

**CORPORATE INFORMATION****Board of Directors***Executive directors*

Mr. So Chi Hiu  
Ms. Yeung Sau Han, Agnes  
Mr. Ng Cheuk Fan, Keith  
Mr. Lim Kwok Choi

*Independent non-executive directors*

Mr. Lok Shing Kwan, Sunny  
Mr. Wong Wing Hang, Henry  
Mr. Chiang Chi Kin, Stephen

**Audit Committee**

Mr. Lok Shing Kwan, Sunny  
Mr. Wong Wing Hang, Henry  
Mr. Chiang Chi Kin, Stephen

**Company Secretary**

Mr. Ng Cheuk Fan, Keith

**Head office and principal place of business**

Units 2706-07, 27th Floor  
Laws Commercial Plaza  
No. 788 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

**Stock Code**

0221

**CONTENTS***Pages***CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

<b>Condensed consolidated profit and loss account</b>	3
<b>Condensed consolidated balance sheet</b>	4
<b>Condensed consolidated statement of changes in equity</b>	5
<b>Condensed consolidated cash flow statement</b>	6
<b>Notes to the condensed consolidated interim financial statements</b>	7-13

**MANAGEMENT DISCUSSION AND ANALYSIS**

<b>Financial review</b>	14
<b>Operation and business review</b>	14
<b>Future plans and prospects</b>	15
<b>Liquidity and financial resources</b>	16
<b>Employees</b>	16
<b>Use of Proceeds from the Company's Initial Public Offering</b>	16
<b>Directors' interests and short positions in shares and underlying shares</b>	17
<b>Share option scheme</b>	18
<b>Substantial shareholders' and other persons' interests in shares and underlying shares</b>	19
<b>Purchase, sale or redemption of listed securities</b>	20
<b>Audit committee</b>	20
<b>Code of Best Practice</b>	20
<b>Suspension of Trading</b>	20

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 (collectively the "Group") for the six months ended 30 September 2004 (the "Period") together with the comparative figures for the corresponding period in 2003. These interim results have been reviewed by the Company's audit committee.

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Six months ended 30 September</b>	
		<b>2004 (Unaudited) HK\$'000</b>	2003 (Unaudited) HK\$'000
	Notes		
<b>TURNOVER</b>	2	<b>58,783</b>	94,154
Cost of sales		<b>(39,737)</b>	(56,718)
Gross profit		<b>19,046</b>	37,436
Other revenue		<b>8</b>	207
Selling and distribution costs		<b>(7,553)</b>	(10,441)
Administrative expenses		<b>(5,609)</b>	(2,944)
Other operating expenses		<b>–</b>	(9,131)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	3	<b>5,892</b>	15,127
Finance costs		<b>(11)</b>	–
<b>PROFIT BEFORE TAX</b>		<b>5,881</b>	15,127
Tax	4	<b>(1,665)</b>	(2,768)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>4,216</b>	12,359
<b>DIVIDENDS</b>	5		
Interim		–	3,643
Special		–	6,072
		–	9,715
<b>EARNINGS PER SHARE</b>	6		
– Basic		<b>HK0.52 cents</b>	HK1.53 cents
– Diluted		<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET***As at 30 September 2004*

	Notes	As at 30 September 2004 (Unaudited) HK\$'000	As at 31 March 2004 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	4,755	5,932
Interests in an associate		8,994	8,994
		<b>13,749</b>	14,926
<b>CURRENT ASSETS</b>			
Inventories		40,477	33,574
Trade receivables	8	44,628	41,109
Prepayments, deposits and other receivables		1,261	1,393
Cash and bank balances		25,117	36,970
		<b>111,483</b>	113,046
<b>CURRENT LIABILITIES</b>			
Trade payables	9	2,564	10,283
Accrued liabilities and other payables		2,070	2,926
Finance lease payable	10	100	96
Tax payable		29,427	27,761
		<b>34,161</b>	41,066
<b>NET CURRENT ASSETS</b>		<b>77,321</b>	71,980
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>91,071</b>	86,906
<b>NON-CURRENT LIABILITY</b>			
Finance lease payable	10	114	165
		<b>90,957</b>	86,741
<b>CAPITAL AND RESERVES</b>			
Issued capital	11	8,096	8,096
Reserves		82,861	78,645
		<b>90,957</b>	86,741

