



*interim report
2019/20*



le saunda holdings ltd.

萊爾斯丹控股有限公司

(Incorporated in Bermuda with limited liability)

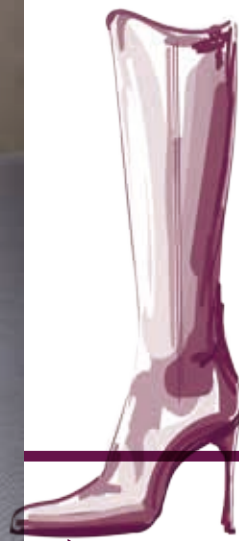
(Stock Code : 0738)



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CORPORATE INFORMATION

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Cheng Wang, Gary (*Chief Executive Officer*)
(*resigned with effect from 16 October 2019*)
Chui Kwan Ho, Jacky
Liao Jian Yu

NON-EXECUTIVE DIRECTORS

James Ngai (*Chairman*)
Lee Tze Bun, Marces
(*resigned with effect from 16 October 2019*)

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

Yuen Chee Wing

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

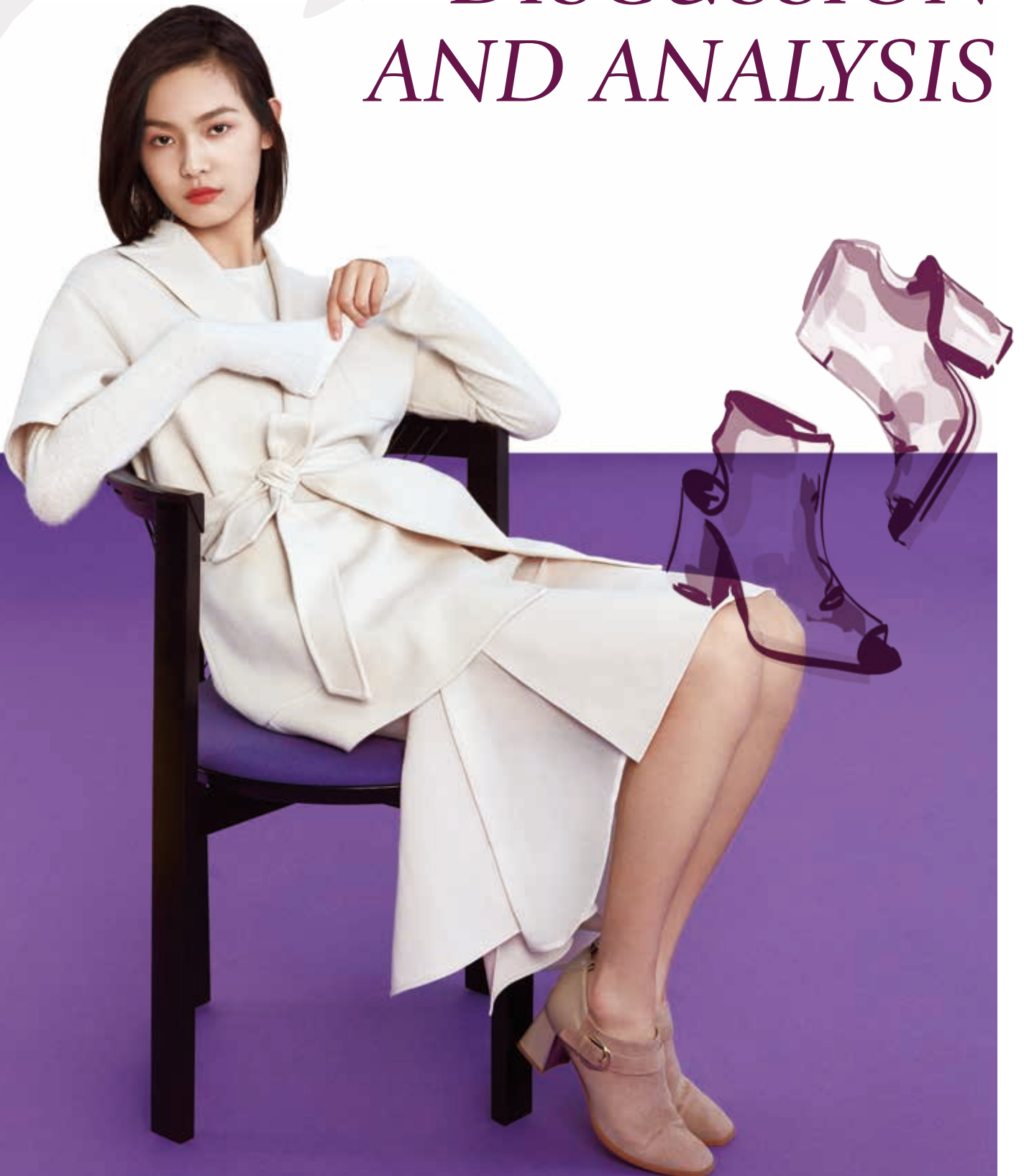
INVESTOR RELATIONS

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WEBSITE ADDRESS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



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 2019/20, total revenue of the Group decreased by 18.2% year-on-year to RMB376,700,000 (2018/19: RMB460,400,000). Consolidated gross profit dropped by 16.9% year-on-year to RMB241,200,000 (2018/19: RMB290,400,000). The Group recorded an overall gross profit margin of 64.0%, representing a slight increase of 0.9 percentage point as compared to the corresponding period in the last financial year. During the period, the Group changed from loss-making to profitable. Consolidated profit attributable to owners of the Company was RMB2,400,000 (2018/19: consolidated loss of RMB9,600,000).



