses accounted for 2.7% of sales, representing a year-on-year increase of 0.3 percentage point.

General and administrative expenses increased slightly by 1.4% to RMB88,300,000 (2016/17: RMB87,100,000), compared to the corresponding period of last financial year. Due to the decrease in total revenue and the reduction of the number of stores, the Group downsized its back office accordingly, which resulted in an increase of one-off expense. General and administrative expenses accounted for 16.4% of total revenue (2016/17: 13.4%), representing an increase of 3.0 percentage points. The Group will continue to enhance its management structure to reduce the corresponding expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (CONTINUED)

#### PROFITABILITY ANALYSIS (CONTINUED)

Other income increased by 77.9% to RMB33,900,000 (2016/17: RMB19,000,000) as compared to the corresponding period of last year, mainly attributable to the booking of negative goodwill arising from the acquisition of a wholly-owned subsidiary. During the period, the Group acquired additional 50% equity interest of a joint venture 佛山市順德區雙強房地產開發有限公司 ("SSQ") and SSQ became a wholly-owned subsidiary of the Group. Other gain was mainly in the form of the foreign exchange gain or loss. During the period, the exchange rate of RMB appreciated, leading to a foreign exchange gain of RMB5,900,000 (2016/17: a loss of RMB6,100,000).

The consolidated profit attributable to owners of the Company decreased by 22.1% to RMB32,400,000 (2016/17: RMB41,600,000) as compared to the corresponding period of last financial year. Basic earnings per share decreased by 22.1% year-on-year to RMB4.59 cents (2016/17: RMB5.89 cents). In return for the shareholders' longstanding support, the Board recommended an interim dividend of HK3.3 cents per ordinary share and an interim special dividend of HK1.7 cents per ordinary share (2016/17: interim dividend of HK4.3 cents and interim special dividend of HK1.4 cents per ordinary share), maintaining a high dividend payout ratio of 95.3% (2016/17: 81.8%).

#### INCOME TAX EXPENSE

During the period under review, income tax expense amounted to approximately RMB11,800,000 (2016/17: RMB21,400,000), representing a decrease of 44.8% year-on-year. Effective from 2012, all operations of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for the operations in Hong Kong remain at 16.5%. Pursuant to the Enterprise Income Tax Law of PRC, a withholding income tax of 5-10% shall be levied on the dividends remitted by a subsidiary in China to its foreign parent company starting from 1 January 2008. Excluding the gain or loss not subject to taxation, the effective income tax rate of the Group was 30.7% (2016/17: 30.7%).

#### INVENTORY MANAGEMENT

As at 31 August 2017, the inventory balance of the Group amounted to RMB369,800,000, representing a decrease of 17.9% from RMB450,300,000 compared to that of last year. Inventory turnover days of finished goods increased by 25 days to 314 days (31 August 2016: 289 days).

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2017	As at 31 August 2016	Changes in value	Changes in %
Raw materials and work-in-progress	39.3	42.9	(3.6)	(8.4%)
Finished goods	330.5	407.4	(76.9)	(18.9%)
<b>Total</b>	<b>369.8</b>	<b>450.3</b>	<b>(80.5)</b>	<b>(17.9%)</b>

The Group is undergoing an adjustment phase. Shops with low-efficiency are closed and off-season inventory is cleared. At the same time, in response to market demand, PITTI DONNA, a leisure brand for the youth has been introduced to expand products categories so as to attract target customers. The Group will as usual maintain strict controls on the inventory and keep it at a healthy position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW (CONTINUED)

#### LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position remained very strong and healthy. As at 31 August 2017, the Group's cash and bank balance amounted to RMB652,500,000 (28 February 2017: RMB646,600,000). Despite of the sales slowdown, the cash flow remained steady. The quick ratio was 3.9 times (28 February 2017: 4.2 times). As at the end of the financial period, the Group had no outstanding bank loan (28 February 2017: 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 contract to hedge its foreign exchange risks during the period. In addition, working capital requirements for the Group's business operations will be financed by bank loans when necessary.

During the period ended 31 August 2017, the Group's cash and bank balances were held in Hong Kong dollars, U.S. dollars, Euro and Renminbi, and were deposited in a few leading banks with maturity of less than one year.

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

### BUSINESS REVIEW

#### OVERVIEW

The gross domestic product (GDP) of China achieved a growth rate of 6.9% in the first half of 2017, up 0.2 percentage point as compared to the corresponding period of last year, showing a slight sign of revival. Nevertheless, the retail industry witnessed a mixed performance, and it will take time for the overall industry to be benefited from such revival. In response to the market share of physical stores being accelerating seized by e-commerce, the rapid changes in fashion trends as well as consumption upgrade, the Group actively adjusted its strategies to increase its supply of customised and casual products and to return to the core of retailing by continuously improving the quality of products and service with a view to bringing more opportunities for the Group.