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 September 2004*

	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 1 April 2003	8,096	9,827	60,423	–	78,346
Net profit attributable to shareholders	–	–	12,359	–	12,359
Interim and special dividend proposed	–	–	(9,715)	9,715	–
At 30 September 2003	<u>8,096</u>	<u>9,827</u>	<u>63,067</u>	<u>9,715</u>	<u>90,705</u>

	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 1 April 2004	8,096	9,827	68,818	–	86,741
Net profit attributable to shareholders	–	–	4,216	–	4,216
At 30 September 2003	<u>8,096</u>	<u>9,827</u>	<u>73,034</u>	<u>–</u>	<u>90,957</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30 September 2004*

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(11,693)	2,904
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(113)	(4,794)
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	(47)	–
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT	(11,853)	(1,890)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	36,970	44,938
CASH AND CASH EQUIVALENTS AT END OF PERIODS	<u>25,117</u>	<u>43,048</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>25,117</u>	<u>43,048</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of presentation and principal accounting policies

#### *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 Institute of Certified Public Accountants.

#### *Principal accounting policies*

The same accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2004 have been applied to the Interim Accounts.

### 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 engaged in the trading of fashion apparel and accordingly, no further detailed analysis of the Group's business segments is disclosed.

## 2. Turnover and segment Information (Continued)

### (ii) Geographical segments

In determining the Group's geographical segments, 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 and assets were derived from customers and operations based in the PRC including Mainland China and Hong Kong and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

## 3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	(Unaudited) Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Cost of inventories sold	39,261	56,722
Depreciation	1,298	163
Interest income	(11)	(12)
	<u>          </u>	<u>          </u>

## 4. Tax

	(Unaudited) Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Current period provision		
Macau	1,617	2,704
PRC	48	64
	<u>          </u>	<u>          </u>
Tax charge for the Period	<u>1,665</u>	<u>2,768</u>



#### 4. Tax (Continued)

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Period (2003: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries 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% (2003: 15.75%) on the estimated assessable profits of a wholly-owned subsidiary of the Group during the Period.

#### 5. Dividend

	(Unaudited) Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Interim	–	3,643
Special	–	6,072
	–	9,715

The Board does not recommend the payment of any interim dividend (2003: HK0.45 cents per ordinary share) or special dividend (2003: HK0.75 cents per ordinary share) for the six months ended 30 September 2004.

#### 6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 September 2004 of HK\$4,216,000 (2003: HK\$12,359,000) and the weighted average of 809,600,000 (2003: 809,600,000) ordinary shares of the Company in issue during the Period.

Diluted earnings per share amounts for the periods ended 30 September 2003 and 2004 have not been disclosed as there were no diluting events existed during these periods.

## 7. Fixed assets

During the Period, depreciation of HK\$1,298,000 (2003: HK\$163,000) was charged in respect of the Group fixed assets.

## 8. 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 minimize credit risk. Overdue balances are reviewed regularly by senior management.

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

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within 90 days	29,685	24,462
91 to 180 days	14,943	16,647
	<b>44,628</b>	<b>41,109</b>

## 9. Trade payables

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

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within 90 days	<b>2,564</b>	<b>10,283</b>

### 10. Finance lease payable

The Group leases a motor vehicle for its business. This lease is classified as a finance lease and has a remaining lease term of two years.

