



MIRABELL INTERNATIONAL HOLDINGS LIMITED

(美麗寶國際控股有限公司)

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)



中期報告

Interim Report

2002~2003

CORPORATE INFORMATION

Board of Directors

Executive Directors

Tang Wai Lam
(Chairman and Managing Director)

Tang Keung Lam
(Vice-Chairman and Deputy Managing Director)

Ng Man Kit, Lawrence
(Deputy Managing Director)

Chung Chun Wah

Non-executive Directors

Lee Kwan Hung

Lee Kin Sang*

Chan Ka Sing, Tommy*
* *Independent Non-executive Director*

Company Secretary

Leung Yiu Fai, Kelvin

Registered Office

Ugland House
South Church Street
P.O. Box 309
George Town, Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business

8/F, Wyler Centre Phase II
200 Tai Lin Pai Road
Kwai Chung
New Territories
Hong Kong

Legal Advisors

Woo, Kwan, Lee & Lo
27/F, Jardine House
1 Connaught Place
Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Principal Share Registrar

Bank of Bermuda
(Cayman) Limited
P. O. Box 513 G. T.
3/F, British American Tower
Dr. Roy's Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar

Abacus Share Registrars Limited
5/F, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Bankers

Hang Seng Bank Limited
DBS Kwong On Bank Limited

UNAUDITED INTERIM RESULTS

The board of directors of Mirabell International Holdings Limited (the “Company”) is pleased to present the interim report and consolidated financial statements of the Company and its subsidiaries (the “Group”) as at and for the six months ended 31 August 2002, all of which are unaudited and condensed, which were prepared in accordance with the accounting principles generally accepted in Hong Kong and reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	Unaudited Six months ended 31 August	
		2002 HK\$’000	2001 HK\$’000
Turnover	2	302,671	307,790
Cost of sales		(131,432)	(135,365)
Gross profit		171,239	172,425
Other revenues		8,104	7,280
Distribution costs		(125,614)	(122,164)
Administrative expenses		(32,982)	(34,575)
Other operating expenses		(8,123)	(9,757)
Operating profit	2 & 3	12,624	13,209
Finance costs		(823)	(735)
Share of profit of an associated company		8,643	8,315
Profit before taxation		20,444	20,789
Taxation	4	(1,900)	(1,900)
Profit attributable to shareholders		18,544	18,889
Interim dividend		3,818	3,818
Basic earnings per share	5	7.3 cents	7.4 cents

The notes on pages 5 to 11 form part of the condensed interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		31 August	28 February
		2002	2002
	<i>Notes</i>	HK\$'000	HK\$'000
Fixed assets		115,967	117,957
Investment in an associated company		52,531	45,744
Investment securities		76	76
Current assets			
Inventories		73,925	88,660
Accounts and other receivables	6	66,712	73,231
Bank balances and cash		89,323	80,123
		229,960	242,014
Current liabilities			
Accounts payable and accrued charges	7	62,118	72,290
Short term bank loans		12,617	12,617
Current portion of long-term liabilities	8	8,167	9,807
Taxation payable		3,787	4,530
		86,689	99,244
Net current assets		143,271	142,770
Total assets less current liabilities		311,845	306,547
<i>Financed by:</i>			
Share capital	9	25,453	25,453
Reserves		129,932	129,932
Retained profits	10	135,892	121,166
Proposed dividend		3,818	9,163
Shareholders' fund		295,095	285,714
Long-term liabilities	8	16,750	20,833
		311,845	306,547

The notes on pages 5 to 11 form part of the condensed interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	31 August	
	2002	2001
	HK\$'000	HK\$'000
Net cash inflow/(outflow) from operating activities	29,682	(2,824)
Net cash outflow in investing activities	(4,773)	(3,211)
Net cash outflow in financing activities	(15,709)	(6,597)
Increase/(decrease) in cash and cash equivalents	9,200	(12,632)
Cash and cash equivalents at 1 March	80,123	76,436
Cash and cash equivalents at 31 August	89,323	63,804

