



LeRoi

LeRoi Holdings Limited

利來控股有限公司

Interim Report 2002

CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. So Chi Hiu
Ms. Yeung Sau Han, Agnes
Mr. So Yuen Chun

Independent non-executive directors

Mr. Lok Shing Kwan, Sunny
Mr. Wong Wing Hang, Henry

Audit committee

Mr. Lok Shing Kwan, Sunny
Mr. Wong Wing Hang, Henry

Head office and principal place of business

Unit No. 6&7, 33rd Floor
Clifford Centre
No. 778-784 Cheung Sha Wan Road
Kowloon
Hong Kong

Principal banker

Dao Heng Bank Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

Auditors

Ernst & Young
15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

Hong Kong branch share registrar and transfer office

Tengis Limited
4th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

Financial Relations Consultant

Strategic Financial Relations Limited
Unit A, 29th Floor
Admiralty Centre I
18 Harcourt Road
Hong Kong

CONTENTS

Pages

**CONDENSED PRO FORMA COMBINED INTERIM
FINANCIAL STATEMENTS**

Condensed pro forma combined profit and loss account	3
Condensed pro forma combined balance sheet	4
Condensed pro forma combined statement of changes in equity	5
Condensed pro forma combined cash flow statement	6
Notes to the condensed pro forma combined interim financial statements	7

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review	14
Operation and business review	15
Future plans and prospects	15
Liquidity and financial resources	16
Employees	17
Use of proceeds	17
Directors' interests in shares	18
Share option scheme	18
Substantial shareholders	19
Purchase, sale or redemption of listed securities	19
Audit committee	19
Compliance with the code of best practice	20

The Board of Directors (the "Board") of LeRoi Holdings Limited (the "Company") is pleased to announce the unaudited pro forma combined interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002 (the "Period") together with the comparative figures for the corresponding period last year and the relevant explanatory notes set out below. These interim results have been reviewed by the Company's audit committee.

CONDENSED PRO FORMA COMBINED INTERIM FINANCIAL STATEMENTS

CONDENSED PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30th September,	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER	2	78,283	61,467
Cost of sales		(48,222)	(38,186)
Gross profit		30,061	23,281
Other revenue		476	389
Selling and distribution costs		(6,693)	(5,792)
Administrative expenses		(2,157)	(1,954)
PROFIT BEFORE TAX		21,687	15,924
Tax	4	(3,969)	(2,914)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		17,718	13,010
DIVIDEND	5		
Interim		–	13,000
Special		12,000	–
		12,000	13,000
EARNINGS PER SHARE	6		
– Basic		HK 2.65 cents	HK 1.95 cents
– Diluted		N/A	N/A

CONDENSED PRO FORMA COMBINED BALANCE SHEET

As at 30th September, 2002

		As at 30th September, 2002 (Unaudited) (Note 1) HK\$'000	As at 31st March, 2002 (Audited) (Note 1) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSET			
Fixed assets		223	129
CURRENT ASSETS			
Inventories		20,727	18,699
Trade receivables	7	38,089	32,421
Prepayments, deposits and other receivables		3,185	117
Due from a director		–	4,387
Cash and bank balances		3,393	2,530
		65,394	58,154
CURRENT LIABILITIES			
Trade payables	8	11,870	14,119
Accrued liabilities and other payables		3,648	3,752
Tax payable		18,620	14,651
		34,138	32,522
NET CURRENT ASSETS			
		31,256	25,632
		31,479	25,761
CAPITAL AND RESERVES			
Issued capital	9	20	20
Reserves		31,459	25,741
		31,479	25,761

CONDENSED PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2002

	Share capital (Unaudited) <i>(Note 1)</i> <i>HK\$'000</i>	Retained profits (Unaudited) <i>(Note 1)</i> <i>HK\$'000</i>	Total (Unaudited) <i>(Note 1)</i> <i>HK\$'000</i>
At 1st April, 2001	20	16,676	16,696
Net profit attributable to shareholders	–	13,010	13,010
Dividend paid	–	(13,000)	(13,000)
	<hr/>	<hr/>	<hr/>
At 30th September, 2001	<u>20</u>	<u>16,686</u>	<u>16,706</u>
	Share capital (Unaudited) <i>(Note 1)</i> <i>HK\$'000</i>	Retained profits (Unaudited) <i>(Note 1)</i> <i>HK\$'000</i>	Total (Unaudited) <i>(Note 1)</i> <i>HK\$'000</i>
At 1st April, 2002	20	25,741	25,761
Net profit attributable to shareholders	–	17,718	17,718
Dividend paid	–	(12,000)	(12,000)
	<hr/>	<hr/>	<hr/>
At 30th September, 2002	<u>20</u>	<u>31,459</u>	<u>31,479</u>