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

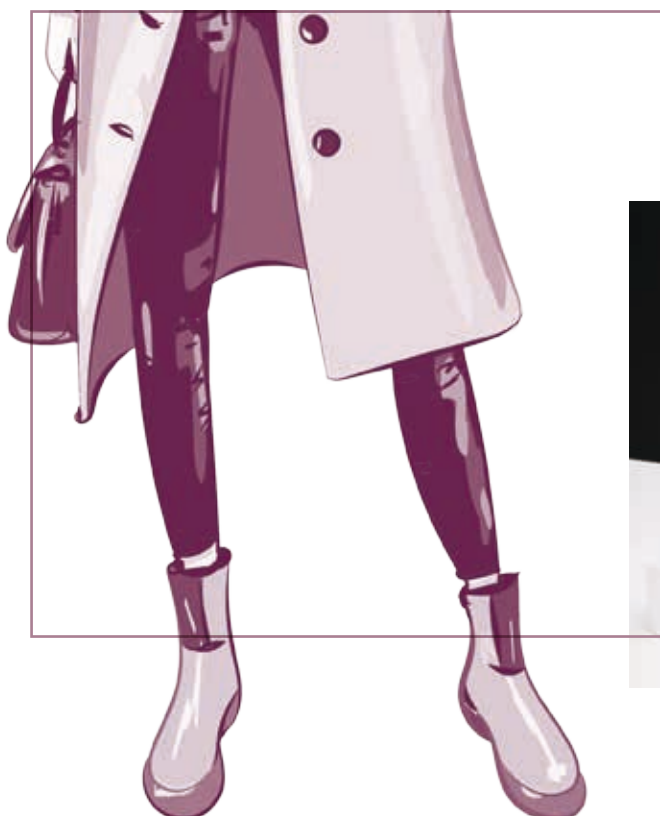
FINANCIAL REVIEW (CONTINUED)

Operating Results (Continued)

RMB (million)	1H 2019/20	1H 2018/19	Change
Revenue	376.7	460.4	(18.2%)
Gross profit	241.2	290.4	(16.9%)
Gross profit margin	64.0%	63.1%	0.9 percentage point
Consolidated profit/(loss) attributable to owners	2.4	(9.6)	
Basic earnings/(loss) per share (RMB cents)	0.34	(1.36)	
Interim dividend	—	—	
Dividend pay-out ratio	N/A	N/A	

Profitability Analysis

During the period under review, the performance of retail stores in Mainland China improved, resulting in a low growth recorded in the same-store sales of the Group. However, the consolidation of underperforming stores had led to a significant decrease in number of retail stores, and with the decline of e-commerce sales, the Group's overall revenue recorded a year-on-year decline of 18.2% to RMB376,700,000 (2018/19: RMB460,400,000). To cope with unfavourable market conditions, the Group has adjusted its sales strategies, resulting in a slight increase of gross profit margin by 0.9 percentage point year-on-year to 64.0% while consolidated gross profit still decreased by 16.9% to RMB241,200,000 (2018/19: RMB290,400,000).



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Profitability Analysis (continued)

In response to the drop in revenue, the Group strictly controlled selling expenses such as concessionaire fees and promotion. As such, selling and distribution expenses decreased by 27.0% year-on-year to RMB168,700,000 (2018/19: RMB231,000,000). As the decrease in the related expenses was more than that of revenue, the ratio of selling and distribution expenses to total revenue decreased by 5.4 percentage points to 44.8% (2018/19: 50.2%). During the period under review, the Group strictly controlled its efforts in promotion activities both online and offline. As a result, the advertising and promotional expenses accounted for 3.1% of sales (2018/19: 4.8%), representing a year-on-year decrease of 1.7 percentage points.

With the downsize of business operations, general and administrative expenses decreased by 7.7% to RMB69,200,000 (2018/19: RMB74,900,000) compared to the corresponding period of last financial year. Since back office expenses are mostly fixed expenses, general and administrative expenses as a percentage of total revenue increased by 2.1 percentage points to 18.4% (2018/19: 16.3%). The Group will continue to streamline its management structure to adjust its expenses ratio in order to be in line with the industry level.

Other income decreased by 62.1% to RMB4,100,000 (2018/19: RMB10,700,000) as compared to the corresponding period of last year, which is mainly due to the decrease in local government incentives. Other loss was mainly represented by the foreign exchange difference. During the period, the exchange rate of RMB continued to depreciate, and foreign exchange loss increased to RMB7,300,000 (2018/19: loss of RMB5,800,000).

Overall, during the first half of 2019/20 financial year, the Group changed from loss-making to profitable. The consolidated profit attributable to owners of the Company was RMB2,400,000 (2018/19: consolidated loss of RMB9,600,000). Basic earnings per share was RMB0.34 cent (2018/19: loss of RMB1.36 cents). The Board does not recommend the payment of an interim dividend. (2018/19: Nil).

Income Tax Expense

During the period under review, income tax expense amounted to approximately RMB7,600,000 (2018/19: RMB8,500,000), representing a decrease of 11.2% year-on-year. Effective from 2012, all business entities of the Group in China are subject to an income tax rate of 25%, while the profit tax rate for the operations in Hong Kong remains at 16.5%. Pursuant to the Enterprise Income Tax Law of China, a withholding income tax of 5–10% shall be levied on the dividends remitted by a Chinese subsidiary to its foreign parent company starting from 1 January 2008. Excluding the effects of the items not subject to taxation, the effective income tax rate of the Group was 28.5% (2018/19: 27.6%).

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Inventory Management

As at 31 August 2019, the Group's inventory balance was RMB330,400,000, representing a decrease of 7.2% as compared to the inventory balance of RMB355,900,000 of the corresponding period of last year. Inventory turnover days of finished goods increased by 58 days to 378 days (31 August 2018: 320 days).

A breakdown of inventory balance was as follows:

RMB (million)	As at 31 August 2019	As at 31 August 2018	Changes in value	Changes in %
Raw materials and work-in-progress	28.8	28.3	0.5	1.8%
Finished goods	301.6	327.6	(26.0)	(7.9%)
Total	330.4	355.9	(25.5)	(7.2%)

The Group has been closing down underperforming stores and clearing off-season inventory; at the same time, it has moderately developed businesses and increased the related inventories. Nevertheless, the Group will as usual maintain strict control on the ageing of inventory. As at 31 August 2019, approximately 75% of the Group's finished goods had an ageing of inventory of less than one year (31 August 2018: 76%).

