

## CHAIRMAN'S STATEMENT



The 2000-2001 financial year was a watershed for Pricerite. It marks a return to profitability after several years of less than satisfactory results. It is also the beginning of an expansion for the Group based on an improved infrastructure and a more dynamic approach to market opportunities in Hong Kong and the region, now as part of the CASH services conglomerate.

### Results

Group turnover rose a substantial 22% over the previous year to HK\$892 million. Sales were driven by our repositioning in the market by enhancing our full range of carefully chosen household improvement products to meet the increasing demand of value-for-money merchandise. Our two broad categories of furniture and household products both reported substantial increases in revenues. Furniture sales increased by 32% by value while household products sales increased by 17%. Sales were aided by fresh TV commercials combined with competitive price promotions, such as “every day lowest price” campaign, as well as the improved quality of our mix-and-match product ranges.



Profits reached HK\$14 million, compared with a loss of HK\$84 million in the previous year. This result, our first profit for 4 years, reflects not just improved sales, but the success of our stringent cost control in three key areas. Warehousing, one of our major cost items, has been rationalized. Rental contracts for our stores, another leading cost item, were re-negotiated to our benefit. We have reduced borrowings substantially and secured more favorable credit terms from suppliers and our bankers, lowering interest costs. In operational side, we have also significantly improved our logistics, merchandising and inventory management operations.

The Board will not recommend a dividend. Profits will be retained to invest in business automation and expansion.

### Financial Resources

The Group's total bank debt and other borrowings fell from HK\$76 million to HK\$42 million as at 31 March 2001, mainly due to the injection of HK\$94 million in capital from share placements in April and June 2000 respectively. Combined with the lower level of interest payments resulting from improved credit terms, this represents a substantial improvement in the Group's financial position and gives us a comfortable level of gearing relative to our industry peers. As of 31 March 2001, total cash and deposits on hand were up to HK\$77 million.

### Achievements

Our business model is customer-driven and we are committed to enhancing customer value through offering of wide range of quality, value-for-money products. It is our corporate policy to employ independent marketing agencies to conduct regular market research to enable us to understand changing customer needs and review our market positioning. Such research helped us during the year to strengthen our merchandising functions and redesign our stores to improve the shopping experience. The resulting increase in customer satisfaction has undoubtedly contributed to business growth.



Through the convergence of modern management concepts with the latest technology, our business operation has become more professionally managed. Our supply chain is managed scientifically with computerized warehousing and a just-in-time inventory system. As a first mover in e-commerce, we successfully launched *www.pricerite.com.hk*, one of the first clicks-and-mortar business to consumer (“B2C”) websites in Hong Kong to retail household and furniture products.

During the financial year, Pricerite retained its lead in a number of areas within the household goods sector, and consolidated our position as a retailer of well-priced lifestyle articles to the mass and middle markets. We remain clear market leaders by value in a number of key product areas, including dining table and chair sets, sofa, tools and racks, and movable storage products. At the same time, we have widened our sources of supply, increased the emphasis on quality and altered our marketing in order to cater more aggressively to higher market segments.

### People

I would like to thank everyone at Pricerite for contributing to this successful year and for reacting so positively to the changes that have been introduced.

I also welcome Mr Thomas Li, Mr Ken Khoo and Mr Bernard Law, who are executive directors of CASH, to join the board of Pricerite. With their solid management experience and expertise, they will make valuable contributions to the strategic development of Pricerite.

### Outlook

Notwithstanding the uncertain global economic environment, especially as regards the all-important US economy, Hong Kong’s retail market will benefit from the low interest rate environment and improving sentiment among consumers. We believe the coming year will show sustained improvement in Pricerite’s financial performance and present opportunities for expansion.



Quality customer service continues to be our business focus. We will further expand our product range and increase the emphasis on quality, to attract demand from higher tier market segments. We plan to open several new stores in strategic locations which will greatly improve the dispersal pattern of the network. We will strengthen our operating and logistics system. We will also continue to upgrade our e-commerce initiative *www.pricerite.com.hk* using the latest technology.

Beyond Hong Kong, we see considerable opportunities regionally using our expertise to develop other markets with high growth potential, notably mainland China. We are actively studying opportunities in selected cities in the mainland, where we already have strong partnerships in the areas of supply and logistics.

Finally, our acquisition by CASH will open new opportunities, as we begin to mine the combined customer databases to exploit the possibilities to cross-sell products and services.

With the changes we have made, Pricerite is now a fast-growing, well-managed company that is bringing value in household lifestyle products to increasing numbers of people in Hong Kong. The turnaround in our 2000-2001 results is just the beginning of a new era of improvement and expansion.

On behalf of the Board

**Bankee P Kwan**

*Chairman*

Hong Kong, 19 July 2001