CONDENSED PRO FORMA COMBINED CASH FLOW STATEMENT

For the six months ended 30th September, 2002

	(Unaudited)	
	Six months ended	
	30th September,	
	2002	2001
	(Note 1)	(Note 1)
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,375	9,207
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	1,680	(64)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(1,097)	(7,846)
INCREASE IN CASH AND CASH EQUIVALENTS	1,958	1,297
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	1,435	138
CASH AND CASH EQUIVALENTS AT END OF PERIODS	<u>3,393</u>	<u>1,435</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>3,393</u>	<u>1,435</u>

NOTES TO THE CONDENSED PRO FORMA COMBINED INTERIM FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

(a) Basis of presentation

These unaudited condensed pro forma combined interim financial statements ("Interim Accounts") have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is in compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24th July, 2002 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

On 7th October, 2002, pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of its subsidiaries.

The Reorganisation involved companies under common control. For accounting purposes, the Company and its subsidiaries will be regarded and accounted for as a continuing group in the preparation of the Group's Interim Accounts commencing from the year ending 31st March, 2003. Accordingly, for the benefit of shareholders of the Company, the Interim Accounts and the related notes thereto have been presented as supplementary information in the current period on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the subsequent date of acquisition of the subsidiaries as is required by the SSAP 27 "Accounting for group reconstructions". The unaudited condensed pro forma combined results of the Group for each of the six months ended 30th September, 2002 and 2001 include the results of the Group with effect from 1st April, 2001 or since their respective dates of incorporation, where this is a shorter period. The unaudited condensed pro forma combined balance sheets as at 30th September, 2002 and 2001 have been prepared on the basis that the current group structure was in place at those dates.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

Although the Reorganisation had not been completed and, accordingly, the Group did not legally exist until 7th October, 2002, in the opinion of the Board of the Company, the presentation of such supplementary Interim Accounts prepared on the above basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

The Company's shares were listed on the Main Board of the Stock Exchange on 7th November, 2002. Details of the Reorganisation are set out in Appendix V of the prospectus of the Company dated 23rd October, 2002 (the "Prospectus").

(b) Principal accounting policies

The same accounting policies adopted in the accountants' report as disclosed in the Prospectus have been applied to the Interim Accounts, except that the Group has adopted the following recently issued and revised SSAPs which became effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (Revised)	:	"Presentation of financial statements"
SSAP 11 (Revised)	:	"Foreign currency translation"
SSAP 15 (Revised)	:	"Cash flow statements"
SSAP 34	:	"Employee benefits"

The adoption of these recently issued and revised SSAPs has had no material effect on the Interim Accounts, except for SSAP 1 (Revised) and SSAP 15 (Revised) with their major impact summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed pro forma combined statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the Period into operating, investing and financing activities. The condensed pro forma combined cash flow statement for the current interim period and the comparative figures are presented in accordance with the revised SSAP.

2. Turnover and segment information

The Group is principally engaged in the design, distribution and sales of lady apparel to the market in the People's Republic of China (the "PRC").

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(i) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments. During the interim period, over 90% of the Group's revenue, results, assets and liabilities were derived from the trading segment which engaged in the trading of fashion apparel.

(ii) Geographical segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. During the interim period, over 90% of the Group's revenue, results, assets and liabilities were derived from customers based in the PRC, excluding Hong Kong, SAR.

3. Depreciation

During the Period, depreciation of HK\$256,000 (2001: HK\$239,000) was charged in respect of the Group's fixed assets.

4. Tax

	(Unaudited)	
	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
Current year provision:		
PRC:		
Hong Kong	—	—
Macau	3,907	2,866
Elsewhere	62	48
	<hr/>	<hr/>
Tax charge for the period	3,969	2,914
	<hr/> <hr/>	<hr/> <hr/>

LeRoi Holdings Limited

Interim Report 2002

No provisions for Hong Kong profits tax had been made as the Group did not generate any assessable profits arising in Hong Kong during the Period (2001: Nil).

Taxes on profits assessable elsewhere had been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Macau Complementary Tax had been calculated at the rate of 15.75% (2001: 15.75%) on the estimated assessable profits of a wholly-owned subsidiary of the Group during the Period.