#### RETAIL BUSINESS

For the period under review, the total retail revenue of the Group decreased by 17.4% year-on-year to RMB537,700,000 (2016/17: RMB651,200,000). Same-store sales decreased by 11.8% (2016/17: decreased by 13.0%) due to the continuous downcast market sentiment brought about by: 1) the cessation of high economic growth in Mainland China; 2) the booming of the Mainland property market last year which carried over to the first half of 2017, absorbing certain amount of domestic expenditure; 3) the increasing number of Mainland outbound tourists. The consumers' preference of youth and casual style became more apparent, and in response the Group will strengthen its analysis and study of popular trends and the development of casual products in the future. The Group will also endeavor to enrich consumers' shopping experience and thereby strive to improve same-store sales.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (CONTINUED)

#### RETAIL BUSINESS (CONTINUED)

##### Retail Network

Mainland China remains the key market of the Group's retail business. As at the period-end date, the Group had a retail network comprising 726 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 110 stores compared to the corresponding period of last year. The number of self-owned stores dropped by 96, while the number of franchised stores decreased by 14 during the period.

As at 31 August 2017, there were 518 le saunda stores and 40 le saunda MEN stores, representing net reductions of 86 and 17 stores, respectively, as compared to that as at 31 August 2016. For LINEA ROSA, the high-end fashionable brand of the Group, the total number of stores remained at 72. The number of CNE stores decreased by 9 to 13.

As at 31 August 2017, 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)	
<b>Mainland China</b>	645	(-97)	70	(-14)	715	(-111)
• Northern, Northeastern & Northwestern Regions	151	(-22)	63	(-10)	214	(-32)
• Eastern Region	204	(-24)	1	–	205	(-24)
• Central and Southwestern Regions	139	(-29)	6	(-4)	145	(-33)
• Southern Region	151	(-22)	–	–	151	(-22)
<b>Hong Kong and Macau</b>	11	(+1)	–	–	11	(+1)
<b>Total</b>	<u>656</u>	<u>(-96)</u>	<u>70</u>	<u>(-14)</u>	<u>726</u>	<u>(-110)</u>

##### Mainland China

The total retail sales of consumer goods in Mainland China recorded a nominal increase of 10.4% in the first half of 2017, representing an increase of 0.1 percentage point as compared to the corresponding period of last year. The total retail revenue of the Group in Mainland China decreased by 17.3% year-on-year to RMB508,400,000 (2016/17: RMB614,800,000) mainly attributed to 1) the ongoing weakness in overall retail market; 2) the negative growth in the same-store sales and the speeding up in closing down of underperforming stores; 3) the consumer demand being restrained by the ongoing booming Mainland China property market in the first half of 2017. In response, the Group attempted to stimulate sales by strengthening the development of men's footwear.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (CONTINUED)

#### RETAIL BUSINESS (CONTINUED)

##### Hong Kong and Macau

As the shop rental in Hong Kong and Macau remains high, the Group's sales in Hong Kong and Macau decreased by 19.2% year-on-year to RMB29,400,000 (2016/17: RMB36,300,000), persistently enlarging the operating loss in Hong Kong and Macau. The Group has proactively adopted cost cutting measures, including closing down the unprofitable stores and leasing office premises with lower rental. For the period under review, the number of outlets in Hong Kong and Macau was 11, with a net addition of 1 store. The Group will consider opening new stores in Hong Kong and Macau when the rental has further adjusted.

##### E-commerce business

The Group was vigorously tapping into the online retail business and making more efforts on expanding its online exclusive products as well as its online supply of men's footwear and handbags. In addition, our e-commerce team also focused on content building and took an active role in joining the content operations of "Buyers Show (買家秀)" and "Super Goods (有好貨)" on Tmall platform in a bid to improve the awareness of customers. For the period under review, the Group's revenue from e-commerce dropped by approximately 30.6% year-on-year due to the continuous increase in cost of acquiring online customers. In the future, the e-commerce team will further refine its operation, increase its investment in content operation and explore new channels to facilitate sales.

#### BRAND BUILDING

le saunda celebrates its 40th anniversary in 2017. On the foundation of traditional values, le saunda has made courageous attempts to innovate. Being the exclusive footwear brand for the global IP "Minions", le saunda together with the "Minions" released a shoe series called "le saunda X Minions," which was a special edition for the Asian market. The shoe series featured youthful designs that were cute and funny so as to attract the eyeballs of the young generation.

In order to enrich its online offerings, the Group launched a new brand "PITTI DONNA" on 8 August 2017 on Tmall's flagship store. With a design concept of shoes for green life, PITTI DONNA aims to promote public welfare by way of fashion. The Group will plant a tree for every 500 pairs of shoes sold to contribute to natural preservation. PITTI DONNA has been a smash hit upon its launch.

le saunda MEN has been one of the key development focuses of the Group. During the period under review, different functions were developed for men's footwear, highlighting the comfort and fashion elements thereof. The designers specially equipped the men's footwear with anti-slip technology and the "clouds-comfort (雲底-按摩)" function in order to improve the slip-resistant ability and comfort of the shoes. In addition, by using high-elastic and ultra-light materials, the proprietary function "clouds-bounce (雲底-高彈)" developed by le saunda reduces 50% of footwear weight, making the footwear ultra light and comfortable.