Liquidity and Financial Resources

The Group's financial position remained very strong and healthy. As at 31 August 2019, the Group's cash and bank balance amounted to RMB418,000,000 (28 February 2019: RMB590,600,000). Despite of the sales slowdown, the cash flow remained steady. The quick ratio was 3.2 times (28 February 2019: 5.9 times). As at the end of the financial period, the Group had not borrowed any bank loan and had no outstanding bank loan (28 February 2019: Nil). Forward contracts will be used, if necessary, to hedge related debts and bank borrowings arising from overseas purchases. The Group did not enter into any forward contracts to hedge its foreign exchange risks during the period. 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 2019, the Group's cash and bank balances were held in Hong Kong dollars, U.S. dollars, Euro and RMB respectively, and were deposited in several 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The gross domestic product (GDP) of China in the first half of 2019 increased by 6.2%, down 0.6 percentage point as compared to the corresponding period of last year; GDP for the third quarter of 2019 further declined to 6.0%, continuing the downward trend since the first quarter of 2018 and hitting a new low of quarterly value in 27 years. Besides, the prolonged Sino-US trade war has not only caused the slowdown of China's exports, but also hurt the consumption and investment sentiments. Despite the situation of China-US trade has been slightly alleviated, the global economy will not improve rapidly in the short term. Since 2018, China promoted consumption upgrade to boost the country's economic growth, triggering the demand change of different consumer groups which imposed new requirements on retail enterprises to transform and innovate. Domestic retail industry has quickened its pace in transformation and upgrading to satisfy new consumption demands and to provide better experience for its customers.

Affected by the factors of economic downturn and market uncertainties, the total revenue of the Group reduced by 18.2% year-on-year to RMB376,700,000 (2018/19: RMB460,400,000) while its same-store sales increased by 3.7% (2018/19: decreased by 10.2%) in the period under review. Facing challenges in the business environment, the Group improved its product quality and service experience, utilized information technology to enhance enterprise informatization and continuously optimized its operational structure and distribution network to enhance operational efficiency.

Retail Network

Mainland China is the key market of the Group's retail business. As at the period-end day, the Group had a retail network comprised of 465 stores in Mainland China, Hong Kong and Macau, representing a net reduction of 156 stores compared to the corresponding period of last year. The number of self-owned stores dropped by 150, while the number of franchised stores decreased by 6 during the period.

As at 31 August 2019, there were 342 core brand le saunda stores and 1 le saunda MEN store, representing a net decrease of 132 stores as compared to the end of last period. As for the high-end fashionable brand, LINEA ROSA, saw a net reduction of 7 stores to bring the total number of stores to 62, as compared to the end of last period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Retail Network (continued)

As at 31 August 2019, the breakdown of the Group's retail network was as follows:

Number of Outlets by Region	Self-owned (Year-on-year change)		Franchise (Year-on-year change)		Total (Year-on-year change)	
Mainland China	400	(-149)	56	(-6)	456	(-155)
• Northern, Northeastern & Northwestern Regions	86	(-31)	48	(-5)	134	(-36)
• Eastern Region	143	(-31)	2	(0)	145	(-31)
• Central and Southwestern Regions	75	(-48)	6	(-1)	81	(-49)
• Southern Region	96	(-39)	—	—	96	(-39)
Hong Kong and Macau	9	(-1)	—	—	9	(-1)
Total	409	(-150)	56	(-6)	465	(-156)

Mainland China

The Group's sales in Mainland China decreased by 17.0% year-on-year to RMB356,800,000 (2018/19: RMB429,800,000), which was brought about by the following reasons: (1) the Group continuously optimized its distribution network and closed down low-profit stores, resulting in a diminished total sales as compared to the corresponding period of last year; (2) noticeable changes in the consumer behavior and demand of different customer groups, especially the millennials and middle-class women, leading to a more diversified, specified and personalized market which has imposed new requirements on retail enterprises to transform and innovate; (3) the e-commerce market is growing rapidly while more and more e-commerce companies open physical stores to compete for market shares with the traditional retailers; (4) market competition intensifies, while manpower costs, rental costs and sales related expenses are continuously rising. The Group has better integrated its online and offline sales channels to increase overall customer traffic, improved customer shopping experience at physical stores, understood and satisfied customer needs and expectations and better controlled its operating costs in order to remain competitive in the market.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Hong Kong and Macau

In the first half of 2019, Hong Kong's economy grew by 0.5% year-on-year, which was the worst since the 2009 recession. It is expected that the economy will enter a technical recession in the third quarter of this year. The protest activities in Hong Kong persisted for several months, which severely affected the business environment and consumption sentiment and pessimism grew among the public. Hong Kong's total visitor arrivals and total retail sales have both declined, the retail and tourism industries were badly affected. In addition, the adverse impact of the Sino-US trade war and China's economic slowdown on the Hong Kong economy is emerging. Subject to those negative economic factors, the Group's sales in Hong Kong and Macau region decreased by 35.0% year-on-year to RMB20,000,000 (2018/19: RMB30,700,000). During the period under review, the Group's number of stores in Hong Kong and Macau reduced by 1 store to 9 stores. The protest activities in Hong Kong are expected to carry on in the short term and it is inevitable that the economy will enter a recession, the Group will closely monitor the market conditions and strive for better performance in a prudent and pragmatic manner.

E-Commerce Business

From January to August of 2019, the national online retail sales amounted to RMB6.44 trillion, representing a year-on-year increase of 16.8%. The growth rate has dropped comparing with past few years. The e-commerce market is changing rapidly. "Social e-commerce" (Users share their reviews and opinion on products via their social media network like WeChat) successfully gained a share in the market and even threatening the huge e-commerce platform operators who have entered the e-commerce market in the early stage. With a large number of competitors joining the market, the fragmentation of e-commerce has accelerated, the cost of operators has significantly increased and the traditional e-commerce operators have encountered business growth bottleneck. During the period under review, the revenue of the Group's e-commerce business decreased by 22.6% year-on-year. Facing the market challenges, the Group is developing multichannel operations, exploring new resources on e-commerce platforms and continuously improving supply chain efficiency.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTLOOK AND LONG-TERM STRATEGIES OF THE GROUP

In 2019, the international trade and economic environment saw some drastic changes. The unilateral trade protectionism and conflicts have been normalized, and the pressure of Mainland's economy slowdown increases. Given the current gloomy economic conditions, the Group will continuously optimize its distribution network, close down low-profit stores and take a cautious and prudent approach in business expansion. It is expected that the Group will have a relatively high inventory level for a certain period of time. To maintain a good cash flow condition, the Group will boost its sales in the second half of the year. As a result, the Group's gross profit margin and net profit margin will be affected.