No deferred tax has been provided by the Group because there were no significant timing differences at the balance sheet dates.

5. Dividend

	(Unaudited)	
	Six months ended	
	30th September,	
	2002	2001
	HK\$'000	HK\$'000
Interim	–	13,000
Special	12,000	–
	<hr/>	<hr/>
	12,000	13,000
	<hr/> <hr/>	<hr/> <hr/>

The Board does not recommend the payment of an interim dividend for the six months ended 30th September, 2002.

During the Period, a special dividend of HK\$12 million was declared and paid by a Company's subsidiary to its then shareholder.

The interim dividend for the six months ended 30th September, 2001 was declared and paid by a Company's subsidiary to its then shareholder.

The dividend rate and the number of shares ranking for dividend are not presented as such information is not considered meaningful.

6. Earnings per share

The calculation of pro forma basic earnings per share is based on the pro forma combined net profit from ordinary activities attributable to shareholders for the six months ended 30th September, 2002 of HK\$17,718,000 (2001: HK\$13,010,000) and the pro forma weighted average of 667,920,000 (2001: 667,920,000) shares deemed to be in issue throughout the Period, as disclosed more fully in Appendix V of the Prospectus.

There were no potential dilutive ordinary shares (2001: Nil) during the Period and, therefore, no pro forma diluted earnings per share have been presented.

7. Trade receivables

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 90 days extending up to 180 days for certain well-established customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the Group's trade receivables as at the balance sheet dates, based on the date of goods delivery, is as follows:

	(Unaudited) 30th September, 2002 HK\$'000	(Audited) 31st March, 2002 HK\$'000
Within 90 days	24,548	14,537
Between 91 to 180 days	7,625	8,634
Between 181 to 270 days	5,916	7,727
Between 271 to 365 days	-	1,523
	<hr/> 38,089 <hr/>	<hr/> 32,421 <hr/>

8. Trade payables

An aged analysis of the Group's trade payables as at the balance sheet dates, based on the date of goods received, is as follows:

	(Unaudited) 30th September, 2002 HK\$'000	(Audited) 31st March, 2002 HK\$'000
Within 90 days	11,870	14,119

9. Share capital

The following movements in the Company's authorised and issued share capital took place during the period from 24th July, 2002 (date of incorporation) to 30th September, 2002:

- (a) Upon incorporation, the authorised share capital of the Company was HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each.
- (b) On 31st July, 2002, 1,000,000 shares of HK\$0.01 each was allotted and issued nil paid.

Subsequent to the balance sheet date, there were the following events:

- (c) On 7th October, 2002, the authorised share capital of the Company was increased from HK\$10,000 to HK\$20,000,000 by the creation of 1,999,000,000 additional shares of HK\$0.01 each, ranking pari passu with the existing share capital of the Company.
- (d) On 7th October, 2002, as part of the Reorganisation, the Company (i) issued 1,000,000 new shares of HK\$0.01 each credited as fully paid at par, and (ii) credited as fully paid at par the existing 1,000,000 shares issued nil paid on 31st July, 2002, as set out in (b) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Born Idea Limited ("BIL").
- (e) On 8th October, 2002, a total of 665,920,000 shares of HK\$0.01 each were allotted and issued as fully paid, by way of capitalisation issue of HK\$6,659,200 standing to the credit of the share premium account of the Company, to the holders of shares whose names appear on the register of members of the Company at the close of business on 8th October, 2002, conditional as a result of the new issue and placing of shares as detailed in (f) below. For the purpose of preparing the Interim Accounts, these shares are deemed to have been issued, nil paid, since 1st April, 2001.
- (f) On 7th November, 2002, a total of 141,680,000 new shares of HK\$0.01 each were issued at HK\$0.25 each to the public by way of new issue and placement of shares upon the listing of the Company's shares on the Main Board of the Stock Exchange.