The brands of the Group have participated in an annual icon event, the InStyle iLady Icon Awards, held in Shanghai, during which awards were given to the most outstanding and most appealing celebrities and brands for the year. le saunda was honoured the "Most Reliable Brand of the Year", once again demonstrating that its quality and workmanship are well-recognized in the industry and it is the most trusted brand among consumers.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

In the first half of 2017, although the economic growth of Mainland China stabilized, the United States entered into the cycle of interest rates hike. Under the impact of tightening monetary policies and globalization, it is believed that this would exert considerable pressure on Mainland China. The frenetic Mainland China property market has absorbed a considerable sum of capital since last year. Coupled with the market share of physical consumption being seized up by the booming development of e-commerce, the retail market has been adversely affected. The ladies' footwear industry has faced enormous challenges in recent years, and the Group is attempting to adjust its strategies in various aspects to respond.

With strong growth momentum, online retailing continued to flourish. In the first half of this year, online sales in China surged by 7.2 percentage points as compared to the corresponding period of last year. In order to capture the opportunities, the Group will increase its investment on e-commerce and continue to enrich the product offerings. PITTI DONNA, a new brand featuring young couture style, was launched online in August this year and CNE will continue its simple style of "Comfort & Easy" and release more casual wear products. In addition, the Group will also enhance its online offerings of men's footwear and handbag to stimulate online sales.

In recent years, the Group has been optimizing its supply chain and retail networks by closing down underperforming stores and centralizing resources on stores in locations with potential to improve efficiency. The Group aims to enhance its efforts in internal restructuring by transforming its mode of operation and significantly reducing its back office costs in response to sales decline, while increasing the management transparency and encouraging the initiative of staff. The Group also actively clears out its off-season inventory, and as a result the turnover of products and cash flow improved.

The Group attaches great importance on improving customers' satisfaction. By way of questionnaires and mystery shoppers programs, the Group has acquired an in depth understanding of the service feedback from customers. The Group also uses online big data to keep track of changes in fashion trends and customers' living habit so as to adjust its product mix; for example, by shifting to more smart and casual designs to keep abreast of the fashion trend. The Group believes that by consistently concentrating on offering premium formal and casual footwear to the consumers in mid-to high-end market, there is still room for development.

This year marks the 40th anniversary of the Group. le saunda launched a series of celebration activities, including the 40th Anniversary Road Show, which was held in cities such as Shanghai, Tianjin, Chengdu and Shenyang. The Group also launched "CHARM Collection", a special collection of footwear celebrating the Group's 40th anniversary. The series inherits the multi-functional concept of the Group's main design theme in recent years with the well-selected small buckle from Swarovski, which allow each footwear to mix and match into more than five different styles, satisfying the demand of different customers.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP (CONTINUED)

China's economy has bottomed out in the first half of 2017, although the per capita disposable income of residents in Mainland China increased by 8.8% year-on-year, outperforming the GDP growth pace. The economic structural changes in recent years have a positive effect on the retail market. The Group will make efforts to seize opportunities and embrace the new retail era by leveraging on its strong brand awareness and high quality products. Among the fast changing market, the Group will actively seek opportunities that will create synergy with its existing businesses or brands so as to improve profits and cash utilization rate, and generate stable return for its shareholders in the long run.

### PLEDGE OF ASSETS

As at 31 August 2017, bank deposits of RMB1,200,000 (28 February 2017: RMB1,300,000) have been pledged as rental deposit for a subsidiary 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 RMB210,500,000 (28 February 2017: RMB220,900,000), of which RMB5,200,000 (28 February 2017: RMB3,200,000) was utilised as at 31 August 2017.

### INTERIM DIVIDEND AND INTERIM SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of HK3.3 cents (2016: HK4.3 cents) per ordinary share and an interim special dividend of HK1.7 cents (2016: HK1.4 cents) per ordinary share for the six months ended 31 August 2017 payable on Friday, 24 November 2017 to all shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 15 November 2017.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2017, the Group had a staff force of 4,231 people (28 February 2017: 4,652 people). Of this number, 98 were based in Hong Kong and Macau and 4,133 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 2017, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB170,600,000 (2016: RMB181,100,000). 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 2017

	Note	Unaudited	
		Six months ended 31 August	
		2017	2016
		RMB'000	RMB'000
Revenue	6	<b>537,748</b>	651,173
Cost of sales		<b>(182,175)</b>	(213,160)
Gross profit		<b>355,573</b>	438,013
Other income	7	<b>33,879</b>	19,039
Other gain and loss	7	<b>5,930</b>	(6,094)
Selling and distribution expenses		<b>(266,071)</b>	(302,687)
General and administrative expenses		<b>(88,295)</b>	(87,109)
Operating profit	8	<b>41,016</b>	61,162
Finance income		<b>3,249</b>	2,089
Share of profit of a joint venture		<b>76</b>	204
Profit before income tax		<b>44,341</b>	63,455
Income tax expense	9	<b>(11,804)</b>	(21,374)
Profit for the period		<b>32,537</b>	42,081
Profit for the period attributable to:			
– owners of the Company		<b>32,406</b>	41,593
– non-controlling interest		<b>131</b>	488
		<b>32,537</b>	42,081
Earnings per share attributable to owners of the Company (express in RMB cents)			
– Basic	10	<b>4.59</b>	5.89
– Diluted	10	<b>4.59</b>	5.89
Dividends	11	<b>30,879</b>	34,034

