CHAIRMAN'S STATEMENT

To our Shareholders:

I am pleased to present the 2003/2004 annual report of Le Saunda Holdings Limited and its subsidiaries as below:

RESULTS

Turnover of the Group for the year ended 29 February 2004 (the "Year") was HK$464 million and profit attributable to shareholders was HK$36 million. Earnings per share were HK8.0 cents.

DIVIDEND

The Directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 29 February 2004. The total final dividend payment for the Year would amount to approximately HK$8,972,000.

SUMMARY

2003/2004 had been one of the most challenging years faced by the Group. During the first half of the Year, the Group's major markets – Mainland China and Hong Kong – both had been adversely affected by the SARS outbreak. To the Group, this period marked stagnant sales, but also a perfect timing for business rationalisation so that the Group would be well prepared for market recovery.

During the year, the Group closed a number of stores in Hong Kong that displayed unsatisfactory performance. Moreover, the Group started to streamline its operational process to a simplified group structure in Guangzhou for managing all the business activities in Mainland China. Such a change is expected to greatly increase cost-efficiency through substantial savings in salaries and overheads. All these streamlining initiatives will enable the Group to better allocate resources for its higher growth core shoes operations and new business venture.

To take advantage of the fast growth potential of the Mainland China market, the Group had implemented a number of improvement measures. For instance the Group renovated its *Le Saunda 萊爾斯丹* outlets in Mainland China with an aim to give the brand a new look after it had entered the market for over 10 years.

In anticipation of a sharp rebound in both Mainland China and Hong Kong markets after the containment of SARS, the Group had decisively raised its output and stock level at each store. This move had ensured sufficient quantities and styles to timely capture rising demand during the second half of the Year.

CHAIRMAN'S STATEMENT

OUTLOOK

Looking into the new year, the Group is well-poised to take advantage of a promising market outlook. After a year of consolidation and modest expansion, the Group will further consolidate its operations and undertake new initiatives.

In Hong Kong, the Group plans to open larger stores in prestigious shopping malls. These "mega" stores are expected to rejuvenate the brand's image and attract more young "OLs" (office ladies), which are the target customers of the Group in Hong Kong. Apart from ladies market, the Group believes men's footwear is having a large market potential, and will therefore increase resources in the development of men's footwear market.

For the Mainland China market, the Group will continue to intensify its penetration through opening more outlets in various cities. It will also increase franchised stores in various cities.

The current financial year will also mark a new milestone for the Group's development. The Group will diversify into the apparel business under the brand name *Antinori*. Currently in Mainland China, there is a growing demand for street fashion; yet the demand cannot be fully satisfied. In view of the enormous room for development in street wear, *Antinori* will target this segment and build up a medium to high-end image. Shanghai will be the first market for the Group to launch this new line, since the city is always considered to be open and more willing to accept new things.

With our solid foundation and well thought out expansion plan, I expect that the Group would be able to achieve better results in the current financial year.

On behalf of the Group, I would like to express my deepest gratitude to shareholders and parties who have been rendering continued support to the Group, as well as our staff for their dedication.

Lee Tze Bun Marces
Chairman

Hong Kong, 25 June 2004