LeRoi Holdings Limited*Interim Report 2002*

A summary of the above movements in the issued share capital of the Company is as follows:

	<i>Notes</i>	Number of issued shares	Nominal value of shares issued HK\$'000
Shares allotted and issued nil paid	<i>(b)</i>	1,000,000	–
Shares issued as consideration for the acquisition of the entire issued share capital of BIL	<i>(d)</i>	1,000,000	10
Application of contributed surplus to pay up nil paid shares	<i>(d)</i>	–	10
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the public shares issue	<i>(e)</i>	<u>665,920,000</u>	<u>–</u>
Pro forma issued share capital as at 31st March, 2002 and 30th September, 2002		667,920,000	20
New issue and placing of shares to the public	<i>(f)</i>	141,680,000	1,417
Capitalisation of the share premium account as set out above	<i>(e)</i>	<u>–</u>	<u>6,659</u>
Issued share capital at the date of approval of the Interim Accounts		<u><u>809,600,000</u></u>	<u><u>8,096</u></u>

10. Operating lease arrangement

The Group leases its office premises under operating lease arrangement which is negotiated for terms of two years. At as 30th September, 2002, the Group had total minimum lease payments under non-cancellable operating lease falling due as follows:

	(Unaudited) 30th September, 2002 HK\$'000	(Audited) 31st March, 2002 HK\$'000
Within one year	321	–
In the second to fifth years, inclusive	228	–
	<u><u>549</u></u>	<u><u>–</u></u>

11. Contingent liabilities

As at 30th September, 2002, the Group has no material contingent liabilities.

12. Post balance sheet date events

In addition to the matters set out in note 9, on 7th November, 2002, the Company issued 141,680,000 shares of HK\$0.01 each to the public, upon the listing of its shares on the Stock Exchange at HK\$0.25 per share for a net cash consideration of HK\$28.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS

SUCCESSFUL LISTING

The successful listing of the Company on 7th November, 2002 on the Main Board of the Stock Exchange was a major milestone for the Group. With the issue of 202.4 million shares, raising HK\$28.4 million, the Board is very pleased with the overwhelming support received from shareholders.

FINANCIAL REVIEW

For the six months ended 30th September, 2002, the turnover of the Group was approximately HK\$78.3 million, representing a growth of 27.4% as compared to the corresponding period last year.

The gross profit of the Group for the six months ended 30th September, 2002 was approximately HK\$30.1 million, representing an increase of approximately 29.1% as compared to the corresponding period last year. The gross profit margin for the six months ended 30th September, 2002 was approximately 38.4%, a slight increase of approximately 0.5% as compared to the corresponding period last year. Also, the Group's efforts to expand its market coverage and provide excellent products to customers was attributed to the Group's positive performance during the Period.

The operating profit and net profit attributable to shareholders of the Group for the six months ended 30th September, 2002 increased by 36.2% and 36.2% to HK\$21.7 million and HK\$17.7 million, respectively, as compared to the corresponding period last year. The net profit margin for the six months ended 30th September, 2002 was approximately 22.6%. Such increases were mainly due to the economies of scale as the Group has implemented effective cost control system during the Period. Furthermore, the Group also rapidly expanded its distribution network during the Period.

OPERATION AND BUSINESS REVIEW

The Group is principally engaged in the design, distribution and sales of lady apparel to the market in the PRC under the Group's brandname, *LeRoi*.

The Group targets middle to upper class women in the 20 to 40 age group. The Group's experienced management has wide spread knowledge of the apparel market in the PRC. To maintain its leading position in the PRC's fashion industry, the Group has adopted and practices its "Cutting clothes but not prices" and "Unit price throughout the country" marketing strategies since its establishment. These strategies have successfully captured the trust of customers, building on the promise that its products are "value for money".

Placing great emphasis on the quality control of its fashion wear, the Group's quality control staffs monitor the quality of products at every step of the manufacturing facilities of subcontractors. The Group can ensure its products are in high quality.

The Group fully recognises the value of a capable and innovative design team in producing successful products for its target market. With the talented designers, the Group's products not only blend perfectly into today's modern lifestyle, they also drive fashion trends with their bold and creative design and sophisticated styles. During the Period, the designers attended major fashion exhibitions worldwide to draw on fashion trends and their extensive international fashion networks, to ensure that each new *LeRoi* collection is current and contemporary.

FUTURE PLANS AND PROSPECTS

The management of the Group foresees continued improvements in performance in the second half of the financial year. Looking to the future, to capture the enormous business potential in the Greater China Region, the Group will further strengthen its distribution network and expand into the northern part of the PRC.

Building on the awareness of its branding, the Group has diversified its products range to accessories, to provide a full range of fashionable items to satisfy customers' needs and enable customers to stand out from the crowd.

