

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

DBS Bank (Hong Kong) 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

Ground Floor

BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

Financial relations consultant

Strategic Financial Relations Limited

Unit A, 29th Floor

Admiralty Centre I

18 Harcourt Road

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The Board of Directors (the "Board") of LeRoi Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003 (the "Period") together with the comparative figures for the corresponding period in 2002. These interim results have not been audited/reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 30th September,	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
	Notes		
TURNOVER	2	94,154	78,283
Cost of sales		(56,718)	(48,222)
Gross profit		37,436	30,061
Other revenue		207	476
Selling and distribution costs		(19,572)	(6,693)
Administrative expenses		(2,944)	(2,157)
PROFIT BEFORE TAX		15,127	21,687
Tax	4	(2,768)	(3,969)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		12,359	17,718
DIVIDEND	5		
Interim		3,643	–
Special		6,072	12,000
		9,715	12,000
EARNINGS PER SHARE	6		
– Basic		HK1.53 cents	HK2.65 cents
– Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September, 2003

	Notes	As at 30th September, 2003 (Unaudited) HK\$'000	As at 31st March, 2003 (Audited) HK\$'000
NON-CURRENT ASSET			
Fixed assets		6,263	1,425
CURRENT ASSETS			
Inventories		30,418	29,318
Trade receivables	7	38,053	36,253
Prepayments, deposits and other receivables		10,332	332
Cash and bank balances		43,048	44,938
		121,851	110,841
CURRENT LIABILITIES			
Trade payables	8	9,635	8,893
Accrued liabilities and other payables		2,486	2,507
Tax payable		25,288	22,520
		37,409	33,920
NET CURRENT ASSETS			
		84,442	76,921
		90,705	78,346
CAPITAL AND RESERVES			
Issued capital	9	8,096	8,096
Reserves		72,894	70,250
Proposed dividend	5	9,715	–
		90,705	78,346

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th September, 2003*

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April, 2002	20	–	25,741	–	25,761
Net profit attributable to shareholders	–	–	17,718	–	17,718
Special dividend paid (note 5)	–	–	(12,000)	–	(12,000)
At 30th September, 2002	20	–	31,459	–	31,479

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April, 2003	8,096	9,827	60,423	–	78,346
Net profit attributable to shareholders	–	–	12,359	–	12,359
Interim and special dividend proposed (note 5)	–	–	(9,715)	9,715	–
At 30th September, 2003	8,096	9,827	63,067	9,715	90,705

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2003

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,904	1,375
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(4,794)	1,680
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	–	(1,097)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,890)	1,958
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	44,938	1,435
CASH AND CASH EQUIVALENTS AT END OF PERIODS	43,048	3,393
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	43,048	3,393

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of presentation and principal accounting policies

(a) *Basis of presentation*

These unaudited condensed consolidated 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 ended 31st March, 2003. However, for the benefit of shareholders of the Company, the comparative amounts of the Interim Accounts and the related notes thereto have been presented on the basis that the Company is treated as the holding company of its subsidiaries for the financial periods presented rather than from the 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 the six months ended 30th September, 2002 include the results of the Group with effect from 1st April, 2002 or since their respective dates of incorporation, where this is a shorter period. The unaudited condensed pro forma combined balance sheet as at 30th September, 2002 have been prepared on the basis that the current group structure was in place at the date.

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

(b) *Principal accounting policies*

The same accounting policies adopted in the Group's annual financial statements for the year ended 31st March, 2003 have been applied to the Interim Accounts, except that the Group has adopted SSAP 12 (revised) "Income Taxes" which became effective for accounting periods commencing on or after 1st January, 2003.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous year. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

The adoption of this accounting standard has had no significant impact on the Group's results for the current or prior accounting periods/years.

2. Turnover and segment information

The Group is principally engaged in trading of fashion apparel to the market in the People's Republic of China (the "PRC").

The Group's primary segment reporting basis is by business segment and its secondary segment reporting basis is 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 and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. During the 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 and accordingly, no further detailed analysis of the Group's business segments is disclosed.

(ii) *Geographical segments*

In determining the Group's geographical segments and revenues 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 Period, over 90% of the Group's revenue, assets and liabilities were derived from customers based in the PRC including Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

3. Depreciation

During the Period, depreciation of HK\$163,000 (2002: HK\$256,000) was charged in respect of the Group's fixed assets.

4. Tax

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
Current year provision:		
PRC:		
Hong Kong	–	–
Macau	2,704	3,907
Elsewhere	64	62
	<hr/>	<hr/>
Tax charge for the period	2,768	3,969
	<hr/>	<hr/>

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 (2002: 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% (2002: 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 temporary differences at the balance sheet dates (2002: Nil).

