

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*

Ng Chun Chuen, David*

* *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
Central
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

Stock Code

1179

Hong Kong Branch Share Registrar

Abacus Share Registrars Limited
Ground Floor
Bank of East Asia Harbour
View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal Bankers

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited

UNAUDITED INTERIM RESULTS

The board of directors of Mirabell International Holdings Limited (the “Company”) is pleased to present the interim report and unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) as at and for the six months ended 31 August 2004, which were prepared in accordance with the accounting principles generally accepted in Hong Kong and reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | Unaudited | |
|--|-------------|-------------------------|----------------|
| | | Six months ended | |
| | | 31 August | |
| | | 2004 | 2003 |
| | <i>Note</i> | <i>HKD'000</i> | <i>HKD'000</i> |
| Turnover | 2 | 340,741 | 286,888 |
| Cost of sales | | (142,081) | (121,742) |
| Gross profit | | 198,660 | 165,146 |
| Other revenue | 2 | 2,837 | 2,915 |
| Other operating income | | 1,704 | 2,523 |
| Income from disposal of trademark | | 0 | 8,241 |
| Distribution and selling costs | | (127,814) | (120,869) |
| Administrative expenses | | (38,307) | (36,067) |
| Other operating expenses | | (8,494) | (8,422) |
| Operating profit | 2 & 3 | 28,586 | 13,467 |
| Finance costs | 4 | (512) | (635) |
| Share of profit of an associated company | | 17,211 | 12,302 |
| Profit before taxation | | 45,285 | 25,134 |
| Taxation | 5 | (4,871) | (1,674) |
| Profit attributable to shareholders | | 40,414 | 23,460 |
| Dividend | 6 | 6,363 | 3,818 |
| Basic earnings per share | 7 | 15.9 cents | 9.2 cents |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | Unaudited | Audited |
|--|-------------|------------------|----------------|
| | | 31 August | 29 February |
| | | 2004 | 2004 |
| | <i>Note</i> | HKD'000 | HKD'000 |
| Non-current assets | | | |
| Intangible assets | | 3,000 | 4,000 |
| Fixed assets | | 118,423 | 118,838 |
| Interest in an associated company | | 89,015 | 76,402 |
| Rental deposits paid | | 29,936 | 32,771 |
| Deferred tax assets | | 3,521 | 3,521 |
| Current assets | | | |
| Inventories | | 109,819 | 104,876 |
| Trade receivable | 8 | 42,393 | 41,447 |
| Other receivables, deposits and prepayments | | 13,740 | 9,353 |
| Pledged bank deposits | | 0 | 10,068 |
| Bank balances and cash | | 101,411 | 96,135 |
| | | 267,363 | 261,879 |
| Current liabilities | | | |
| Trade payable | 9 | 32,833 | 35,583 |
| Other payables and accrued charges | | 45,255 | 49,854 |
| Taxation payable | | 3,901 | 3,294 |
| Short-term bank loans – unsecured | | 25,712 | 26,105 |
| Current portion of long-term bank loans | | 3,333 | 6,667 |
| | | 111,034 | 121,503 |
| Net current assets | | 156,329 | 140,376 |
| Total assets less current liabilities | | 400,224 | 375,908 |
| Financed by: | | | |
| Share capital | 10 | 25,453 | 25,453 |
| Reserves | | 366,666 | 332,678 |
| Proposed dividend | 6 | 6,363 | 16,035 |
| Shareholders' funds | | 398,482 | 374,166 |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 1,742 | 1,742 |
| | | 400,224 | 375,908 |



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Unaudited | |
|---|-------------------------|-----------------------|
| | Six months ended | |
| | 31 August | |
| | 2004 | 2003 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Net cash inflow from operating activities | 21,694 | 3,968 |
| Net cash outflow from investing activities | (6,724) | (3,830) |
| Net cash outflow from financing | (9,694) | (9,124) |
| Increase/(decrease) in bank balances and cash | 5,276 | (8,986) |
| Bank balances and cash as at 1 March | 96,135 | 96,696 |
| Effect of foreign exchange rate changes | 0 | (381) |
| Bank balances and cash as at 31 August | <u>101,411</u> | <u>87,329</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Unaudited Six months ended 31 August | |
|--|--|------------------------|
| | 2004 <i>HKD'000</i> | 2003 <i>HKD'000</i> |
| Total equity as at 1 March | 374,166 | 321,322 |
| Translation differences arising from translation of the accounts of foreign subsidiaries and an associated company | <u>(63)</u> | <u>(381)</u> |
| Net losses not recognised in the profit and loss account | (63) | (381) |
| Profit for the period | 40,414 | 23,460 |
| Dividends approved and paid during the period | <u>(16,035)</u> | <u>(10,945)</u> |
| Total equity as at 31 August | <u>398,482</u> | <u>333,456</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2003/2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 29 February 2004.