Cash and cash equivalents at the respective period end are represented by bank balances and cash of the equivalent amounts as stated in the balance sheet.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	31 August	
	2002	2001
	HK\$'000	HK\$'000
Total shareholders' fund at 1 March	285,714	236,422
Profit for the period	18,544	18,889
Dividends paid	(9,163)	(8,145)
	<hr/>	<hr/>
Total shareholders' fund at 31 August	<u>295,095</u>	<u>247,166</u>

The notes on pages 5 to 11 form part of the condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies

These unaudited consolidated condensed interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practices (“SSAP”) 25 (revised), Interim financial reporting, issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2001/02 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 28 February 2002 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 15(revised):	Cash flow statements
SSAP 25(revised):	Interim financial reporting
SSAP 34:	Employee benefits

The changes to the Group’s accounting policies and the effect of adopting these new and revised SSAPs are set out below:

(a) *SSAP 15 (revised): Cash flow statements*

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP 15 (revised). As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the six months ended 31 August 2001, net cash outflow from taxation paid of HK\$1,122,000 has been reclassified as operating cash flow. Dividend and interest received of HK\$1,875,000 have been reclassified as investing cash flow. Dividend and interest paid of HK\$8,880,000 have been reclassified as financing cash flow.

(b) *SSAP 34: Employee benefits*

The adoption of this new SSAP has no material effect on the Group’s result.

2. Segmental information

The Group is principally engaged in the retailing, wholesaling and manufacturing of footwear.

An analysis of the Group's turnover and contribution to the operating profit by geographical segments is as follows:

	Unaudited Turnover Six months ended 31 August		Unaudited Operating profit Six months ended 31 August	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Principal markets:				
Hong Kong and Macau	250,332	261,238	9,520	12,339
The People's Republic of China (the "PRC")	52,339	46,552	3,104	870
	<u>302,671</u>	<u>307,790</u>	<u>12,624</u>	<u>13,209</u>

The Group has only one single business segment which is the sales of footwear through retailing, wholesaling and manufacturing. Accordingly, no business segmental information is shown.

3. Operating profit

	Unaudited Six months ended 31 August	
	2002 HK\$'000	2001 HK\$'000

Operating profit is stated after crediting and charging the following:

Crediting		
Interest income	391	824
Rental income	2,282	1,540
Royalty income	<u>2,904</u>	<u>2,261</u>
Charging		
Cost of inventories sold	127,932	127,326
Depreciation of fixed assets	6,930	8,251
Loss on disposal of fixed assets	235	1,474
Amortization of goodwill	<u>578</u>	<u>578</u>

4. Taxation

	Unaudited	
	Six months ended	
	31 August	
	2002	2001
	HK\$'000	HK\$'000
Company and subsidiaries		
– Hong Kong profits tax	622	1,104
Share of taxation attributable to an associated company	1,278	796
	1,900	1,900

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

No provision for overseas taxation has been made in the financial statements as the Group's overseas subsidiaries have no taxable profits for the period calculated in accordance with the tax laws of the countries in which they operate.

There is no material unprovided deferred taxation for the period.

5. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$18,544,000 (2001: HK\$18,889,000) and the weighted average of 254,530,000 (2001: 254,530,000) ordinary shares in issue during the period.

There is no diluted earnings per share since the Company has no dilutive potential ordinary share for the current period.

6. Accounts and other receivables

Included in accounts and other receivables are accounts receivables and their aging analysis is as follows:

	Unaudited 31 August 2002 <i>HK\$'000</i>	Audited 28 February 2002 <i>HK\$'000</i>
0 – 30 days	20,237	21,036
31 – 60 days	698	568
61 – 90 days	526	1,794
Over 90 days	1,059	2,927
	<u>22,520</u>	<u>26,325</u>

Other than cash and credit card sales, the Group normally allows an average credit period of 30 days to its trade customers.