Nowadays, customer demand diversifies among different tiers of customers in Mainland China. The young middle class is more concerned with shopping experience and product quality. In light of the current market conditions in Mainland China, the Group will further enhance its brands' positioning and core customer base, identify market trends, strengthen its position in the women footwear market in Mainland China and continuously improve the distribution network to boost the store performance.

PLEDGE OF ASSETS

As at 31 August 2019, bank deposit of RMB728,000 (28 February 2019: RMB665,000) has been pledged as rental deposit for a subsidiary of the Company.

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 RMB227,800,000 (28 February 2019: RMB212,900,000), of which RMB5,900,000 (28 February 2019: RMB2,400,000) was utilised as at 31 August 2019.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 August 2019 (2018: no interim dividend).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2019, the Group had a staff force of 2,653 people (28 February 2019: 2,958 people). Of this number, 69 were based in Hong Kong and Macau and 2,584 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 2019, including Directors' emoluments, net pension contributions and the value of employee services, amounted to RMB123,700,000 (2018: RMB147,600,000). 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 2019

	Note	Unaudited	
		Six months ended 31 August 2019	2018
		RMB'000	RMB'000
Revenue	6	376,724	460,447
Cost of sales		(135,533)	(170,066)
Gross profit		241,191	290,381
Other income	7	4,055	10,704
Other gain and loss, net	7	(1,255)	(1,176)
Selling and distribution expenses	8	(168,653)	(231,001)
General and administrative expenses	8	(69,166)	(74,920)
Operating profit/(loss)		6,172	(6,012)
Finance income, net	9	3,746	5,490
Profit/(loss) before income tax		9,918	(522)
Income tax expense	10	(7,555)	(8,509)
Profit/(loss) for the period		2,363	(9,031)
Profit/(loss) for the period attributable to:			
– owners of the Company		2,388	(9,585)
– non-controlling interest		(25)	554
		2,363	(9,031)
Earnings/(loss) per share attributable to owners of the Company (express in RMB cents)			
– Basic	11	0.34	(1.36)
– Diluted	11	0.34	(1.36)
Dividend	12	–	–

The notes on pages 22 to 42 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 2019

	Unaudited	
	Six months ended 31 August	
	2019	2018
	RMB'000	RMB'000
Profit/(loss) for the period	2,363	(9,031)
Other comprehensive income		
<i>Item that will be reclassified to profit or loss</i>		
— Currency translation differences	20,236	32,278
Other comprehensive income for the period	20,236	32,278
Total comprehensive income for the period	22,599	23,247
Total comprehensive income/(loss) for the period, attributable to:		
— owners of the Company	22,624	22,693
— non-controlling interest	(25)	554
	22,599	23,247

The notes on pages 22 to 42 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2019

		Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Investment properties	13	2,525	56,360
Property, plant and equipment	13	149,134	153,306
Land use rights	13	—	20,442
Right-of-use assets		64,875	—
Long-term deposits and prepayments		3,519	4,632
Deferred income tax assets		53,264	54,302
		273,317	289,042
Current assets			
Inventories		330,373	325,444
Trade receivables and other receivables	14	76,308	74,940
Deposits and prepayments		50,658	45,471
Pledged bank deposit		728	665
Cash and bank balances		418,042	590,596
		876,109	1,037,116
Non-current assets classified as held for sale		60,000	—
		936,109	1,037,116
Total assets		1,209,426	1,326,158
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	59,979	59,979
Reserves			
Dividend		—	210,428
Others		920,904	905,309
		980,883	1,175,716
Non-controlling interest		10,050	10,450
Total equity		990,933	1,186,166

The notes on pages 22 to 42 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 31 August 2019

		Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		26,050	27,869
Lease liabilities		17,146	—
		43,196	27,869
Current liabilities			
Trade payables, other payables and contract liabilities	15	138,519	106,378
Lease liabilities		30,030	—
Current income tax liabilities		6,748	5,745
		175,297	112,123
Total liabilities		218,493	139,992
Total equity and liabilities		1,209,426	1,326,158

The notes on pages 22 to 42 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 2019

	Unaudited														
	Attributable to owners of the Company													Non- controlling interest	Total equity
	Share capital	Share premium	Capital redemption		Statutory reserves	Contributed surplus	Retained earnings	Capital reserve	Revaluation reserve	Employee share-based		Other reserve	Total		
			reserve	reserve						compensation reserve	reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 March 2019	59,979	88,982	145	(40,691)	47,145	217,546	766,512	4,812	11,070	20,101	115	1,175,716	10,450	1,186,166	
Impact on initial application of HKFRS 16	-	-	-	-	-	-	(2,987)	-	-	-	-	(2,987)	-	(2,987)	
Adjusted balance at 1 March 2019	59,979	88,982	145	(40,691)	47,145	217,546	763,525	4,812	11,070	20,101	115	1,172,729	10,450	1,183,179	
Profit/(loss) for the period	-	-	-	-	-	-	2,388	-	-	-	-	2,388	(25)	2,363	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
– Currency translation differences	-	-	-	20,236	-	-	-	-	-	-	-	20,236	-	20,236	
Total comprehensive income/(loss) for the period ended 31 August 2019	-	-	-	20,236	-	-	2,388	-	-	-	-	22,624	(25)	22,599	
Dividends relating to 2019 paid in July 2019 (Note 12)	-	-	-	-	-	(214,470)	-	-	-	-	-	(214,470)	(375)	(214,845)	
Balance at 31 August 2019	59,979	88,982	145	(20,455)	47,145	3,076	765,913	4,812	11,070	20,101	115	980,883	10,050	990,933	
Representing:															
Share capital														59,979	
Others														920,904	
Non-controlling interest														10,050	
														990,933	

The notes on pages 22 to 42 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 2019

