

To our Shareholders:

I am pleased to present a satisfactory set of annual results on behalf of Le Saunda Holdings Limited and its subsidiaries ("the Group").

RESULTS

The Group had a very good performance for the financial year ended 28 February 2006. Turnover increased by 27% to HK\$720 million and profit attributable to shareholders rose also 32% to HK\$90 million. Earnings per share were HK17.8 cents, compared to HK14.8 cents in 2005.

DIVIDEND

The Directors has recommended the payment of a final dividend of HK4.5 cents per ordinary share for the year. That, together with an interim dividend of HK2.8 cents, will give a total dividend of HK7.3 cents per share for the whole year (2005 total: HK6.5 cents per share).

HOW DID WE ACCOMPLISH IT?

The numbers are fine for qualifying the strong forward movement of the Group, but it is with a thorough understanding of the breadth of the initiatives we took this year that tells the full picture of the story. A bigger and stronger Le Saunda emerged as a result of the several initiatives implemented during the course of the year:

Brand enhancement: In Hong Kong and Mainland China, the implementation of the brand enhancement plan, which came to a full completion as at the end of the current financial year, played a significant role in the Group's market consolidation efforts. By opening more big concept stores and closing underperformed or smaller outlets, we managed to gain better market presence and optimize brand visibility and awareness, allowing us to concentrate our resources on shops with greater potential for sales and brand improvement.

As Hong Kong is often regarded as the showcase for products to mainland visitors, the local concept stores would, undoubtedly, help boost our brand image and sales in Mainland China.



Bigger market and distribution coverage: We now have more to offer in terms of product lines, and in terms of sales channels. From footwear to apparel and accessories, and from retail to OEM, we are well positioned to capture a bigger share of market segments and extend our reach to a wider group of target customers.

Our distribution network also continued to grow. Our footprint in the China market spread further with the increase in number of outlets.

Commitment to world class technology: As the old Chinese saying goes, "Success in a job presupposes ready tools". We moved deliberately to equip our production lines in Shunde, Mainland China, with state-of-the-art technology. We are continuously challenging ourselves to deliver even higher quality to our customers. By doing so, we constantly fulfill our assignment and exceed clients' expectation.

WHAT ABOUT THE FUTURE?

Staying with our winning strategy: We would spare no effort to keep the momentum going and focused on using our original network to penetrate further into existing markets. By developing and introducing new product lines when opportune time arises, we aim to grab the potential presented by different market segments to the full.

Market liberalization: With the China market further opening up and more foreign brands making their entries, the market would mature at a quicker pace which works to the benefit of existing players like Le Saunda. The evolution of different retail hardwares, such as shopping malls and department stores, makes better choices and greater room for the Group's continuous growth.

Launch of new production line: Our new production line would be put into full service as at July 2006. That say, we would have a stronger backing in face of increasing demand from retail and OEM customers, and a high degree of cost control to allow for enhanced profitability and business expansion.

Reaching out for appropriate opportunities: We would explore new niche markets to broaden our revenue base and to boost growth. We would build more stores in first-tier as well as second-tier cities of Mainland China as the country's economic development prospers further and people's purchasing power advances ahead.



In short, we would continue to develop our business model and embark on bolder strategic moves to achieve sustainable long-term growth for the years to come. May I take this opportunity to express my heartfelt thanks to my fellow directors for their guidance, and all our staff for their commitment and hard work, which have been and remain crucial to the delivery of Le Saunda's strategy.

Lee Tze Bun Marces

Chairman

Hong Kong, 20 June 2006

