

## Chairman's Statement

On behalf of the Board of Directors (the "Board") of LeRoi Holdings Limited ("LeRoi"), I am pleased to announce the annual results of the Group for the year ended 31 March 2004.

The past financial year was a challenging year for the Group. The global economy, the retail industry in particular, was hard hit by the Severe Acute Respiratory Syndrome ("SARS") outbreak in the first quarter. To avoid being infected, people stayed at home, depressing consumption sentiment and confidence. Apart from daily necessities, the sales of other consumer goods were weak, with leisure goods such as fashion items feeling the biggest blow. Owing to the unfavorable business and economic environment certain franchisees discontinued their operations after their contracts expired and many potential franchisees postponed their plans to open new stores. As at 31 March 2004, the Group has 92 franchisees in 36 cities across 10 provinces in China. The Group also offered an one-time subsidy to the franchisees to help ease their operation during this difficult period.

Despite the harsh business environment, "LeRoi" maintained its "Cutting clothes but not price" and "Unit price throughout the country" marketing strategies. The Group was able to do so because the "LeRoi" brand has a solid position in the middle to upper fashion market, giving customers a sense of superiority and confidence, and improving their self-image when they buy or wear products of the brand. During the year, the Group continued to adhere to a stable but effective operation direction. The Group launched the new "ajouré" brand last year, which attracted wide customer acceptance, creating synergistic benefits for the Group.

Looking forward, with the economy recovering and the support of its extensive customer base and well-recognized brands, the Group will rebuild its competitiveness. The Group stands to capture every arising business opportunity benefiting from the strong position and recognition of its "LeRoi" and "ajouré" brands. Besides, the Group plans to diversify into new business areas including the development of its beauty products and female lingerie series. The Group believes these new business initiatives will generate new income sources for it.

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

*Chairman*

**So Chi Hiu**

Hong Kong, 21 October 2004