At 30 September 2004, the total future minimum lease payments under the finance lease and their present value were as follows:

	Minimum lease payments 30 September 2004 (Unaudited) HK\$'000	Minimum lease payments 31 March 2004 (Audited) HK\$'000	Present value of minimum lease payments 30 September 2004 (Unaudited) HK\$'000	Present value of minimum lease payments 31 March 2004 (Audited) HK\$'000
Amounts payable:				
Within one year	109	109	100	96
In the second year	118	172	114	165
	<u>227</u>	<u>281</u>	<u>214</u>	<u>261</u>
Total minimum finance lease payments				
	<u>227</u>	<u>281</u>	<u>214</u>	<u>261</u>
Future finance charges	(13)	(20)		
Total net finance lease payables	214	261		
Portion classified as current liabilities	(100)	(96)		
Long term portion	<u>114</u>	<u>165</u>		

**11. Share capital**

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
<i>Authorised</i> 2,000,000,000 ordinary shares of HK\$0.01 each	<u><u>20,000</u></u>	<u><u>20,000</u></u>
<i>Issued and fully paid</i> 809,600,000 ordinary shares of HK\$0.01 each	<u><u>8,096</u></u>	<u><u>8,096</u></u>

**12. Operating lease arrangement**

*As lessee*

The Group leases certain of its office premises under operating lease arrangement which are negotiated for a lease term of two years. As at 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	<b>30 September 2004 (Unaudited) HK\$'000</b>	31 March 2004 (Audited) HK\$'000
Within one year	277	60
In the second to fifth years, inclusive	<u>162</u>	<u>–</u>
	<u><u>439</u></u>	<u><u>60</u></u>

**13. Contingent liabilities**

As at 30 September 2004, the Group has no material contingent liabilities.

**14. Post balance sheet date events**

Subsequent to the balance sheet date, on 30 November 2004, the Group entered into an agreement to lease a property in Shenzhen, the PRC. The property is for the setting up of a new subsidiary in Shenzhen. The principal activities of the new subsidiary are the design, production, sales and marketing of fashion apparel.

**15. Commitments for purchase of property, plant and equipment**

The Group had no material commitments for the purchase of property, plant and equipment at 30 September 2004.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months ended 30 September 2004, the Group recorded a turnover of approximately HK\$58,783,000, representing a decrease of approximately 37.6% as compared to the corresponding period last year. Gross profit was approximately HK\$19,046,000, representing a decrease of approximately 49.1%. The Group enhanced the quality of its products by using better quality textile. The increased cost however was not transferred onto the customers hence resulting in a decrease in profit margin from 39.8% to 32.4%. Nevertheless, the management believes customers will notice the higher in quality of the LeRoi brand products and will recognize the good value made for the money spent, hence boosting the growth of the Group in the long run.

The Group's profit attributable to shareholders for the six months ended 30 September 2004 was approximately HK\$4,216,000, a decrease of approximately 65.9% from the corresponding period last year. The Group's profit for the Period was affected by the decrease in number of franchisees which was a result of, amongst other things, keen competition in the domestic fashion market and the impacts of the macroeconomic control measures introduced by the PRC government.

### OPERATION AND BUSINESS REVIEW

During the Period under review, certain franchisees deferred their plans in opening new stores or discontinued operation upon their contracts expired, harming the performance of the Group when compared to the corresponding period last year. The number of LeRoi franchisees decreased from 92 to 69, across 8 provinces and 29 cities. In view of the decrease, much effort has put in to maintain the current number of franchisees and attract potential franchisees.

The Group continued to adopt the “Cutting clothes but not price” and “Unit price throughout the country” strategies. And the Group continued to launch new collections of trendy and contemporary fashion items which attracted wider customer support.

In order to enlarge the Group’s customer base, the Group developed the new brand “ajouré” targeting mainly the fashion market for female aged 16 to 25. “ajouré” brand products are available at dedicated corners in some of the “LeRoi” shops. The brand had been contributing to the Group’s revenue.

## **FUTURE PLANS AND PROSPECTS**

Looking forward, the Group will continue its effort to maintain and increase the number of franchisees.