	Unaudited														
	Attributable to owners of the Company													Non-controlling interest	Total equity
	Share capital	Share premium	Capital	Exchange	Statutory reserves	Contributed surplus	Retained earnings	Capital reserve	Revaluation reserve	Employee share-based compensation reserve	Other reserve	Total	Total		
			redemption reserve	translation reserve											
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 March 2018	59,979	88,982	145	(60,609)	47,145	265,522	792,069	4,812	11,070	22,576	639	1,232,330	10,451	1,242,781	
(Loss)/profit for the period	–	–	–	–	–	–	(9,585)	–	–	–	–	(9,585)	554	(9,031)	
Other comprehensive income															
– Currency translation differences	–	–	–	32,278	–	–	–	–	–	–	–	32,278	–	32,278	
Total comprehensive income/(loss) for the period ended 31 August 2018	–	–	–	32,278	–	–	(9,585)	–	–	–	–	22,693	554	23,247	
Dividends relating to 2018 paid in August 2018 (Note 12)	–	–	–	–	–	–	(46,508)	–	–	–	–	(46,508)	(705)	(47,213)	
Balance at 31 August 2018	59,979	88,982	145	(28,331)	47,145	265,522	735,976	4,812	11,070	22,576	639	1,208,515	10,300	1,218,815	
Representing:															
Share capital														59,979	
Others														1,148,536	
Non-controlling interest														10,300	
														<u>1,218,815</u>	

The notes on pages 22 to 42 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 31 August 2019

	Unaudited	
	Six months ended 31 August 2019 RMB'000	2018 RMB'000
Net cash inflows from operating activities	31,064	44,062
Net cash outflows from investing activities	(34,526)	(43,707)
Net cash outflows from financing activities	(167,526)	(48,250)
Net decrease in cash and cash equivalents	(170,988)	(47,895)
Effect of foreign exchange rate changes, net	10,234	18,777
Cash and cash equivalents at 1 March	555,596	603,123
Cash and cash equivalents at 31 August	394,842	574,005
Analysis of the cash and bank balances:		
Cash and cash equivalents	394,842	574,005
Term deposits with initial term over three months	23,200	44,279
Cash and bank balances at 31 August	418,042	618,284

The notes on pages 22 to 42 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 2019.

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 2019 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the condensed consolidated interim financial statements for the six months ended 31 August 2019 are consistent with those adopted in the consolidated financial statements for the year ended 28 February 2019, except for the adoption of new and amended standards as set out below.

(i) New and amended standards and interpretations adopted by the Group

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

Amendments to Annual Improvements Project	Annual improvements 2015–2017 cycle
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates or joint ventures
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) New and amended standards and interpretations adopted by the Group (continued)

Except for the impact of adoption of HKFRS16 set out in Note 3(ii) below, the adoption of other applicable new and amended standards and interpretations did not have any material impact on the Group's accounting policies.

(ii) HKFRS 16 "Leases" – Impact of adoption

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 March 2019. The Group has applied the modified retrospective approach and has not restated comparative amounts for the last reporting period. The reclassifications and the adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 March 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 4.44%.

	RMB'000
Operating lease commitments disclosed as at 28 February 2019	69,735
Discounted using the lessee's incremental borrowing rate of the date of initial application	(16,811)
Less: short-term leases and low-value leases recognised on a straight-line basis as expense	(6,510)
Lease liabilities recognised as at 1 March 2019	46,414
Of which are:	
Current lease liabilities	21,861
Non-current lease liabilities	24,553
	46,414

Under the modified retrospective approach, the right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 March 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) HKFRS 16 “Leases” — Impact of adoption (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

Land use rights previously presented as a separate item on the balance sheet are grouped as part of right-of-use assets with effect from 1 March 2019.

The recognised right-of-use assets relate to the following types of assets:

	At 31 August 2019 RMB'000	At 1 March 2019 RMB'000
Land use rights	21,194	20,442
Right-of-use assets	43,681	43,427
	64,875	63,869

The change in accounting policy affected the following items in the balance sheet on 1 March 2019:

	At 28 February 2019 as originally presented RMB'000	Effects of the adoption of HKFRS 16 RMB'000	At 1 March 2019 restated RMB'000
Condensed consolidated balances sheet (extract)			
Non-current assets			
Land use rights	20,442	(20,442)	—
Right-of-use assets	—	63,869	63,869
Current liabilities			
Lease liabilities	—	21,861	21,861
Non-current liabilities			
Lease liabilities	—	24,553	24,553

The impact on the Group's net profit after tax for the six months ended 31 August 2019 as a result of adoption of HKFRS 16 is not significant.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) HKFRS 16 “Leases” – Impact of adoption (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 “Determining Whether an Arrangement Contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

The Group leases various retail spaces and premises, warehouses and offices. Rental contracts are typically made for fixed periods of 6 months to 10 years but may contain extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets have not been used as security for borrowing purposes.

The Group also leases certain land use rights in Mainland China. These land use rights are leased for a period of between 50 to 70 years on which plants and buildings of the Group are situated on.

Until the 28 February 2019 financial year, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 March 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) HKFRS 16 “Leases” — Impact of adoption (continued)

(b) *The Group’s leasing activities and how these are accounted for (continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(ii) HKFRS 16 “Leases” – Impact of adoption (continued)

(b) *The Group’s leasing activities and how these are accounted for (continued)*

(i) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 percent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Termination options

Termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the Group and not by the respective lessor.

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 2019.

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 2019.

There has been no change in the risk management policies of the Group since the year ended 28 February 2019.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2019 RMB'000	28 February 2019 RMB'000
Less than 1 year		
Trade payables and other payables	107,624	82,359

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/(loss). This measurement basis excludes other income (excluding government incentives), other gain and loss, net, finance income, net, and unallocated expenses.

Segment assets mainly exclude deferred income tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude current income tax liabilities, deferred income tax liabilities and other liabilities that are managed on a central basis.

In respect of geographical segment reporting, sales are based on the country in which the customer is located, and total assets and capital expenditure are based on the country where the assets are located.