2. Turnover, revenues and segment information

The group is principally engaged in retailing, wholesaling and manufacturing of footwear. Revenues recognised during the period are as follows:

| | Unaudited | |
|----------------------|-------------------------|----------------|
| | Six months ended | |
| | 31 August | |
| | 2004 | 2003 |
| | <i>HKD'000</i> | <i>HKD'000</i> |
| Turnover | | |
| Sales of goods | 340,741 | 286,888 |
| Other revenue | | |
| Rental income | 1,209 | 1,209 |
| Royalty income | 1,492 | 1,141 |
| Interest income | 134 | 243 |
| Others | 2 | 322 |
| | 2,837 | 2,915 |
| Total revenue | 343,578 | 289,803 |

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

2. Turnover, revenues and segment information (continued)

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

| | Unaudited Turnover | | Unaudited Operating profit | |
|---|-------------------------------|----------------|-------------------------------|---------------|
| | Six months ended 31 August | | Six months ended 31 August | |
| | 2004 | 2003 | 2004 | 2003 |
| | HKD'000 | HKD'000 | HKD'000 | HKD'000 |
| Principal markets: | | | | |
| Hong Kong and Macau | 266,569 | 232,583 | 16,524 | 2,145 |
| The People's Republic of China (the "PRC") | 74,172 | 54,305 | 12,062 | 11,322 |
| | <u>340,741</u> | <u>286,888</u> | <u>28,586</u> | <u>13,467</u> |

3. Operating profit

| | Unaudited Six months ended 31 August | |
|--|--|---------|
| | 2004 | 2003 |
| | HKD'000 | HKD'000 |

Operating profit is stated after charging/
(crediting) the following:

| | | |
|--|---------|---------|
| Cost of inventories | 137,751 | 118,742 |
| Depreciation of fixed assets | 7,116 | 6,694 |
| Loss on disposal of fixed assets | 157 | 283 |
| Amortisation of goodwill | 1,000 | 578 |
| Rental income | (1,209) | (1,209) |
| Royalty income | (1,492) | (1,141) |
| Interest income | (134) | (243) |
| Gain on disposal of an investment property | 0 | (320) |

4. Finance costs

| | Unaudited Six months ended 31 August | |
|--|--|---------|
| | 2004 | 2003 |
| | HKD'000 | HKD'000 |

| | | |
|---------------------------------------|------------|------------|
| Interest on bank loans and overdrafts | <u>512</u> | <u>635</u> |
|---------------------------------------|------------|------------|

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the six months ended 31 August 2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group and the associated company operate.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

| | Unaudited | |
|---|-------------------------|---------|
| | Six months ended | |
| | 31 August | |
| | 2004 | 2003 |
| | HKD'000 | HKD'000 |
| Current taxation | | |
| – Hong Kong profits tax | 2,306 | 286 |
| – Overseas taxation | 959 | 435 |
| Deferred taxation relating to the origination and reversal of temporary differences | 0 | 62 |
| Deferred taxation resulting from an increase in tax rate | 0 | (203) |
| | 3,265 | 580 |
| Share of taxation attributable to an associated company | 1,606 | 1,094 |
| Taxation charge | 4,871 | 1,674 |

6. Dividend

- (a) Interim dividend declared after the balance sheet date of the interim period:

| | Unaudited | |
|---|-------------------------|---------|
| | Six months ended | |
| | 31 August | |
| | 2004 | 2003 |
| | HKD'000 | HKD'000 |
| 2004/2005 interim dividend of HK2.5 cents (2003/2004: HK1.5 cents) per ordinary share | 6,363 | 3,818 |

The dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

6. Dividend (continued)

- (b) Final dividend in respect of the previous financial year, approved and paid during the interim period:

| | Unaudited | |
|---|-------------------------|---------|
| | Six months ended | |
| | 31 August | |
| | 2004 | 2003 |
| | HKD'000 | HKD'000 |
| 2003/2004 final dividend, paid, of HK6.3 cents (2002/2003: HK4.3 cents) per ordinary share | 16,035 | 10,945 |

7. Basic earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders of HK\$40,414,000 (2003: HK\$23,460,000) and the weighted average number of 254,530,000 (2003: 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.