The notes on pages 23 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 2017

	Unaudited	
	Six months ended 31 August	
	2017	2016
	RMB'000	RMB'000
Profit for the period	<b>32,537</b>	42,081
Other comprehensive income or loss		
<i>Item that will be reclassified to profit or loss</i>		
— Currency translation differences	<b>(25,444)</b>	12,357
Other comprehensive (loss)/income for the period	<b>(25,444)</b>	12,357
Total comprehensive income for the period	<b>7,093</b>	54,438
Total comprehensive income for the period, attributable to:		
— owners of the Company	<b>6,480</b>	54,223
— non-controlling interest	<b>613</b>	215
	<b>7,093</b>	54,438

The notes on pages 23 to 48 form an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2017

	<i>Note</i>	<b>Unaudited 31 August 2017 RMB'000</b>	Audited 28 February 2017 RMB'000
<b>ASSETS</b>			
Non-current assets			
Investment properties	12	<b>138,718</b>	142,404
Property, plant and equipment	12	<b>107,469</b>	101,332
Land use rights	12	<b>14,148</b>	14,947
Long-term deposits and prepayments		<b>6,039</b>	7,105
Interest in a joint venture		<b>—</b>	35,156
Interest in and amount due from an available-for-sale financial asset	13	<b>—</b>	—
Deferred income tax assets		<b>53,160</b>	55,283
		<b>319,534</b>	356,227
Current assets			
Inventories		<b>369,850</b>	380,183
Trade receivables and other receivables	14	<b>102,587</b>	120,816
Deposits and prepayments		<b>42,284</b>	34,094
Pledged bank deposit		<b>1,182</b>	1,313
Cash and bank balances		<b>651,271</b>	645,264
		<b>1,167,174</b>	1,181,670
Total assets		<b>1,486,708</b>	1,537,897
<b>EQUITY</b>			
Capital and reserves attributable to owners of the Company			
Share capital	16	<b>59,979</b>	59,979
Reserves			
Dividends		<b>30,879</b>	61,460
Others		<b>1,163,142</b>	1,187,841
		<b>1,254,000</b>	1,309,280
Non-controlling interest		<b>10,497</b>	11,175
Total equity		<b>1,264,497</b>	1,320,455

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2017

	<i>Note</i>	<b>Unaudited 31 August 2017 RMB'000</b>	Audited 28 February 2017 RMB'000
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		<b>27,532</b>	34,394
Current liabilities			
Trade payables and other payables	15	<b>192,652</b>	148,003
Amount due to a joint venture		<b>—</b>	33,000
Current income tax liabilities		<b>2,027</b>	2,045
		<b>194,679</b>	183,048
Total liabilities		<b>222,211</b>	217,442
Total equity and liabilities		<b>1,486,708</b>	1,537,897

The notes on pages 23 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 2017

	Unaudited													Total equity RMB'000
	Attributable to owners of the Company													
	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	Non- controlling interest RMB'000	
Balance at 1 March 2017	59,979	88,982	145	(14,624)	47,145	265,522	812,574	4,812	11,070	33,060	615	1,309,280	11,175	1,320,455
Profit for the period	-	-	-	-	-	-	32,406	-	-	-	-	32,406	131	32,537
Other comprehensive income or loss														
– Currency translation differences	-	-	-	(25,926)	-	-	-	-	-	-	-	(25,926)	482	(25,444)
Total comprehensive income for the period ended 31 August 2017	-	-	-	(25,926)	-	-	32,406	-	-	-	-	6,480	613	7,093
Employee share option scheme: – value of employee services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends relating to 2017 paid in July 2017 (Note 11)	-	-	-	-	-	-	(61,760)	-	-	-	-	(61,760)	(1,291)	(63,051)
	-	-	-	-	-	-	(61,760)	-	-	-	-	(61,760)	(1,291)	(63,051)
Balance at 31 August 2017	59,979	88,982	145	(40,550)	47,145	265,522	783,220	4,812	11,070	33,060	615	1,254,000	10,497	1,264,497
Representing:														
Share capital														59,979
2017 interim dividend and interim special dividend														30,879
Others														1,163,142
Non-controlling interest														10,497
														<u>1,264,497</u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2017

	Unaudited													Total equity RMB'000
	Attributable to owners of the Company													
	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	Non- controlling interest 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 or loss														
– 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
Employee share option scheme:														
– value of employee services	-	-	-	-	-	-	-	-	-	537	-	537	-	537
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 interim special dividend														34,034
Others														1,201,836
Non-controlling interest														10,475
														<u>1,306,324</u>

The notes on pages 23 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 2017

	Unaudited	
	Six months ended 31 August	
	2017	2016
	RMB'000	RMB'000
<b>Net cash inflows from operating activities</b>	<b>78,988</b>	61,032
<b>Net cash inflows/(outflows) from investing activities</b>	<b>22,582</b>	(5,938)
<b>Net cash outflows from financing activities</b>	<b>(63,036)</b>	(61,145)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>38,534</b>	(6,051)
Effect of foreign exchange rate changes, net	(23,176)	10,578
Cash and cash equivalents at 1 March	625,264	515,132
<b>Cash and cash equivalents at 31 August</b>	<b>640,622</b>	519,659
Analysis of the cash and bank balances:		
Cash and cash equivalents	640,622	519,659
Term deposits with initial term over three months	10,649	20,000
Cash restricted for specific purposes	1,182	2,316
<b>Cash and bank balances at 31 August</b>	<b>652,453</b>	541,975

The notes on pages 23 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”).