Sales of goods are recognised at a point in time when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

**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 2019 is as follows:

	Unaudited Six months ended 31 August 2019			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Revenue from external customers	356,773	19,951	—	376,724
Reportable segment profit/(loss)	16,190	(3,252)	—	12,938
Other income (excluding government incentives)				40
Other loss, net				(1,255)
Finance income, net				3,746
Unallocated expenses				(5,551)
Profit before income tax				9,918
Income tax expense				(7,555)
Profit for the period				2,363
Depreciation and amortisation	22,619	5,354	—	27,973
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments and right-of-use assets)	7,808	—	—	7,808

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 2018 is as follows:

	Unaudited			
	Six months ended 31 August 2018			
	Retail		Others	Total
Mainland China	HK & Macau			
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	429,776	30,671	—	460,447
Reportable segment loss	(2,093)	(1,932)	—	(4,025)
Other income (excluding government incentives)				39
Other loss, net				(1,176)
Finance income				5,490
Unallocated expenses				(850)
Loss before income tax				(522)
Income tax expense				(8,509)
Loss for the period				(9,031)
Depreciation and amortisation	16,318	725	—	17,043
Additions to non-current assets (Other than deferred income tax assets and long-term deposits and prepayments)	9,260	1,461	—	10,721

For the six months ended 31 August 2019 and 31 August 2018, 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 2019 by reportable segment is set out below:

	Unaudited As at 31 August 2019			
	Retail		Others	Total
	Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000
Segment assets	910,622	212,393	154	1,123,169
Deferred income tax assets				53,264
Unallocated assets				32,993
Total assets per condensed consolidated interim balance sheet				<u>1,209,426</u>
Segment liabilities	160,444	18,880	7	179,331
Current income tax liabilities				6,748
Deferred income tax liabilities				26,050
Unallocated liabilities				6,364
Total liabilities per condensed consolidated interim balance sheet				<u>218,493</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

- (i) An analysis of the Group's assets and liabilities as at 28 February 2019 by reportable segment is set out below:

	Audited			Total
	As at 28 February 2019			
	Retail	Others		
Mainland China RMB'000	HK & Macau RMB'000	RMB'000	RMB'000	
Segment assets	929,287	314,366	145	1,243,798
Deferred income tax assets				54,302
Unallocated assets				28,058
Total assets per consolidated balance sheet				<u>1,326,158</u>
Segment liabilities	99,521	6,005	13	105,539
Current income tax liabilities				5,745
Deferred income tax liabilities				27,869
Unallocated liabilities				839
Total liabilities per consolidated balance sheet				<u>139,992</u>

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

Revenue

	Unaudited	
	Six months ended 31 August 2019	2018
	RMB'000	RMB'000
Mainland China	356,773	429,776
Hong Kong	18,616	28,889
Macau	1,335	1,782
Total	<u>376,724</u>	<u>460,447</u>

For the six months ended 31 August 2019 and 31 August 2018, there was no transaction with a single external customer that amounted to 10% or more of the Group's revenue.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Non-Current Assets

	Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
Mainland China	133,386	151,262
Hong Kong	12,417	13,937
Macau	74,250	69,541
Total	220,053	234,740

7 OTHER INCOME AND OTHER GAIN AND LOSS, NET

	Unaudited Six months ended 31 August 2019 RMB'000	2018 RMB'000
Other income		
Gross rental income from investment property	40	39
Government incentives	4,015	10,665
	4,055	10,704
Other gain and loss, net		
Net exchange loss (Note (a))	(7,255)	(5,773)
Fair value gain on investment property	6,000	—
Gain on disposal of property, plant and equipment and land use rights (Note (b))	—	4,597
	(1,255)	(1,176)
	2,800	9,528

Notes:

- (a) 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.
- (b) In June 2018, the Group disposed a property at a consideration of RMB6,000,000 and recognised a gain of RMB4,597,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 31 August	
	2019	2018
	RMB'000	RMB'000
Auditors' remuneration	1,162	1,032
Amortisation of land use rights	—	392
Depreciation of property, plant and equipment	14,855	16,651
Depreciation of right-of-use assets	13,118	—
Loss on disposal of property, plant and equipment	2,682	1,066
Costs of sales	135,533	170,066
Expenses relating to short-term leases and variable lease payments	61,113	—
Operating lease rentals in respect of land and buildings		
— minimum lease payments	—	27,290
— contingent rents	—	667
Freight charges	3,656	4,364
Advertising and promotional expenses	11,859	22,053
Postage and express charges	1,526	2,296
Concessionaire fees	—	78,380
Employee benefit expenses (including directors' emoluments and value of employees services)	123,698	147,609
Write back of impairment on inventories	(1,615)	(4,815)
Impairment losses on trade receivables	—	4,124

9 FINANCE INCOME, NET

	Unaudited	
	Six months ended 31 August	
	2019	2018
	RMB'000	RMB'000
Interest income on bank deposits	3,752	3,394
Other finance income	1,001	2,096
Interest on lease liabilities	(1,007)	—
	3,746	5,490

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

10 INCOME TAX EXPENSE

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

	Unaudited	
	Six months ended 31 August	
	2019	2018
	RMB'000	RMB'000
Current income tax		
People's Republic of China ("PRC") corporate income tax	8,181	7,908
Deferred income taxation	(626)	601
	7,555	8,509

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% (2018: 25%).

11 EARNINGS OR LOSS PER SHARE

Basic

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

	Unaudited	
	Six months ended 31 August	
	2019	2018
Profit/(loss) attributable to owners of the Company (RMB'000)	2,388	(9,585)
Weighted average number of ordinary shares in issue ('000)	705,895	705,895
Basic earnings/(loss) per share (RMB cents)	0.34	(1.36)

Diluted

For the six months ended 31 August 2019 and 31 August 2018, the diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share as the Company's share options outstanding during the period was anti-dilutive potential ordinary shares.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 DIVIDEND

	Unaudited	
	Six months ended 31 August 2019	Six months ended 31 August 2018
	RMB'000	RMB'000
No interim dividend (six months ended 31 August 2018: No interim dividend)	—	—

A dividend of approximately RMB214,470,000 that related to the financial year ended 28 February 2019 was paid in July 2019 (2018: RMB46,508,000).