In order to facilitate the Group’s business expansion in the PRC, the Group plans to establish a new subsidiary in Shenzhen. The principal activities of the new subsidiary will be the design, production, sales and marketing of fashion apparel. The Group has entered into a lease agreement on 30 November 2004 leasing an office/factory premises in preparation for the establishment of the new subsidiary.

The Group has started development of new businesses that can enjoy synergy with its core business. The Group plans to launch its beauty products for women and female lingerie series in 2005. The Group expects that these diversifications will bring new income sources and increase the Group’s profitability in the long run.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2004, the Group had net current assets of approximately HK\$77,321,000 (31 March 2004: approximately HK\$71,980,000). As at 30 September 2004, the Group had cash and bank deposits of approximately HK\$25,117,000 (31 March 2004: approximately HK\$36,970,000). The Group did not raise any bank borrowing during the Period and its gearing ratio was nil as at 30 September 2004 (31 March 2004: Nil), based on the interest-bearing debts to total assets.

For the six months ended 30 September 2004, the Group was not subject to any significant exposure to foreign exchange rates risk. Hence, no financial instrument for hedging was employed. As at 30 September 2004, the Group was free from any mortgage charge on the Group's assets.

## EMPLOYEES

As at 30 September 2004, the Group had 29 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 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 30 September 2004 in accordance with the proposed applications set out in the Company's listing prospectus dated 23 October 2002 (the "Prospectus"), as follows:

- approximately HK\$14.0 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\$5.0 million for the design, development and promotion of the Group's "LeRoi" products; and
- approximately HK\$5.0 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 30 September 2004 of approximately HK\$4.1 million were deposited in a current account with a bank in Hong Kong. The directors are of the opinion that the remaining proceeds will be applied in future for their intended uses as set out in the Prospectus.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2004, the interests and short positions of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

- (a) Long positions in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. So Chi Hiu	Deemed (Note)	424,024,000	52.37

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) Associated Corporation

As mentioned above, Mr. So Chi Hiu beneficially owns the entire issued share capital, represented by 1,000 shares of Taco Holdings Limited, the Company's holding company.

In addition to the above, Mr. So Chi Hiu has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debenture of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

On 8 October 2002, a share option scheme which is in compliance with amended Chapter 17 of the Listing Rules was adopted. As at 30 September 2004, no share options have been granted under the share option scheme.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Taco Holdings Limited (Note 1)	Directly beneficially owned	424,024,000	52.37
Martin Currie China Hedge Fund Limited	Directly beneficially owned	93,176,000	11.51
Martin Currie Investment Management Limited (Note 2)	Deemed	93,176,000	11.51
UBS AG	Directly beneficially owned	93,176,000	11.51
PAM(L) Equities Asian Growth (Investment Fund)	Directly beneficially owned	74,560,000	9.21

Notes:

1. The interest in the name of Taco Holdings Limited was also disclosed as interest of Mr. So Chi Hiu in the above section headed "Directors' interests and short positions in shares and underlying shares".
2. Martin Currie Investment Management Limited was the investment manager of Martin Currie China Hedge Fund Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice as set out in appendix 14 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. The present members of the audit committee are Mr. Lok Shing Kwan, Sunny, Mr. Wong Wing Hang, Henry and Mr. Chiang Chi Kin, Stephen.

## **CODE OF BEST PRACTICE**

None of the Directors is aware of any information which would reasonably indicate that the Company is not in compliance with the Code of the Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except that two of the independent non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meetings in accordance with the Company's memorandum and articles of association.

## **SUSPENSION OF TRADING**

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:30 a.m. on Friday, 27 February 2004 and will remain suspended pending the publication of announcement(s) to clarify the newspaper articles in relation to the allegation in respect of suspected share price manipulation and share placement.

On Behalf of the Board  
**Yeung Sau Han, Agnes**  
*Executive Director*

Hong Kong, 23 December 2004