8. Trade receivable

Other than cash and credit card sales, the majority of the Group's credit sales is on a credit term of 30-60 days. As at 31 August 2004, the ageing analysis of the trade receivable is as follows:

| | Unaudited | Audited |
|--------------|------------------|-------------|
| | 31 August | 29 February |
| | 2004 | 2004 |
| | HKD'000 | HKD'000 |
| 0 – 30 days | 40,375 | 40,064 |
| 31 – 60 days | 1,115 | 623 |
| 61 – 90 days | 33 | 428 |
| Over 90 days | 870 | 332 |
| | 42,393 | 41,447 |

9. Trade payable

As at 31 August 2004, the ageing analysis of the trade payable is as follows:

| | Unaudited 31 August 2004 <i>HKD'000</i> | Audited 29 February 2004 <i>HKD'000</i> |
|--------------|---|--|
| 0 – 30 days | 29,863 | 27,669 |
| 31 – 60 days | 519 | 681 |
| 61 – 90 days | 254 | 886 |
| Over 90 days | 2,197 | 6,347 |
| | <u>32,833</u> | <u>35,583</u> |

10. Share capital

| | Ordinary shares of HK\$0.1 each | |
|--|--|-----------------------|
| | <i>No. of shares</i> | <i>HKD'000</i> |
| Authorised: | | |
| As at 29 February 2004 and 31 August 2004 | <u>1,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| As at 29 February 2004 and 31 August 2004 | <u>254,530,000</u> | <u>25,453</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 | |
|-------------|----------------------------------|-------------------------|----------------|
| | | Six months ended | |
| | | 31 August | |
| | | 2004 | 2003 |
| <i>Note</i> | | HKD'000 | HKD'000 |
| | Purchases from related companies | 9 | 2,061 |
| | | 9 | 2,061 |

Note:

- (i) *Purchases from Lai Wah Footwear Trading Limited ("LWL") and Lai Kong Footwear (Shenzhen) Company Limited, wholly owned 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 in accordance with the terms mutually agreed by the respective parties.*
- (b) As at 31 August 2004, the Group had contingent liabilities in respect of guarantees issued for banking facilities granted to LWL and Staccato Footwear Company Limited, wholly owned subsidiaries of BQL, amounting to HK\$16,200,000 (29 February 2004: HK\$15,300,000). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.

MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Group increased by 18.77% to HK\$340.74 million whereas the profit attributable to shareholders increased by 72.27% to HK\$40.41 million, compared with corresponding period last year. The increase in the profit attributable to shareholders was mainly due to the satisfactory results in retailing, wholesaling and manufacturing businesses as well as the increase in the share of profit of an associated company.

(a) The Hong Kong and Macau market

As the economy of Hong Kong has been rebounding since the fourth quarter of 2003 and continuing towards the year of 2004 as reflected by the soaring stock and property markets, falling in unemployment rate, increasing in consumer sentiment and the increasing number of the PRC visitors, the retail business has been picking up very rapidly. In particular, the business for the retail outlets located in the tourist regions was well. During the period under review, the Group achieved a satisfactory growth in the turnover and operating profit in the local market. The turnover and operating profit increased to HK\$266.57 million and HK\$16.52 million, respectively.

The Group has a solid foundation in the local retail market. In order to maintain and further increase the competitive advantage, the Group is committed to striving for customer service excellence. Apart from making more effort on launching marketing campaigns and renovating retail outlets, the Group has been reviewing the product mix from time to time with reference to the ever-changing needs of customers.

While the economic fundamentals have been still improving, the management is of the view that the general outlook of the local retail business is optimistic in the foreseeable future. Benefiting from the recovery in retail industry together with the coming hot seasons of Christmas and the Chinese New Year, the management expects the local retail business will achieve a better result in the second half of the year. By the end of October 2004, the Group operated 90 retail outlets in Hong Kong and Macau under five brands of Mirabell, Joy & Peace, Fiorucci, INshoesnet and Geox.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

During the period under review, the wholesale business achieved a promising result. At present, we are the exclusive footwear distributor of the U.S. brands of Caterpillar, Merrell and Royal Elastics in Hong Kong, Macau and the PRC, the Italian brand of Geox in Hong Kong and Macau, and the exclusive footwear, bags and apparel distributor of the U.K. brand of Gola in Hong Kong, Macau and the PRC as well as the exclusive footwear and apparel distributor of the U.S. brand of K•Swiss in the PRC.