At the Board of Directors' meeting held on 30 October 2019, the Board of Directors does not recommend the payment of an interim dividend for the six months ended 31 August 2019.

13 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Unaudited			
	Six months ended 31 August 2019			
	Investment properties RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
			(Note (a))	
At 1 March 2019	56,360	153,306	—	209,666
Additions	—	7,808	—	7,808
Disposals	—	(2,682)	—	(2,682)
Exchange differences	165	5,557	—	5,722
Depreciation and amortisation	—	(14,855)	—	(14,855)
Fair value gain recognised in the condensed consolidated interim income statement	6,000	—	—	6,000
Transfer to non-current assets classified as held for sale	(60,000)	—	—	(60,000)
At 31 August 2019	2,525	149,134	—	151,659

Note:

- (a) With effective from 1 March 2019, land use rights are grouped as part of right-of-use assets as a result of adoption of HKFRS 16.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

13 INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS (CONTINUED)

	Unaudited Six months ended 31 August 2018			
	Investment properties RMB'000	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
At 1 March 2018	128,594	94,391	21,239	244,224
Additions	—	10,721	—	10,721
Disposals	—	(1,395)	(927)	(2,322)
Exchange differences	—	857	1,368	2,225
Depreciation and amortisation	—	(16,651)	(392)	(17,043)
At 31 August 2018	128,594	87,923	21,288	237,805

14 TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
Trade receivables (<i>Note (a)</i>)		
Current to 30 days	67,352	61,588
31 to 60 days	3,069	6,312
61 to 90 days	1,259	1,999
Over 90 days	2,233	2,333
	73,913	72,232
Other receivables	2,395	2,708
Total	76,308	74,940

Note:

- (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, OTHER PAYABLES AND CONTRACT LIABILITIES

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

	Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
Trade payables (Note (a))		
Current to 30 days	16,744	9,637
31 to 60 days	16,660	5,706
61 to 90 days	2,198	1,909
91 to 120 days	440	803
Over 120 days	1,460	1,148
	37,502	19,203
Other payables	92,066	77,360
Contract liabilities	8,951	9,815
	138,519	106,378

Note:

(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.

16 SHARE CAPITAL

	Unaudited 31 August 2019		Audited 28 February 2019	
	Number of ordinary shares	Share capital HK\$'000	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.10				
Authorised:				
At the beginning of period/year and at the end of period/year	1,000,000,000	100,000	1,000,000,000	100,000
	Number of ordinary shares	Share capital RMB'000	Number of ordinary shares	Share capital RMB'000
Issued and fully paid:				
At the beginning of period/year and at the end of period/year	705,895,060	59,979	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 2019		Audited For the year ended 28 February 2019	
	Average exercise price per share (HK\$)	Number of share options (thousands)	Average exercise price per share (HK\$)	Number of share options (thousands)
At the beginning of period/year	2.185	1,625	2.899	3,260
Lapsed	—	—	2.185	(535)
Lapsed	—	—	4.300	(1,100)
At the end of period/year	2.185	1,625	2.185	1,625

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 SHARE OPTIONS (CONTINUED)

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

Expiry date at	Unaudited 31 August 2019		Audited 28 February 2019	
	(Adjusted) Exercise price per share (HK\$)	Number of share options (thousands)	(Adjusted) Exercise price per share (HK\$)	Number of share options (thousands)
9 July 2022 (Note (a))	2.185	1,625	2.185	1,625

Note:

- (a) 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 of 10 July 2012.

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

For the six months ended 31 August 2019, no amount was recognised and included in "employee benefit expenses" (2018: Nil).

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 RMB227,800,000 (28 February 2019: RMB212,900,000), of which RMB5,900,000 (28 February 2019: RMB2,400,000) was utilised as at 31 August 2019.

19 COMMITMENTS

- (a) Capital commitments

	Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
Contracted but not provided for, in respect of — purchase of property, plant and equipment	656	704

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

19 COMMITMENTS (CONTINUED)

(b) Commitments under operating Lease

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

	Unaudited 31 August 2019 RMB'000	Audited 28 February 2019 RMB'000
Land and buildings:		
Not later than one year	84	81
Later than one year and not later than five years	85	127
	169	208

20 PLEDGE OF ASSETS

As at 31 August 2019, bank deposit of RMB 728,000 (28 February 2019: RMB665,000) has been pledged as rental deposit for a subsidiary of the Company.

21 RELATED PARTY TRANSACTIONS

(a) Transaction with a related party

Significant transaction with a related party, which was carried out in the normal course of the Group's business, is summarised as follows:

	Unaudited Six months ended 31 August 2019 RMB'000	2018 RMB'000
Rental expenses charged by a related party (<i>Note (a)</i>)	—	817

Note:

- (a) For the six months ended 31 August 2018, the Group rented a shop located in Macau from Mr. Lee Tze Bun, Marces, a substantial shareholder and non-executive Director of the Company, as retail outlet in Macau.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Unaudited	
	Six months ended 31 August	
	2019	2018
	RMB'000	RMB'000
Salaries and other employee benefits	2,963	2,537
Contributions to retirement scheme	31	29
	2,994	2,566

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 2019, the interests and short positions of the Directors and chief executive of Le Saunda Holdings Limited (the "Company") in the ordinary shares of HK\$0.10 each in the capital of the Company (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

(a) The Company

Name of Directors	Number of Shares				Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee") (resigned with effect from 16 October 2019)	54,561,000	—	36,600,000 (Notes 1 & 2)	280,500,000 (Notes 3 & 4)	371,661,000	52.65%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	5,027,000	—	—	—	5,027,000	0.71%
Ms. Liao Jian Yu ("Ms. Liao")	299,200	—	—	—	299,200 (Note 5)	0.04%
Mr. Leung Wai Ki, George ("Mr. Leung")	—	—	—	1,700,000	1,700,000 (Note 6)	0.24%

Notes:

- Succex Limited, a corporation which was controlled and wholly-owned by Mr. Lee, held 33,000,000 Shares. Therefore, Mr. Lee was deemed to be interested in these Shares.
- Mr. Lee was a founder and governor of Qing Yun Middle School Education Development Foundation Limited, which held 3,600,000 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 (including underlying Shares) (continued)