7. Accounts payable and accrued charges

Included in accounts payable and accrued charges are accounts payable and their aging analysis is as follows:

	Unaudited 31 August 2002 <i>HK\$'000</i>	Audited 28 February 2002 <i>HK\$'000</i>
0 – 30 days	25,154	25,131
31 – 60 days	187	505
61 – 90 days	180	378
Over 90 days	543	50
	<u>26,064</u>	<u>26,064</u>

8. Long-term liabilities

	Unaudited 31 August 2002 <i>HK\$'000</i>	Audited 28 February 2002 <i>HK\$'000</i>
Bank loans – secured	24,917	30,640
Less: Current portion of long-term liabilities	<u>(8,167)</u>	<u>(9,807)</u>
	<u>16,750</u>	<u>20,833</u>

The Group's bank loans are repayable as follows:

	Unaudited 31 August 2002 <i>HK\$'000</i>	Audited 28 February 2002 <i>HK\$'000</i>
Within one year	8,167	9,807
In the second year	8,167	8,167
In the third to fifth year	7,833	11,166
After the fifth year	750	1,500
	<u>24,917</u>	<u>30,640</u>

9. Share capital

	Unaudited Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
At 1 March 2002 and 31 August 2002	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 March 2002 and 31 August 2002	<u>254,530,000</u>	<u>25,453</u>

10. Retained profits

	<i>HK\$'000</i>
At 1 March 2001	99,773
2000/2001 final dividend paid	(8,145)
Profit for the year	42,519
2001/2002 interim dividend paid	(3,818)
	<u>130,329</u>
At 28 February 2002	<u>130,329</u>
Representing:	
Retained profits	121,166
2001/2002 final dividend proposed	9,163
	<u>130,329</u>
At 1 March 2002	130,329
2001/2002 final dividend paid	(9,163)
Profit for the period	18,544
	<u>139,710</u>
At 31 August 2002	<u>139,710</u>
Representing:	
Retained profits	135,892
2002/2003 interim dividend proposed	3,818
	<u>139,710</u>

11. Contingent liabilities

There is no material change in the Group's contingent liabilities since the last annual balance sheet date.

12. Related party transactions

- (a) Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Unaudited 31 August 2002	Unaudited 31 August 2001
	<i>Notes</i>	HK\$'000	HK\$'000
Purchases from related companies	(i)	1,913	1,777
Royalty income received from a related company	(ii)	<u>3,747</u>	<u>2,261</u>

(i) *Purchases from Lai Wah Footwear Trading Limited ("LWL") and Laikong Footwear (Shenzhen) Company Limited, subsidiaries of Best Quality Investments Limited ("BQL"), an associated company of the Group, were conducted in the normal course of business at prices and terms no less than those charged by and contracted with other third party suppliers of the Group.*

(ii) *Mirabell Footwear Limited and Hornet Agents Limited, subsidiaries of the Company, have entered into two franchise agreements with, Bestfull International Limited ("BIL"), subsidiary of BQL, to grant a sole licence to BIL with expiry date on 30 September 2003.*

- (b) As at 31 August 2002, the Group had contingent liabilities in respect of guarantees issued for banking facilities granted to LWL and Staccato Footwear Limited, subsidiaries of BQL, amounting to HK\$14,400,000 (28 February 2002: HK\$14,400,000). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.

INTERIM DIVIDEND

The board of directors has resolved to declare an interim dividend of HK1.5 cents (2002: HK1.5 cents) per share in respect of the financial year ending 28 February 2003. The interim dividend will be paid on Wednesday, 18 December 2002 to members whose names appear on the register of members of the Company maintained in the Hong Kong Branch Share Registrar at the close of business on Wednesday, 11 December 2002.

BUSINESS REVIEW

The Group recorded a turnover of HK\$302.67 million, representing a decrease of 1.7% as compared to the corresponding period in 2001. The unaudited profit attributable to shareholders slightly decreased by 1.8% to HK\$18.54 million. The decline in the turnover during the period under review was mainly due to the depressed market sentiment and fierce competition in retail market. However, the effectiveness in implementation of cost controls during the period under review offset part of the unfavourable effect of the decline in the turnover. Accordingly, the profit attributable to shareholders only recorded a slight decrease.