(b) The PRC market

During the period under review, the Group captured huge opportunities arising in the PRC market and continued to develop the business. The turnover and operating profit increased to HK\$74.17 million and HK\$12.06 million, respectively.

As the PRC economy continues to grow and the living standards of residents are raised continuously, the management is in the opinion that the room to grow in the retail market is enormous. Consequently, the Group speeded up the business expansion rate by opening more retail outlets in various major cities during the period under review. By the end of October 2004, the Group operated 105 retail outlets in Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin, Dalian, Chengdu, Chongqing and Zhuhai under the brands of Mirabell, Joy & Peace, INNET, Caterpillar, Merrell and K•Swiss. In addition, there were 60 franchised retail outlets under the brand of Joy & Peace. The management believes that the opening more retail outlets will not only further boost sales but also allow the Group to enjoy economies of scale in the long run. In addition to the retail operation, the wholesale business also recorded an encouraging result. The initial market response is promising.

In view of the ever-rising demand for high quality and trendy footwear products in the PRC market, the management plans to strengthen and expand the sales and distribution network in the second half of the year aiming at further increasing the market share. The Group will vigilantly manage the existing retail outlets and review the business expansion plan from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(c) Prospects

Given that the economy of Hong Kong has been gradually recovered, the demand of the local retail market is expected to increase. With the increase in consumption sentiment and the ongoing relaxation of travel policy restrictions adopted by the Government of the PRC for the mainland residents visiting Hong Kong, the local retail environment has shown a marked improvement. In the meantime, the management will cautiously manage the increase in rental expenses for retail outlets. The Group is optimistic for the local retail business in the foreseeable future.

The management is of the view that the wholesale business has a high growth potential and will make a considerable contribution. The Group expects to get more exclusive distribution rights of international footwear brands.

Notwithstanding the keen competition in the PRC retail market, the Group believes that there is still a huge potential for business expansion. The management will further open retail outlets on a manageable pace basis and manage risks involved proactively in the rapidly changing business environment. In the meantime, so as to encapsulate vast growth opportunities, the Group will strategically expand the wholesale business in the PRC market.

The Group considers to launch the brand of Fiorucci in the PRC and Taiwan markets and expects to open retail outlets in the near future.

Looking ahead, the Group will be more than ever committed to improving customer services, reinforcing brand development, pursuing continuous quality improvement of products and increasing operational efficiency and effectiveness. All in all, the management is confident that the Group is able to cope with the future challenges and will achieve a promising result in the second half of the year.

LIQUIDITY AND BORROWINGS

Working capital of the Group increased from HK\$140.38 million to HK\$156.33 million as at the period end.

As at 31 August 2004, the Group's inventory amounted to HK\$109.82 million representing an increase of HK\$4.94 million from last financial year ended 29 February 2004. As at 31 August 2004, the Group had bank balances and cash of HK\$101.41 million and outstanding bank borrowings of HK\$29.05 million.

As at 31 August 2004, the gearing ratio of the Group was 0.07 (29 February 2004: 0.09) which was calculated based on the Group's total borrowings of HK\$29.05 million (29 February 2004: HK\$32.77 million) and the shareholders' funds of HK\$398.48 million (29 February 2004: HK\$374.17 million).

INTERIM DIVIDEND

The board of directors has resolved to declare an interim dividend of HK2.5 cents (2004: HK1.5 cents) per ordinary share in respect of the financial year ending 28 February 2005. The interim dividend will be paid on Thursday, 16 December 2004 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 Thursday, 9 December 2004.

TREASURY POLICIES

The Group continued to adopt a conservative approach to financial risk management. The Group's borrowings were in Hong Kong dollars and Renminbi and were arranged on a floating rate basis. As at 31 August 2004, the Group had two previously signed foreign exchange contracts with expiry date in 2005 and 2006 respectively to hedge with potential revaluation of Renminbi. Except these two foreign exchange contracts, no other financial instrument for hedging was employed. The Group's treasury management policy is not to engage in any highly leveraged or speculative derivative products.