(a) The Company (continued)

Notes: (continued)

3. Stable Gain Holdings Limited ("Stable Gain") held 225,500,000 Shares, representing approximately 31.94% of the issued share capital of the Company. The entire issued share capital of Stable Gain was registered in the name of Stable Profit Holdings Limited ("Stable Profit"), a company wholly-owned by HSBC International Trustee Limited ("HSBC Trustee") which acted as trustee of Lee Tze Bun Family Trust (the "LTB Family Trust"), a discretionary trust, of which Mr. Lee was 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. Liao personally held 114,400 Shares and was entitled to 184,800 share options granted by the Company, the underlying Shares of which she was taken to have an interest.
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 & 2)</i>	Adjusted number of Shares <i>(Note 3)</i>					Total outstanding as at 31 August 2019	Adjusted exercise price per Share <i>(Note 3)</i> HK\$	Exercise period
		Balance as at 1 March 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Ms. Liao	10 July 2012	184,800	–	–	–	–	184,800	2.185	10 July 2016 – 9 July 2022
Total		184,800	–	–	–	–	184,800		

Notes:

- The vesting period of the above share options is from their date of grant until the commencement of their exercise period.
- The closing price of the Shares immediately before 10 July 2012 on which the share options were granted was HK\$2.41 per Share.
- 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 10 July 2012 was HK\$2.404. For details, please refer to the announcement of the Company dated 29 July 2015.

Save as disclosed above, as at 31 August 2019, 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.

DISCLOSURE OF INTERESTS

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 2019, (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.

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

As at 31 August 2019, 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 (as defined in section 308 of the SFO) 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				Total	Approximate percentage of the issued Share capital of the Company
		Personal interests	Spouse interests	Other interests			
Ms. Lee Wing Kam Rowena Jackie ("Ms. Lee")	1	6,985,000	—	55,000,000	61,985,000	8.78%	
Mr. Li Wing Yeung Peter ("Mr. Li")	2	6,239,200	11,000	55,000,000	61,250,200	8.67%	
Ms. Cheung Man Ching Teresa ("Ms. Cheung")	3	—	2,585,000	55,000,000	57,585,000	8.15%	
Ms. Lee, Mr. Li and Ms. Cheung as trustees of the Charitable Foundation	4	—	—	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, Mr. Li and Ms. Cheung as trustees of the Charitable Foundation), representing approximately 8.78% of the issued share capital of the Company.
- Mr. Li was interested in an aggregate of 61,250,200 Shares (comprising 5,909,200 Shares personally held by him as beneficial owner and 330,000 share options granted to him by the Company, 11,000 Shares held by his spouse as beneficial owner and 55,000,000 Shares jointly held by him, Ms. Lee and Ms. Cheung as trustees of the Charitable Foundation), representing approximately 8.67% of the issued share capital of the Company.
- Ms. Cheung was interested in an aggregate of 57,585,000 Shares (comprising 2,585,000 Share held by her spouse as beneficial owner and 55,000,000 Shares jointly held by her, Ms. Lee and Mr. Li as trustees of the Charitable Foundation), representing approximately 8.15% of the issued share capital of the Company.
- Ms. Lee, Mr. Li and Ms. Cheung 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.

DISCLOSURE OF INTERESTS

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

Save as disclosed above, as at 31 August 2019, 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.

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 2019 were as follows:

Category of Participant	Date of share options granted (Notes 1 & 2)	Adjusted number of share options (Note 4)					Total outstanding as at 31 August 2019	Adjusted exercise price per Share (Note 4) HK\$	Exercise period
		Balance as at 1 March 2019	Granted during the period (Note 3)	Exercised during the period	Cancelled during the period	Lapsed during the period			
Director (Note 5)	27 June 2011	—	—	—	—	—	4.300	27 June 2014 – 26 June 2021	
	27 June 2011	—	—	—	—	—	4.300	27 June 2015 – 26 June 2021	
	27 June 2011	—	—	—	—	—	4.300	27 June 2016 – 26 June 2021	
	10 July 2012	—	—	—	—	—	2.185	10 July 2014 – 9 July 2022	
	10 July 2012	—	—	—	—	—	2.185	10 July 2015 – 9 July 2022	
	10 July 2012	184,800	—	—	—	—	184,800	2.185	10 July 2016 – 9 July 2022
Sub-total		184,800	—	—	—	—	184,800		
Employees	27 June 2011	—	—	—	—	—	4.300	27 June 2014 – 26 June 2021	
	27 June 2011	—	—	—	—	—	4.300	27 June 2015 – 26 June 2021	
	27 June 2011	—	—	—	—	—	4.300	27 June 2016 – 26 June 2021	
	10 July 2012	111,100	—	—	—	—	111,100	2.185	10 July 2014 – 9 July 2022
	10 July 2012	444,400	—	—	—	—	444,400	2.185	10 July 2015 – 9 July 2022
	10 July 2012	884,400	—	—	—	—	884,400	2.185	10 July 2016 – 9 July 2022
Sub-total		1,439,900	—	—	—	—	1,439,900		
Total		1,624,700	—	—	—	—	1,624,700		

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 the 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 Director's interests in share options, please refer to page 45 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 of the Company (the “Shareholders”) 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 also 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 8 July 2019.

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, subsequent to the publication of the annual report of the Company for the year ended 28 February 2019 are set out below:

Name of Directors	Details of change
Non-Executive Director: Mr. Lee Tze Bun, Marces	<ul style="list-style-type: none">Resigned as Non-Executive Director with effect from 16 October 2019
Executive Director: Mr. Cheng Wang, Gary	<ul style="list-style-type: none">Resigned as Executive Director and Chief Executive Officer with effect from 16 October 2019

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

AUDIT COMMITTEE

As at 31 August 2019 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE (CONTINUED)

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 2019. 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 2019.

REMUNERATION COMMITTEE

As at 31 August 2019 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.

NOMINATION COMMITTEE

As at 31 August 2019 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 2019 and up to the date of this report.

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 2019.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 August 2019 (2018: no interim dividend).

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 2019