

To our Shareholders:

I am pleased to present the 2004/2005 annual report of Le Saunda Holdings Limited and its subsidiaries (the "Group") as below:

RESULTS

Turnover of the Group for the year ended 28 February 2005 (the "Year") was HK\$568 million and profit attributable to shareholders was HK\$70 million. Earnings per share were HK15.2 cents.

DIVIDEND

The Directors recommend the payment of a final dividend of HK4.5 cents per ordinary share for the Year. The total final dividend payment for the Year would amount to approximately HK\$22,580,000.

SUMMARY

In the past year, the Group proceeded with brand enhancement, maintaining sufficient quantities and styles on hand to meet demand and prudent market expansion. Results of these unrelenting efforts were seen in almost a twofold increase in profit attributable to shareholders for the Year.

The brand enhancement plan, which had been implemented by phase since the first half of 2003, continued to play a significant role in the Group's market consolidation efforts. During the Year, the Group started to open large concept stores, which impressed shoppers not only with their spacious shopping environment but also with their new display approaches. Locations of these concept stores were also an important factor for consideration under the brand enhancement plan. Taking into account the profile of target shoppers, traffic and rent, the Group decided to house its super stores in prestigious shopping malls. As Hong Kong is often regarded as the showcase for products to mainland visitors, the Group believes its local concept stores will help boost its brand image as well as sales in Mainland China.

Besides opening grand stores, the Group had also pressed ahead with renovation of existing shops in strategic spots while closing smaller outlets in Hong Kong. This move enabled the Group to further consolidate its market presence and concentrate its resources on shops with greater potential for sales and brand enhancement.

In Mainland China, a number of the Group's *Le Saunda* 萊爾斯丹 stores put on new faces. During the Year, the Group also strengthened its sales network by opening a number of *Le Saunda* 萊爾斯丹 stores in strategic locations and closing under-performed shops. In addition, the Group succeeded in enlarging the market coverage for its *Comfort and Easy (CnE)* brand, which is a young line for ladies footwear and handbags with a Japanese style.

Brand enhancement aside, the Group had also made efforts in maintaining sufficient quantities and styles to meet demand at any given time. Since the adoption of this strategy in the previous financial year, the Group had seen substantial increase in sales, especially that in the Hong Kong market.

Apart from footwear business expansion, the Group explored new niche markets to broaden its revenue base and to sustain growth. During the Year, the Group diversified into apparel business under the brand name *Antinori*. This brand goes for high-end ladies fashion, which combines elegant, sexy and avant-garde elements and is ideal for mix and match. The Group believes supply is still far less than the demand for this type of fashion in major mainland cities, and the Group's entry to this market segment through the *Antinori* brand would avert fierce competition as seen in other fashionable clothing markets.

OUTLOOK

In the 2005/2006 financial year, the Group will strive to achieve better operating results and expand its shoes and apparel businesses, after ending the Year on high notes.

With respect to footwear operations, the Group focuses on increasing its spring/summer sales and expansion of sales network. At present, the Group's sales in the spring/summer season represent a smaller fraction of the total sales compared with the autumn/winter sales. The Group plans to increase the proportion of sales in the summer by introducing new, refreshing styles and by increasing inventories. While result of this change in spring/summer footwear designs is yet to be reflected in the Hong Kong business, this move has already had a positive impact on the Group's mainland operations. It is expected that the spring/summer collection in the 2005/2006 financial year will sell well.

In Hong Kong, the Group will continue to open new *Le Saunda* shops and renovate or relocate existing stores. To extend its reach to a younger and more casual footwear market, the Group opened a *CnE* shop in Causeway Bay in April 2005. In view of the good response from the market, the Group is planning to open eight to ten additional *CnE* shops in Hong Kong later in the year.

For the mainland operations, the Group will focus on expanding its *CnE* sales network through opening self-operated outlets or franchising. *CnE* and *Le Saunda* 萊爾斯丹 each targets different markets, the former for younger consumer group, while the latter tends to be for higher-end segment. Although *CnE* currently accounts for only a relatively small percentage of the Group's shoes turnover in Mainland China, the Group sees that there is great potential for *CnE* to increase its turnover contribution and to be on a par with *Le Saunda* 萊爾斯丹 in two years' time.

After tapping into the clothing business in Mainland China, the Group seeks to launch *Antinori* in Hong Kong in the second half of the 2005/2006 financial year. By taking *Antinori* to the Hong Kong fashion stage, the Group hopes to create another showcase – this time for apparel products. Meanwhile, the Group will continue to open a few *Antinori* shops in the mainland markets where the Group has entered to consolidate its market presence.

The encouraging results of the Year have evidenced our dedicated efforts in strengthening the Group's core business in footwear and brand enhancement. This achievement will not be a legacy but an inspiration for the Group to move ahead with greater confidence and vision.

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 staff for their dedication.

Lee Tze Bun Marces

Chairman

Hong Kong, 17 June 2005