Local Market

The operations in the local market continued to be affected by the slack retail market, customers' caution in spending and fierce market competition during the reported period. The turnover of the Hong Kong and Macau markets decreased by 4.2% to HK\$250.33 million as compared to the corresponding period in 2001. The operating profit fell by 22.8% to HK\$9.52 million.

Owing to the depression in the Hong Kong economy, the business of our trendy and juvenile brand of teenmix was under tremendous pressure. Hence, the profit margin of such brand had been decreasing. In order to manage the resources more effectively, the Group has decided to fade out the teenmix brand gradually out of the Hong Kong market. Besides, the Group has decided to reshape the brand of INshoesnet progressively into a new brand, City Smart, so as to more focus on the middle class sector. In order to strive for better return in the middle class sector, we have launched new promotion and marketing campaign accomplished with novel interior design and product mix. Aiming at further strengthening cost controls, the Group is bargaining with landlords for lower rent.

By the end of October 2002, the Group operated 95 outlets in Hong Kong and Macau under five brands of Mirabell, Joy & Peace, teenmix, INshoesnet and City Smart.

PRC Market

Turnover from the PRC market increased 12.4% to HK\$52.34 million during the reported period. The operating profit, exclusive of the net rental income of HK\$2.28 million from leasing property in Shenzhen, decreased by 5.5% to HK\$0.82 million.

During the reported period, the Group expanded its business in the PRC market. At the same time, the Group improved operational efficiency in the PRC outlets, reinforced marketing management and strengthened cost controls. In accordance with the demand from different regions, products had been reassigned and delivered in a timely and efficient manner. Future operating strategies have been formulated on a cautious basis in order to keep the Group abreast of any market changes upon China's accession to the World Trade Organization.

By the end of October 2002, the Group operated 56 self-operated outlets under various brands in major cities of the PRC. In addition, there were 43 and 165 franchised outlets under the brands of Joy & Peace and teenmix respectively in over 30 cities of the PRC.

PROSPECT

Local and worldwide economic slowdown dampened consumer sentiment. The Group has implemented the total quality management to reorganize the corporate structure, reallocate internal resources as well as strengthen staff training and marketing management, so as to make the Group being able to adapt to the ever-changing retail markets. Hence, product competitiveness and operational efficiency could be further enhanced. The Group penetrates into different market segments by means of developing various brands. Besides, in order to capture business opportunities for further expansion and benefit from economies of scale, the Group is seriously considering the feasibility of exploring new markets. Under a well-devised plan, the management is confident that the Group will achieve a promising result in the second half of the year.

LIQUIDITY AND BORROWINGS

Working capital of the Group increased from HK\$142.77 million to HK\$143.27 million as at the period end.

As at 31 August 2002, the Group's inventory amounted to HK\$73.93 million representing a decrease of HK\$14.74 million from last financial year ended 28 February 2002. As at 31 August 2002, the Group had cash and bank deposits of HK\$89.32 million and outstanding bank borrowings of HK\$37.53 million. During the period, the Group did not raise any new bank borrowings.

As at 31 August 2002, the gearing ratio of the Group was 0.13 (28 February 2002: 0.15) which was calculated based on the Group's total borrowings of HK\$37.53 million (28 February 2002: 43.26 million) and the shareholders' fund of HK\$295.10 million (28 February 2002: HK\$285.71 million).

For the period ended 31 August 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 31 August 2002, the pledged assets of the Group amounted to HK\$14.63 million.

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

HUMAN RESOURCES

As at 31 August 2002, the Group's total number of employees was 1,079. The Group offers a competitive remuneration package to its employees, including insurance and medical benefits. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's performance and individual performance.