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 of Directors on 30 October 2017.

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 2017 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34, ‘Interim Financial Reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 28 February 2017, 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 28 February 2017 as described in those annual financial statements.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs that are mandatorily effective for the financial year ending 28 February 2018. The application of the amendments to HKFRSs in the current interim period has had no material impact on the results and financial position of the Group.

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 12 (Amendment)	Income Taxes
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

Save as described above, the accounting policies applied in the condensed consolidated interim financial statements for the six months ended 31 August 2017 are consistent with those of the annual financial statements for the year ended 28 February 2017, as described in those annual financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (CONTINUED)

The following new standards, new interpretations and amendments to standards have been issued but are not effective for the financial year beginning on 1 March 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Investment in Associates and Joint Ventures	1 March 2018
HKAS 40 (Amendment)	Investment Property	1 March 2018
HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 March 2018
HKFRS 2 (Amendment)	Share-based Payment	1 March 2018
HKFRS 4 (Amendment)	Insurance Contracts	1 March 2018
HKFRS 9	Financial Instruments	1 March 2018 <sup>(i)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined
HKFRS 15	Revenue from Contracts with Customers	1 March 2018 <sup>(ii)</sup>
HKFRS 16	Leases	1 March 2019 <sup>(iii)</sup>
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 March 2018

Notes:

(i) HKFRS 9 "Financial Instruments"

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets because a fair value through other comprehensive income ("FVOCI") election is available for the equity instrument which is currently classified as available-for-sale and the Group does not have the following financial assets:

- Debt instruments that are classified as available-for-sale financial assets;
- Debt instruments classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (CONTINUED)

Notes: (continued)

(i) HKFRS 9 “Financial Instruments” (continued)

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 “Financial Instruments: Recognition and Measurement” and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 “Revenue from Contracts with Customers”, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) HKFRS 15 “Revenue from Contracts with Customers”

This new standard will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is currently assessing the impact of adopting HKFRS 15 on the Group’s consolidated financial statements, by identifying the separate performance obligations in the contracts with customers and allocating the transactions price, if applicable, which could affect the timing of the revenue recognition. The directors of the Company is currently in the process of evaluating the full impact of HKFRS 15 on the Group’s consolidated financial statements.

(iii) HKFRS 16 “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB75,433,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 March 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 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 28 February 2017.

### 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 does 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 28 February 2017.

There has been no change in the risk management policies of the Group since the year ended 28 February 2017.

#### 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 2017 RMB'000	28 February 2017 RMB'000
Less than 1 year		
Trade payables and other payables	192,652	148,003
Amount due to a joint venture	-	33,000
	<b>192,652</b>	<b>181,003</b>

## 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 gain and 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 income 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 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.

## 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 2017 is as follows:

	Unaudited			
	Six months ended 31 August 2017			
	Retail		Others	Total
	Mainland China	HK & Macau		
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	<b>508,397</b>	<b>29,351</b>	–	<b>537,748</b>
Reportable segment profit/(loss)	<b>9,714</b>	<b>(8,507)</b>	–	<b>1,207</b>
Other income				<b>33,879</b>
Other gain				<b>5,930</b>
Finance income				<b>3,249</b>
Share of profit of a joint venture				<b>76</b>
Unallocated expenses				<b>–</b>
Profit before income tax				<b>44,341</b>
Income tax expense				<b>(11,804)</b>
Profit for the period				<b>32,537</b>
Depreciation and amortisation	<b>18,435</b>	<b>1,189</b>	–	<b>19,624</b>
Additions to non-current assets (other than deferred income tax assets and long-term deposits and prepayments)	<b>24,881</b>	<b>497</b>	–	<b>25,378</b>

## 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			Total
	Six months ended 31 August 2016			
	Retail	Others		
	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/(loss)	53,959	(5,537)	–	48,422
Other income				19,039
Other loss				(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 income tax assets and long-term deposits and prepayments)	13,086	959	–	14,045

For the six months ended 31 August 2017 and 31 August 2016, revenues from external customers are mainly derived from the Group's own brands, le saunda, le saunda MEN, LINEA ROSA, PITTI DONNA 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 2017 by reportable segment is set out below:

	Unaudited As at 31 August 2017			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	<b>1,022,474</b>	<b>387,962</b>	<b>10,736</b>	<b>1,421,172</b>
Interest in a joint venture				-
Interest in and amount due from an available-for-sale financial asset				-
Deferred income tax assets				<b>53,160</b>
Unallocated assets				<b>12,376</b>
Total assets per condensed consolidated interim balance sheet				<b>1,486,708</b>
Segment liabilities	<b>170,078</b>	<b>10,863</b>	<b>1,882</b>	<b>182,823</b>
Amount due to a joint venture				-
Current income tax liabilities				<b>2,027</b>
Deferred income tax liabilities				<b>27,532</b>
Unallocated liabilities				<b>9,829</b>
Total liabilities per condensed consolidated interim balance sheet				<b>222,211</b>