5. Dividend

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	HK\$'000	HK\$'000
Interim	3,643	–
Special	6,072	12,000
	9,715	12,000

The Board resolved to declare an interim dividend of HK0.45 cents (2002: Nil) per ordinary share and a special dividend of HK\$0.75 cents per ordinary share (2002: HK\$12,000,000) for the six months ended 30th September, 2003 payable to the shareholders whose names appear on the register of members of the Company at the close of business on 30th December, 2003. Dividend warrants will be despatched to the shareholders of the Company on or about 12th January, 2004.

The special dividend of HK\$12,000,000 for the six months ended 30th September, 2002 was declared and paid by a subsidiary of the Company to its then shareholder prior to the Reorganisation and listing of the Company's shares on the Stock Exchange.

6. Earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated net profit from ordinary activities attributable to shareholders for the six months ended 30th September, 2003 of HK\$12,359,000 (2002: HK\$17,718,000) and the weighted average of 809,600,000 (2002: pro forma 667,920,000) ordinary shares of the Company in issue during the Period.

There were no potential dilutive ordinary shares (2002: Nil) during the Period and, therefore, no 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, except for certain well-established customer for whom the terms are extended to 120 days. 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, based on invoice date, is as follows:

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
Within 90 days	38,053	36,253

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:

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
Within 90 days	9,635	8,893

9. Share capital

	30th September, 2003 (Unaudited) HK\$'000	31st March, 2003 (Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid: 809,600,000 ordinary shares of HK\$0.01 each	8,096	8,096

10. Operating lease arrangement

The Group leases certain of its office premises under operating lease arrangement which are negotiated for a lease term of two years. At as 30th September, 2003, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	(Unaudited) 30th September, 2003 HK\$'000	(Audited) 31st March, 2003 HK\$'000
Within one year	228	290
In the second to fifth years, inclusive	–	60
	228	350

11. Contingent liabilities

As at 30th September, 2003, the Group has no material contingent liabilities.

12. Related party transactions

On 12th November, 2003, the Company entered into an agreement (the "Acquisition Agreement") with the brother-in-law (the "Vendor") of Mr. So Chi Hiu, the chairman and an executive director of the Company, for the acquisition (the "Acquisition") of 50% equity interests of Uni-Johnson Trading Limited ("Uni-Johnson") together with a shareholder loan due by Uni-Johnson to the Vendor of approximately HK\$7 million, with a consideration of HK\$9 million in cash. Uni-Johnson Trading Limited is a property holding company, incorporated in Hong Kong, and the registered holder of certain leasehold land and buildings in the PRC of approximately HK\$19 million as at 31st October, 2003. The Acquisition was completed on 16th November, 2003. Further details of the Acquisition are also set out in the Company's announcement dated 12th November, 2003.

13. Post balance sheet date events

Subsequent to the balance sheet date, on 12th November, 2003, the Company entered into the Acquisition Agreement. Further details of which are set out in note 12 to the Interim Accounts.

14. Commitments for purchase of property, plant and equipment

The Group had no material commitments for the purchase of property, plant and equipment at 30th September, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th September, 2003, the Group's turnover was HK\$94,154,000, representing a growth of 20.3% as compared to the corresponding period last year. Gross profit was HK\$37,436,000, representing an increase of approximately 24.5%. The gross profit margin increased from 38.4% to 39.8% during the corresponding period last year.

The Group's profit attributable to shareholders for the six months ended 30th September, 2003 was HK\$12,359,000, a decrease of 30.3% from the corresponding period last year. This was due to the fact that during the Severe Acute Respiratory Syndrome ("SARS") outbreak, being aware of the difficulties that were faced by its franchisees, the Group had distributed subsidies for their purchase of SARS prevention items. These subsidies are only distributed under extraordinary conditions. Not taking into account of these subsidy expenses, the Group actually achieved a satisfactory profit of HK\$21,490,000, representing an increase of approximately 21.3% against the corresponding period last year. Leveraging the Group's successful business model, established brand name and fashionable design, it has been able to achieve growth despite the adverse business environment, demonstrating the successful operating direction of the Group.

OPERATION AND BUSINESS REVIEW

During the Period under review, the retail industry was seriously affected by the SARS outbreak. Fortunately the Group's unique market positioning and operating and sales strategies were able to achieve growth despite the difficult operating environment.

During the Period under review, the Group continued to focus on enlarging its market share. The number of *LeRoi* franchisees increased from 100 to 115, across 18 provinces and 43 cities, all of which are located at prime retail areas with high traffic flows and easy access. This not only provides convenience to *LeRoi's* existing customers, it also helps attracting new and potential consumers.

During the Period under review, the Group's designers continued their creative and sophisticated design focus to launch new collections of trendy and contemporary fashion items under the brandname of *LeRoi*, drawing satisfactory responses from our customers.

With the successful *LeRoi* branding strategy, the Group has continued to explore market responses with the launch of the *ajouré* brand in certain *LeRoi* shops during the Period. The new brand mainly targets at the younger female market, aged 16 to 25. As *ajouré* brand designs are focused on the tastes of contemporary young women, the Group will further expand its sales network with more potential customers. The encouraging sales of the *ajouré* line effectively demonstrate the Group's ability to identify market potential for business development.

