

# CHAIRMAN'S STATEMENT

*To Shareholders:*

I am pleased to present the 2000/2001 annual report of Le Saunda Holdings Limited.

## COMPANY RESULTS

Turnover of the Group for the year ended 28th February 2001 was HK\$356,823,000 approximately. Profit attributable to shareholders was HK\$5,157,000 approximately.

## DIVIDEND

The Board of Directors has recommended a final dividend of HK1.0 cent per share making a total dividend payment of HK\$4,486,000 approximately.

## FOREWORD

On the review of the Group's performance over the current financial year, the on-going Le Saunda shoes business and the property development business in Mainland China performed substantially the same or showed improvement as compared with the previous year. Due to a sudden dampening effect of overheated global e-commerce, the Group's overall results also reflected a setback arising from operating loss and exceptional provisions made for its e-commerce segment. Meanwhile, the Group's jointly-controlled entity had to make exceptional provisions for the income tax payables arising from the profits generated over previous years since alteration had been made in respect of method of charging income tax on property development business in Mainland China. Apart from these, the Group's overall performance for the current financial year was comparable to that of the previous year.

To avoid further loss from e-commerce, the Group, capitalising on its valuable experience and expertise gained from on-line business, such as internet shopping, underwent reorganisation by combination of its e-commerce segment and the existing production and sales business of Le Saunda shoes. E-commerce was no longer a separate operation by itself to minimise the structural redundancy. By acquiring the strengths from both operations, and with a complementary effect, the Group has endeavoured to maximise return on its shoes business.

In the coming year, regarding the production and sales business of Le Saunda shoes, the retailing business in Hong Kong will remain at its operating level corresponding to the continuously poor sentiment in Hong Kong's retail market. However, the Group will still keep abreast with the market trend for future long-term development plan. Regarding its retailing and franchising businesses in Mainland China, the Group's brandname, "Le Saunda 萊爾斯丹", has already gained recognition in the market. It is believed that the PRC's admission to WTO will bring forth both drastic impacts and substantial business opportunities for the Group's shoes business. As a visionary step, the Group will strive to widen the market share in Mainland China with a view to a higher rate of return.

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At the same time, the Group will also be committed to introduction of new product lines under its popular "Le Saunda" brandname into the market. The Group will also leverage on its extensive experience and established sales network to boost the turnover and profit margin.

Given the excessive property demand in Shunde and its outskirt, the Group's property development business in Mainland China, with various favourable factors, such as right timing, favourable terrain and reliable partners, is taking off at the moment. The Group owns a 25% interests in the "Flower Community Country Garden" project and such interest is accounted for as long-term investment, which means income will only be recognised when dividend is distributed. Sales of such project have been far more satisfactory than expected, and its turnover reached more than RMB800,000,000 within a short period of four to five months, revealing a prevailing condition and development potential of the property market in those areas. Against this backdrop, the Group will make use of the profit generated from its property development business in the past for "re-investment" with a view to higher return. I will continue to focus on the property development business in Mainland China next year for continuous success and enhanced profitability for the Group.

Based on the performance of the above businesses, the Group will adopt a more prudent distribution of resources with an aim to invest in low-risk, high-return projects for a promising investment return for shareholders. The Board, shares my optimistic view about the future and we strongly believe that, by capitalising on our current management with strengths and extensive development experience over the past years, together with a team-spirited, dedicated staff, the Group will have better results in the coming year.

Lee Keung (Lee Tze Bun Marces)

*Chairman*

Hong Kong, 11th June 2001