



*To our Shareholders:*

I am pleased to present the 2002/2003 annual report of Le Saunda Holdings Limited and its subsidiaries as below:

## RESULTS

Turnover of the Group for the year ended 28 February 2003 (the "Year") was HK\$312 million and loss attributable to shareholders was HK\$24 million. Loss per share was 5.2 HK cents.

## DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 28 February 2003.

## SUMMARY

The global economy continued to be in a doldrums during the Year, with the impact of the 911 incident lingering on for quite some time. In Asia Pacific, economic recovery has been slow, perhaps with the exception of Mainland China. The Hong Kong economy, especially the retail sector, has still been suffering from a depressed consumption sentiment, plagued by a shrunk property market, an unexciting stock market and worsening unemployment.

Given such an unfavourable macro-environment, "survival" was the name of the game for the retail industry. Recognising this, the Group devoted its efforts to maximising sales as a coping strategy. As a result, the Group achieved a total turnover of HK\$312 million, a mere 7% decrease compared to that of the previous year. Meanwhile, gross margin improvement efforts have resulted in an increase of gross profit of 4% to HK\$136 million. Overall, the Group has managed to contain its loss attributable to shareholders at HK\$24 million as compared with that of HK\$64 million in the previous year.

During the Year, the Group adhered to its core corporate values of Quality, Style, Value and Service on the one hand, and rolled out its market penetration strategies in both the Hong Kong and Mainland China markets on the other hand. The Group opened a number of new shops in Hong Kong and Macau during the Year, which had played an important role in grabbing additional market shares and maximising sales in an otherwise sluggish economy. Significant market penetration was also achieved in Mainland China, where the Group now has some 100 outlets with the brand names of *Le Saunda* 萊爾斯丹, *Comfort and Easy (CnE)* and *Right Angle*. While our own operation in Mainland China focuses more on operating stand-alone stores in major cities, we also have a large and fast-growing network of franchised outlets operated by committed and well-experienced business partners.

During the Year, the Group started to contract Italian design houses to introduce new designs apart from our in-house designers. This is to enable the Group's products to stay at the forefront of the industry in terms of styles and fashion trends. During the Year, a number of new designs by the Group's outsourced design houses were successfully launched and received good customer response.



The Group's manufacturing plant at Shunde, Mainland China has evolved into a profit centre during the Year, providing original equipment manufacturing ("OEM") services to external customers apart from taking intra-group orders. The future augurs well as we began to receive an encouraging number of customer orders during the Year. Over the long term, the Group aims to enlarge the OEM business so as to optimise the plant's economic efficiency as well as to broaden the Group's income base.

## **OUTLOOK**

Looking ahead, the Group will continue to expand the Mainland China market, primarily through franchising which is the most cost efficient way to increase market penetration in such a large country. We will, however, continue to build our own stores in major cities such as Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu. The Mainland China market, now accounting for 59% of the Group's total turnover, definitely presents enormous growth potential for the Group and will be the focus of our future developments.

The Group will also adopt the franchising strategy as a means of expansion in other Southeast Asian countries such as Taiwan, Singapore and Malaysia. We will develop a strategy plan for such expansion during the coming year.

As to the Hong Kong market, after a year of expansion, the Group's efforts in the coming year will focus on brand reinforcing and operational streamlining, with a view to making the most out of the Le Saunda brand and its existing retail outlets. In this regard, more advertising and promotions on Le Saunda will be launched; shoes inventory will be optimised in terms of available quantities and styles so as to enable each store to generate substantial sales for each and every promotion campaign; and wherever possible, the Group will streamline its network to fewer, larger stores at key locations.

Last but not least, the Group will continue its margin improvement efforts: expanding its sourcing network, streamlining its procurement processes, and implementing effective inventory and cost controls. Since the SARS outbreak in March this year, the retail industry has suffered an even bigger blow than ever. The coming financial year will definitely be a difficult year for the Group, as this time the impact will be felt in both the Hong Kong and Mainland China markets. Notwithstanding this, with our two-pronged efforts in expanding sales and containing costs, we are confident that we will be able to mitigate the impact and emerge as a stronger, more resilient company.

On behalf of the Group, I would like to express my sincerest thanks to our shareholders and business partners for their unrelenting support, and to our staff for their hard work and commitment.

**Lee Tze Bun Marces**

*Chairman*

Hong Kong, 20 June 2003