With low gearing ratio and sound financial position, the management believes that the Group is well placed to avail itself to future expansion and investment opportunities.

CHARGE ON ASSETS

As at 31 August 2004, the net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to approximately HK\$11.10 million (29 February 2004: HK\$11.10 million).

HUMAN RESOURCES

As at 31 August 2004, the Group's total number of employees was 1,311. The Group offers a competitive remuneration package to its employees, including insurance and medical benefits. In addition, discretionary bonus may be granted to eligible employees based on the Group's performance and individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 August 2004, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of 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 under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Exchange (the "Listing Rules"), 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 | 8,175,000 (<i>note (i)</i>) | 14,175,000 |
| Mr Tang Keung Lam | 6,000,000 | 8,175,000 (<i>note (ii)</i>) | 14,175,000 |
| Mr Ng Man Kit, Lawrence | 12,094,000 | – | 12,094,000 |
| Mr Chung Chun Wah | 2,976,000 | – | 2,976,000 |

Notes:

- (i) As at 31 August 2004, the shares were held by Rich Land Property Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Wai Lam and certain of his family members.
- (ii) As at 31 August 2004, the shares were held by Kinlington Agents Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Keung Lam and certain of his family members.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Shares in Mirabell Footwear Limited

| | Number of non-voting deferred shares of HK\$100 each in Mirabell Footwear Limited, a subsidiary of the Company, beneficially held |
|-------------------|--|
| | <u>Personal interests</u> |
| Mr Tang Wai Lam | 6,561 |
| Mr Tang Keung Lam | 6,561 |
| Mr Chung Chun Wah | 477 |

Save as disclosed above:

- (i) As at 31 August 2004, none of the directors or chief executives (including their spouses and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO).
- (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

As at 31 August 2004, the following shareholders had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

| <u>Name of shareholders</u> | <u>Number of ordinary shares of HK\$0.1 each beneficially held</u> |
|-----------------------------|--|
| Tang's Enterprises Limited | 122,400,000 (note (i)) |
| Mr Tang Wai Lam | 14,175,000 (note (ii)) |
| Mr Tang Keung Lam | 14,175,000 (note (iii)) |
| Madam Tso Lai Kuen | 14,175,000 (note (iv)) |
| Value Partners Limited | 15,290,000 (note (v)) |
| Mr Cheah Cheng Hye | 15,290,000 (note (v)) |

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

- (i) *As at 31 August 2004, 122,400,000 ordinary shares of the Company were held by Tang's Enterprises Limited, and the four issued shares of Tang's Enterprises Limited were held by Rich Land Property Limited, Kinlington Agents Limited, Mosman Associates Limited and Simple Message Limited, respectively.*
- (ii) *As at 31 August 2004, 6,000,000 ordinary shares of the Company were held by Mr Tang Wai Lam. In addition, 8,175,000 ordinary shares of the Company were held by Rich Land Property Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Wai Lam and certain of his family members.*
- (iii) *As at 31 August 2004, 6,000,000 ordinary shares of the Company were held by Mr Tang Keung Lam. In addition, 8,175,000 ordinary shares of the Company were held by Kinlington Agents Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Keung Lam and certain of his family members.*
- (iv) *As at 31 August 2004, 6,000,000 ordinary shares of the Company were held by Madam Tso Lai Kuen. In addition, 8,175,000 ordinary shares of the Company were held by Mosman Associates Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Madam Tso Lai Kuen and certain of her family members.*
- (v) *As at 31 August 2004, 15,290,000 ordinary shares of the Company were held by Value Partners Limited, and the interest of Value Partners Limited was controlled by Mr Cheah Cheng Hye.*

Save as disclosed above, as at 31 August 2004, no other person was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having 5% or more interests and short positions in the shares and underlying shares of the Company.

SHARE OPTION SCHEME

The Group did not have any outstanding option at the beginning and at the end of the period. No new share option was granted during the period.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 3 December 2004 to Thursday, 9 December 2004, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 2 December 2004.

DEALINGS IN THE COMPANY'S LISTED SHARES

During the six months ended 31 August 2004, 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 ended 31 August 2004, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules on the Exchange, save that the independent non-executive directors are not appointed for a fixed term but are subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was formed in accordance with the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control. The audit committee comprises three independent non-executive directors of the Company.

The audit committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2004.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules for the six months ended 31 August 2004.

On behalf of the Board
TANG WAI LAM
Chairman

Hong Kong, 17 November 2004