

Chairman's Statement

06

LeRoi
Holdings
Limited

On behalf of the Board of Directors (the "Board"), I am pleased to announce the successful listing of LeRoi Holdings Limited (the "Group") on 7 November 2002 on the Main Board of The Stock Exchange of Hong Kong Limited, raising net proceeds of HK\$28.1 million for business developments. I am also delighted to present our first annual results since the listing. During the year under review, the Group recorded net profit from ordinary activities attributable to shareholders of approximately HK\$36.0 million, higher than the forecasted net profit of HK\$35.0 million as stated in the Prospectus.

The successful listing was a major milestone for the Group, demonstrating the Group's successful positioning and marketing strategies implemented in the PRC market. Since our establishment, we have positioned ourselves as a designer, distributor and seller of lady's apparel in the PRC market targeting middle to upper income females aged 20 to 40. The Group's products include woven and knitted lines under the Group's brandname, "*LeRoi*".

During the year under review, in view of the persistent global economic downturn, the overall performance of the retail business did not improve. However, with a gross national product recording satisfactory growth of 8%, the PRC market was not affected. However, due to the ever-changing fashion market and vigorous price competition among competitors within the industry, fashion companies are finding it increasingly difficult to survive in the industry. Nevertheless, leveraging our unique "Cutting clothes but not price" and "Unit price throughout the country" marketing strategies, the Group has been able to successfully capture customers in the competitive market. Our philosophy is for customers to enjoy the unique benefits of the *LeRoi* brand when they choose to wear *LeRoi* products, a move that builds up their confidence and improves their image.

Our design professionals keep abreast of the latest trends, to deliberately produce stylish and quality fashion designs. With the adoption of trendy design, market needs are successfully satisfied. Together with our extensive distribution network and effective inventory controls, the Group reached new profit highs during the year under review. In the past three years, despite the vigorous competition and global economic recession, the Group has been able to achieve double-digit growth. This proves the success of our strategies.

As stated in the Prospectus, the "One Child Policy" in the PRC stimulates parents to provide the best for their children. The younger female generation is therefore inclined to be more well educated. At the same time, their purchasing power increase as well. Targeting at aged 15 to 24 younger female market, the Group launched our new brand, "*ajouré*", for market trials. The initial response has been encouraging. The Group intends to explore this new market to create an additional revenue source for the Group.

Chairman's Statement (continued)

Building on our solid foundations, well-established customer base and our experienced and talented professional team, our brand now enjoys strong recognition in the market. Additionally, in view of the growing popularity for new fashion lines in the market, we are ideally positioned to pursue business opportunities into the future. Looking ahead, we will continue to explore promising potential markets to bring satisfactory returns to our shareholders.

Finally, on behalf of the Board, I would like to extend my appreciation to our management and team of employees for their dedication and effort during the past year. I would also like to thank our business associates, clients, suppliers, and shareholders for their continuous support and reliance during the past year.

Chairman

So Chi Hiu

Hong Kong, 28 July 2003