## 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 28 February 2017 by reportable segment is set out below:

	Audited			Total
	As at 28 February 2017			
	Retail	Others		
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	1,029,853	408,243	9,253	1,447,349
Interest in a joint venture				35,156
Interest in and amount due from an available-for-sale financial asset				–
Deferred income tax assets				55,283
Unallocated assets				109
Total assets per condensed consolidated interim balance sheet				<u>1,537,897</u>
Segment liabilities	137,789	9,194	996	147,979
Amount due to a joint venture				33,000
Current income tax liabilities				2,045
Deferred income tax liabilities				34,394
Unallocated liabilities				24
Total liabilities per condensed consolidated interim balance sheet				<u>217,442</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	
	2017	2016
	RMB'000	RMB'000
Mainland China	508,397	614,837
Hong Kong	25,904	31,775
Macau	3,447	4,561
Total	<b>537,748</b>	651,173

For the six months ended 31 August 2017 and 31 August 2016, 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	Audited
	31 August	28 February
	2017	2017
	RMB'000	RMB'000
Mainland China	177,030	207,734
Hong Kong	14,998	15,007
Macau	74,346	78,203
Total	<b>266,374</b>	300,944

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 7 OTHER INCOME AND OTHER GAIN AND LOSS

	Unaudited	
	Six months ended 31 August	
	2017	2016
	RMB'000	RMB'000
Other income		
Gross rental income from investment properties	126	2,067
Government incentives	9,934	16,972
Dividend income from an available-for-sale financial asset	6,797	–
Negative goodwill arising from acquisition of a subsidiary (Note (a))	17,022	–
	<b>33,879</b>	19,039
Other gain and loss		
Net exchange gain/(loss) (Note (b))	5,930	(6,094)
	<b>5,930</b>	(6,094)
	<b>39,809</b>	12,945

- (a) During the period, the Group acquired additional 50% equity interest of a joint venture 佛山市順德區雙強房地產開發有限公司 (“SSQ”) and SSQ became a wholly-owned subsidiary of the Group.
- (b) Net exchange gain or loss arose from the settlement of transactions denominated in foreign currencies and from the translation at period-end exchange rates of monetary assets and liabilities, including inter-company balances, denominated in foreign currencies.

## 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	
	2017	2016
	RMB'000	RMB'000
Auditors' remuneration	1,206	1,148
Amortisation of land use rights	245	239
Depreciation of property, plant and equipment	19,379	21,165
Loss on disposal of property, plant and equipment	1,317	1,261
Cost of inventories recognised as expenses included in cost of sales	145,939	171,340
Operating lease rentals in respect of land and buildings		
— minimum lease payments	35,831	44,265
— contingent rents	961	1,185
Freight charges	3,831	4,402
Advertising and promotional expenses	14,686	15,862
Postage and express charges	2,050	3,141
Concessionaire fees	99,825	118,974
Direct operating expenses arising from investment properties that generated rental income	72	203
Employee benefit expenses (including directors' emoluments and value of employee services)	170,572	181,103
Impairment losses/(write back of impairment losses) on inventories	2,327	(3,302)
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	
	2017	2016
	RMB'000	RMB'000
Current income tax		
People's Republic of China ("PRC") corporate income tax	<b>15,605</b>	34,395
Deferred income taxation	<b>(3,801)</b>	(13,021)
	<b>11,804</b>	21,374

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% (2016: 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	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	<b>32,406</b>	41,593
Weighted average number of ordinary shares in issue ('000)	<b>705,895</b>	705,895
Basic earnings per share (RMB cents)	<b>4.59</b>	5.89

## 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 2017 and 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.

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	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	<b>32,406</b>	41,593
Weighted average number of ordinary shares in issue ('000)	<b>705,895</b>	705,895
Adjustments for share options ('000)	–	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	<b>705,895</b>	705,895
Diluted earnings per share (RMB cents)	<b>4.59</b>	5.89

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 11 DIVIDENDS

	Unaudited	
	Six months ended 31 August	
	2017	2016
	RMB'000	RMB'000
Interim dividend of HK3.3 cents (six months ended 31 August 2016: HK4.3 cents) per ordinary share	<b>20,380</b>	25,675
Interim special dividend of HK1.7 cents (six months ended 31 August 2016: HK1.4 cents) per ordinary share	<b>10,499</b>	8,359
	<b>30,879</b>	34,034

A dividend of approximately RMB61,760,000 that related to the financial year ended 28 February 2017 was paid in July 2017 (2016: RMB59,709,000).

At the Board of Directors' meeting held on 30 October 2017, the Board of Directors has resolved to declare an interim dividend of HK3.3 cents (equivalent to approximately RMB2.9 cents) per ordinary share and an interim special dividend of HK1.7 cents (equivalent to approximately RMB1.5 cents) per ordinary share, totaling approximately RMB30,879,000. 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 2018.