Apart from its stylish fashions, the Group also launched a series of fashion accessories, including shawls, scarves and handbags etc, further diversifying its product range. The Group aims to satisfy customer needs through a one-stop shopping experience, providing customers with a quality collection of fashionable items.

FUTURE PLANS AND PROSPECTS

Looking forward to the future, in order to capture the enormous business potential in the Greater China region, *LeRoi* will strengthen its distribution network and expand into the northern part of the PRC.

Having achieved positive market responses from the *ajouré* brand, the Group will continue to monitor future market developments, and is likely to open independent shops under the *ajouré* brand name in the coming year.

From time to time, the Group participates actively in many large scale fashion exhibitions, where its new *LeRoi* and *ajouré* brand collections were displayed. Market research was also carried out to understand the underlying needs of customers. The exhibition also provided a great opportunity for business promotions, to develop the franchising business, and the Group had succeeded in attracting a new group of potential franchisees. Many enquiries were received after the exhibition, with a significant number having commenced detailed negotiations. These exciting developments demonstrate the positive market image of the Group's brand names and seasonal collections.

In addition, as at 12th November, 2003, the Group entered into an agreement for the acquisition of a property located in Hubei Province, the PRC. The total cash consideration for the acquisition is HK\$9,000,000 which was satisfied by the Group in cash. The Group believes that the acquisition will enable the Group to develop its own retail outlets and exhibition centre there which in turn will further enlarge the Group's distribution network in the central area of the PRC and improve the revenue of the Group in future.

With its comprehensive distribution network and fashionable designs, the Group is well positioned to reach new highs in the future as it continues to diversify its business scope, and bring in positive returns to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September, 2003, the Group had net current assets of HK\$84,442,000 (31st March, 2003: HK\$76,921,000)

The Group generally finances its operations with internally generated resources and maintains a strong financial position. As at 30th September, 2003, the Group had cash and bank deposits of HK\$43,048,000 (31st March, 2003: HK\$44,938,000). The Group did not raise any bank borrowings during the Period and its gearing ratio was nil as at 30th September, 2003 (31st March, 2003: Nil).

For the six months ended 30th September, 2003, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial hedging arrangements were made.

As at 30th September, 2003, the Group was free from any mortgage charges 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 favorable terms.

EMPLOYEES

As at 30th September, 2003, the Group had 28 employees. Employees are remunerated based on their work performance, work and professional experience and prevailing industry practices. The Group operates a Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance for employees who are eligible for participation in the Scheme.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange in November 2002, after deduction of related issuance expenses, amounted to approximately HK\$28.1 million. These proceeds were partly applied up to 30th September, 2003 in accordance with the proposed applications set out in the Prospectus, as follows:

- approximately HK\$6.5 million for the development and expansion of the Group's distribution network, including franchised and authorised distributors, and its sales control computer systems, in the PRC;
- approximately HK\$4.0 million for the design, development and promotion of the Group's *LeRoi* products; and
- approximately HK\$3.0 million for the development of a new line of the Group's products specially designed for ladies aged between 16 and 25.

The remaining net proceeds as at 30th September, 2003 of approximately HK\$14.6 million were placed on current account deposit with a bank in Hong Kong. The directors are of the opinion that the remaining proceeds will be applied in the future for their intended uses as set out in the Prospectus.

DIRECTORS' INTERESTS IN SHARES

As at 30th September, 2003, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:–

The Company

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of issued capital
So Chi Hiu	Note Deemed	Long position 559,640,000	69.13%

Note: The deemed interest shares are held by Taco Holdings Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. So Chi Hiu.

The associated corporation – Taco Holdings Limited

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of issued capital
So Chi Hiu	Direct	Long position 1,000	100.00%

Save as disclosed above, none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations were recorded in the register required to be kept under Section 352 of the SFO as at 30th September, 2003.

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, 2003, no share options have been granted under the share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, the interests or short positions of every person, other than Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:-

Name of shareholder	Nature of interest	Number of ordinary shares held	Percentage of issued capital
Taco Holdings Limited	Direct	Long position 559,640,000	69.13%
Greater China 1 Private Placement Fund	Direct	Long position 43,448,000	5.37%

Saved as disclosed above, no persons, other than the Director whose interests are set out in the above section headed "Directors' Interests In Shares", had registered an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23rd December, 2003 to 30th December, 2003 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend declared, all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22nd December, 2003.

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 during the Period.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 8th October, 2002 which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises the two independent non-executive directors of the Company. The Group's financial statements for the period ended 30th September, 2003 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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 for any part of the Period, 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.

On Behalf of the Board

So Chi Hiu
Chairman

Hong Kong, 8th December, 2003