DIRECTORS' INTEREST IN EQUITY

As at 31 August 2002, the interests of the directors and chief executives in the shares and options of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Shares in the Company

	Number of ordinary shares of HK\$0.1 each beneficially held		
	Personal interests	Other interests	Total
Mr. Tang Wai Lam	6,000,000	38,775,000 (Note (i))	44,775,000
Mr. Tang Keung Lam	6,000,000	38,775,000 (Note (ii))	44,775,000
Mr. Ng Man Kit, Lawrence	12,094,000	–	12,094,000
Mr. Chung Chun Wah	3,330,000	–	3,330,000

Notes:

- (i) *Rich Land Property Limited is wholly owned by a discretionary trust, and inter alia, Mr. Tang Wai Lam and certain of his family members are objects of such discretionary trust. The 38,775,000 shares owned by Rich Land Property Limited represent 8,175,000 shares held directly by Rich Land Property Limited and 30,600,000 shares held through Tang's Enterprises Limited. Tang's Enterprises Limited is an investment holding company which is 25% owned by Rich Land Property Limited.*
- (ii) *Kinlington Agents Limited is wholly owned by a discretionary trust, and inter alia, Mr. Tang Keung Lam and certain of his family members are objects of such discretionary trust. The 38,775,000 shares owned by Kinlington Agents Limited represent 8,175,000 shares held directly by Kinlington Agents Limited and 30,600,000 shares held through Tang's Enterprises Limited. Tang's Enterprises Limited is an investment holding company which is 25% owned by Kinlington Agents Limited.*

(b) Shares in Mirabell Footwear Limited

**Number of non-voting
deferred shares of
HK\$100 each in a
subsidiary of the Company,
Mirabell Footwear Limited,
beneficially held**

Personal interests

Mr. Tang Wai Lam	6,561
Mr. Tang Keung Lam	6,561
Mr. Chung Chun Wah	477

(c) Share options in the Company

On 19 November 1996, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the period and up to the date of this report, no share option have been granted under the aforesaid share option scheme.

Saved as disclosed above:

- (i) none of the directors and chief executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporation (within the meaning of the SDI Ordinance).
- (ii) at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 August 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

<u>Name of shareholders</u>	<u>Number of ordinary shares</u>
Tang's Enterprises Limited	122,400,000 (<i>Note (i)</i>)
Rich Land Property Limited	38,775,000 (<i>Note (ii) & (vi)</i>)
Kinlington Agents Limited	38,775,000 (<i>Note (iii) & (vi)</i>)
Simple Message Limited	38,775,000 (<i>Note (iv) & (vi)</i>)
Mosman Associates Limited	38,775,000 (<i>Note (v) & (vi)</i>)

Note:

- (i) *Tang's Enterprises Limited is the legal and beneficial owner of 122,400,000 shares and is wholly owned by Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited.*
- (ii) *Rich Land Property Limited is a company wholly owned by a discretionary trust and the beneficiaries of which include, inter alia, Mr. Tang Wai Lam and certain of his family members.*
- (iii) *Kinlington Agents Limited is a company wholly owned by a discretionary trust and the beneficiaries of which include, inter alia, Mr. Tang Keung Lam and certain of his family members.*
- (iv) *Simple Message Limited is a company wholly owned by a discretionary trust and the beneficiaries of which include, inter alia, Mr. Tang Yiu and certain of his family members.*
- (v) *Mosman Associates Limited is a company wholly owned by a discretionary trust and the beneficiaries of which include, inter alia, Madam Tso Lai Kuen and certain of her family members.*
- (vi) *Each of Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited holds 38,775,000 shares directly and indirectly through its interest in Tang's Enterprises Limited.*

Save as disclosed above, no other person is recorded in the register as having an interest in 10% or more of the issued share capital of the Company.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Thursday, 5 December 2002 to Wednesday, 11 December 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Abacus Share Registrars Limited at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4:00 p.m. on Wednesday, 4 December 2002.

DEALINGS IN THE COMPANY'S LISTED SHARES

During the six months ended 31 August 2002, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 31 August 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save that the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 31 August 2002.

On behalf of the Board
TANG WAI LAM
Chairman

Hong Kong, 18 November 2002