## 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 2017			
	Investment properties RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 1 March 2017	142,404	101,332	14,947	258,683
Additions ( <i>Note</i> )	–	25,378	–	25,378
Disposals	–	(1,317)	–	(1,317)
Exchange differences	(3,686)	1,455	(554)	(2,785)
Depreciation and amortisation	–	(19,379)	(245)	(19,624)
At 31 August 2017	<u>138,718</u>	<u>107,469</u>	<u>14,148</u>	<u>260,335</u>

	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>

*Note:* The additions of property, plant and equipment included an addition of a property with fair value of RMB10,800,000. The property is owned by Super Billion Properties Limited, a subsidiary that the Group acquired on 1 March 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Unaudited 31 August 2017 RMB'000	Audited 28 February 2017 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 RECEIVABLES AND OTHER RECEIVABLES

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

	<b>Unaudited 31 August 2017 RMB'000</b>	Audited 28 February 2017 RMB'000
Trade receivables ( <i>Note (a)</i> )		
Current to 30 days	<b>84,250</b>	100,215
31 to 60 days	<b>5,193</b>	6,252
61 to 90 days	<b>2,770</b>	2,028
Over 90 days	<b>4,579</b>	2,650
	<b>96,792</b>	111,145
Other receivables	<b>5,795</b>	9,671
Total	<b>102,587</b>	120,816

- (a) 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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 15 TRADE PAYABLES AND OTHER PAYABLES

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

	<b>Unaudited 31 August 2017 RMB'000</b>	Audited 28 February 2017 RMB'000
Trade payables ( <i>Note (a)</i> )		
Current to 30 days	<b>31,853</b>	29,238
31 to 60 days	<b>21,770</b>	12,264
61 to 90 days	<b>7,096</b>	1,882
91 to 120 days	<b>739</b>	163
Over 120 days	<b>1,984</b>	1,707
	<b>63,442</b>	45,254
Other payables	<b>129,210</b>	102,749
Total	<b>192,652</b>	148,003

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

The carrying amounts of trade payables and other payables approximate their fair values.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 SHARE CAPITAL

	Unaudited 31 August 2017		Audited 28 February 2017	
	Number of ordinary shares	Share capital HKD'000	Number of ordinary shares	Share capital HKD'000
Authorised: Shares of HK\$0.10 each	<b>1,000,000,000</b>	<b>100,000</b>	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	<b>705,895,060</b>	<b>59,979</b>	705,895,060	59,979
Exercise of share options (Note 17)	–	–	–	–
At end of period/year	<b>705,895,060</b>	<b>59,979</b>	705,895,060	59,979

## 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 For the six months ended 31 August 2017		Audited For the year ended 28 February 2017	
	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	<b>3.124</b>	<b>9,914</b>	3.223	24,511
Lapsed	<b>2.185</b>	<b>(2,972)</b>	2.185	(5,797)
Lapsed	<b>4.300</b>	<b>(3,300)</b>	4.300	(8,800)
At end of period/year	<b>2.824</b>	<b>3,642</b>	3.124	9,914

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 17 SHARE OPTIONS (CONTINUED)

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.

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

Expiry date at	Unaudited 31 August 2017		Audited 28 February 2017	
	Exercise price per share (HK\$) <i>Note (c)</i>	Number of share options (thousands) <i>Note (c)</i>	Exercise price per share (HK\$) <i>Note (c)</i>	Number of share options (thousands) <i>Note (c)</i>
26 June 2021 ( <i>Note (a)</i> )	<b>4.300</b>	<b>1,100</b>	4.300	4,400
9 July 2022 ( <i>Note (b)</i> )	<b>2.185</b>	<b>2,542</b>	2.185	5,514

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 2017, no share option expense (31 August 2016: RMB537,000) was 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 loans to the extent of RMB210,500,000 (28 February 2017: RMB220,900,000) of which RMB5,200,000 (28 February 2017: RMB3,200,000) was utilized as at 31 August 2017.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 19 COMMITMENTS

#### (a) Capital commitments

	<b>Unaudited 31 August 2017 RMB'000</b>	Audited 28 February 2017 RMB'000
Contracted but not provided for, in respect of – purchase of property, plant and equipment	<b>1,553</b>	154

#### (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:

	<b>Unaudited 31 August 2017 RMB'000</b>	Audited 28 February 2017 RMB'000
Land and buildings:		
Not later than one year	<b>44,923</b>	54,701
Later than one year and not later than five years	<b>30,510</b>	31,824
	<b>75,433</b>	86,525

The above operating lease commitments include commitments for fixed rent only. Rentals payable in some cases may include an additional rent, calculated according to gross revenue which is 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 2017 RMB'000	Audited 28 February 2017 RMB'000
Land and buildings:		
Not later than one year	78	121
Later than one year and not later than five years	2	–
	<b>80</b>	<b>121</b>

### 20 PLEDGE OF ASSETS

As at 31 August 2017, bank deposits of RMB1,200,000 (28 February 2017: RMB1,300,000) have been pledged as rental deposit for a subsidiary of the Group.

### 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 2017 RMB'000	2016 RMB'000
Rental expenses charged by:		
– a related party ( <i>Note (i)</i> )	1,302	2,030
– a related company ( <i>Notes (ii)&amp;(iii)</i> )	–	397

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 21 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Transactions with related parties (continued)

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) For the period ended 31 August 2016, the Group rented office premise located in Mainland China from Super Billion Properties Limited ("Super Billion"), a company controlled by Mr. Lee.
- (iii) The Group acquired Super Billion on 1 March 2017.