In view of the continuous improvement in living standards in the PRC, the purchasing power for young executives continues to increase. To capture this emerging business opportunity, the Group is planning to develop a new line of products under a separate brand to target females in the 16 to 25 age group, creating an additional revenue source for the Group. Duplicating the success of the *LeRoi* brand, the new brand will also adopt the franchisee system and will be sold at different stores from its existing ones. The new brand is expected to launch by the end of March 2003.

To enhance the competitiveness of the new fashion line, the Group has appointed Mr. Dickson Goh as brand consultant. Mr. Goh has widespread experience in sales, corporate planning and marketing and has been a consultant for well-known department stores, including Takashiyama, Isetan and Seibu. The Group has also appointed Mr. Justin Ying, the eminent Singaporean designer to take responsibility for the design of its new youthful line. Mr. Ying has worked as a designer in different Asian countries and has received many awards, including the Grand Prize for Singapore Youth Designer and the second runner-up prize in an International Competition when he represented Singapore.

With its comprehensive distribution network and well-established branding, the Group expects to reach new highs in the future, bringing positive returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2002, the Group had net current assets of HK\$31.3 million (31st March, 2002: HK\$25.6 million).

The Group generally finances its operations with internally generated resources and maintains a strong financial position. Net proceeds from the initial public offer of the Company's shares will primarily be used to expand the Group's distribution network in the PRC, to design and promote its *LeRoi* products and to develop a new line of products. As at 30th September, 2002, the Group had cash and bank deposits of HK\$3.4 million (31st March, 2002: HK\$2.5 million). The Group did not raise any bank borrowings during the Period and its gearing ratio was nil as at 30th September, 2002 (31st March, 2002: Nil).

For the six months ended 30th September, 2002, the Group was not subject to any significant exposures in foreign exchange rates risk. Hence, no financial instrument for hedging was employed.

As at 30th September, 2002, the Group was free from any mortgage charge on the Group's assets.

The management believes that the existing financial resources will be sufficient to meet future expansion plans and, if necessary, the Group will be able to obtain additional financing with favourable terms.

EMPLOYEES

As at 30th September, 2002, the Group had 25 employees. The employees are remunerated based on their work performance, work and professional experiences and the prevailing industry practice. The Group operates a Mandatory Provident Fund scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance for those employees who are eligible to participate in the Scheme.

USE OF PROCEEDS

The Company was listed on the Main Board of the Stock Exchange on 7th November, 2002 by way of placing and public offer. The net proceeds from such placement and offer were approximately HK\$28.4 million. As at the date of this report, the Group has not spent any of the proceeds and such proceeds are placed on short-term deposits with banks in Hong Kong. The Board intends to use the net proceeds in the manner as disclosed in the Prospectus.

DIRECTORS' INTERESTS IN SHARES

As at 7th November, 2002, the first day of dealing in the Company's shares, the interests of the Directors in the shares of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(a) Interest in the Company

Name of director	Type of interest	Number of issued ordinary shares of HK\$0.01 each held in the Company
Mr. So Chi Hiu	Corporate	607,200,000

Note: These shares were held by Taco Holdings Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is held and beneficially owned by Mr. So Chi Hiu.

(b) Interest in associated corporations

As mentioned above, Mr. So Chi Hiu beneficially owns the entire issued share capital of Taco Holdings Limited, the Company's holding company.

Save as disclosed above, none of the Directors, chief executives or any of their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTION SCHEME

On 8th October, 2002, a share option scheme which is in compliance with amended Chapter 17 of the Listing Rules issued by the Stock Exchange was adopted.

As at 30th September, 2002, no share options have been granted under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 7th November, 2002, the first day of dealing in the Company's shares, the following party with interests representing 10% or more of the Company's issued share capital was recorded in the register of interests maintained under Section 16(l) of the SDI Ordinance:

Name of shareholder	Number of issued ordinary shares held	Percentage of total issued ordinary shares
Taco Holdings Limited	607,200,000	75

Note: The interest is also disclosed under the paragraph headed "Directors' Interests in Shares" disclosed above.

Save as disclosed above, no other person other than the Director whose interests are set out in the paragraph headed "Directors' Interests in Shares" above, had registered an interest of 10% or more in the share capital of the Company that was required to be recorded under Section 16(l) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the listing of the Company's shares to the date of this report.

AUDIT COMMITTEE

The Audit Committee was set up on 8th October, 2002 and has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30th September, 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company were not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's memorandum and articles of association at any time after the listing of the Company's shares to the date of this report.

On Behalf of the Board

So Chi Hiu

Chairman

Hong Kong, 19th December, 2002