#### (b) Key management compensation

	Unaudited	
	Six months ended 31 August	
	2017	2016
	RMB'000	RMB'000
Salaries and other employee benefits	7,013	3,945
Contributions to retirement scheme	22	29
Staff option expense	-	479
	<b>7,035</b>	<b>4,453</b>

### 22 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Details of the interim dividend and interim 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 2017, 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

##### (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	—	36,600,000 (Notes 1 & 2)	280,500,000 (Notes 3 & 4)	368,941,000	52.26%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	3,527,000	—	—	55,000,000	58,527,000 (Note 5)	8.29%
Mr. Leung Wai Ki, George ("Mr. Leung")	—	—	—	1,700,000	1,700,000 (Note 6)	0.24%

Notes:

1. 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.
2. Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited, which held 3,600,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.

## 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 (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 the founder (as defined in section 308 of the SFO) and an eligible beneficiary thereunder. Mr. Lee was also the 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 the founder (as defined in section 308 of the SFO), 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. Chui personally held 3,527,000 Shares and was deemed to be interested in 55,000,000 Shares jointly held by her, Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee") and Ms. Tsui Oi Kuen ("Ms. Tsui") as trustees of the Charitable Foundation.
6. 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 Director	Date of share options granted <i>(Notes 1 &amp; 2)</i>	Adjusted number of Shares <i>(Note 3)</i>					Total outstanding as at 31 August 2017	Adjusted exercise price <i>(Note 3)</i> HK\$	Exercise period
		Balance as at 1 March 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Ms. Chu Tsui Lan	27 June 2011	1,100,000	—	—	—	(1,100,000)	—	4.300	27 June 2014 – 26 June 2021
(resigned with effect from 1 August 2017)	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
<b>Total</b>		<b>5,940,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(5,940,000)</b>	<b>—</b>		

*Notes:*

- The respective vesting periods of the above share options are from their respective dates of grant until the commencement of their respective exercise periods.
- 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.
- 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 attached 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.

## 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)**

Save as disclosed above, as at 31 August 2017, 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 2017, (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.

## DISCLOSURE OF INTERESTS

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

As at 31 August 2017, 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 the founder and an eligible beneficiary thereunder. Mr. Lee was also the 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.

## 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 by her, 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 by her, 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 2017, 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.



## 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 movements during the six months ended 31 August 2017 were as follows:

Adjusted number of share options (Note 4)									
Category of Participant	Date of share options granted (Notes 1 & 2)	Balance as at 1 March 2017	Granted during the period (Note 3)	Exercised during the period	Cancelled during the period	Lapsed during the period	Total outstanding as at 31 August 2017	Adjusted exercise price (Note 4) HK\$	Exercise period
<b>Directors</b> (Note 5)	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
Sub-total		5,940,000	—	—	—	(5,940,000)	—		
<b>Employees</b>	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	115,500	—	—	—	(3,300)	112,200	2.185	10 July 2014 – 9 July 2022
	10 July 2012	686,400	—	—	—	(36,300)	650,100	2.185	10 July 2015 – 9 July 2022
	10 July 2012	2,072,400	—	—	—	(292,600)	1,779,800	2.185	10 July 2016 – 9 July 2022
Sub-total		3,974,300	—	—	—	(332,200)	3,642,100		
<b>Total</b>		<u>9,914,300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,272,200)</u>	<u>3,642,100</u>		

## DISCLOSURE OF INTERESTS

### SHARE OPTION SCHEME (CONTINUED)

*Notes:*

1. The respective vesting periods of the above share options are from their respective dates of 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 attached 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, Mr. Lee Tze Bun, Marces, a Non-Executive Director, was unable to attend the annual general meeting of the Company held on 10 July 2017.

### 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 28 February 2017 are set out below:

Name of Directors	Details of changes
<b>Executive Director:</b> Ms. Chu Tsui Lan	<ul style="list-style-type: none"> <li>Resigned as Executive Director and Chief Operating Officer with effect from 1 August 2017</li> </ul>
<b>Non-Executive Director:</b> Mr. James Ngai	<ul style="list-style-type: none"> <li>Renewed service contract with the Company with 2-years' fixed term commencing on 25 March 2017 and ending on 24 March 2019</li> </ul>
<b>Independent Non-Executive Director:</b> Mr. Leung Wai Ki, George	<ul style="list-style-type: none"> <li>Renewed service contract with the Company with 2-years' fixed term commencing on 1 November 2017 and ending on 31 October 2019</li> </ul>

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### AUDIT COMMITTEE

As at 31 August 2017 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 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 report, 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 2017. 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 2017.

### REMUNERATION COMMITTEE

As at 31 August 2017 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.

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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### **NOMINATION COMMITTEE**

As at 31 August 2017 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 2017 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 2017.

### **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 INTERIM SPECIAL DIVIDEND**

In order to ascertain the entitlement to the interim dividend and the interim special dividend for the six months ended 31 August 2017, the register of members of the Company will be closed from Tuesday, 14 November 2017 to Wednesday, 15 November 2017 (both dates inclusive) during which no transfer of shares will be registered. The record date for entitlement to the interim dividend and the interim special dividend is 15 November 2017. In order to qualify for the interim dividend and the interim special dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Units 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 13 November 2017.

### **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, 30 October 2017