

**Dear Shareholders,**

I am pleased to present the annual report of Mirabell International Holdings Limited for the year ended 28 February 2002.

**Results and dividend**

Turnover of the Group for the year ended 28 February 2002 was HK\$637.58 million. Profit attributable to shareholders was HK\$42.52 million.

The directors have recommended the payment of a final dividend of HK3.6 cents per share which, subject to the approval by shareholders, will be paid on 14 August 2002 to shareholders whose name appear on the Register of Members of the Company on 6 August 2002. This together with the interim dividend of HK1.5 cents per share make a total dividend of HK5.1 cents per share for the year under review.

**A year full of challenges**

Year 2001 was marked with uncertainties and challenges. Hong Kong's economy was adversely affected by the slowdown in global economy and the decline was further aggravated by the 911 events. It created substantial pressure for the Group and the situation was intensified by the severe international competition encountered following the trend of globalisation. However, the Group was able to gain more market shares and secure a fair amount of profit during the year with its solid competitive advantages.

Sound financial position – Sound liquidity, reasonably low gearing and conservative balance sheet create a solid financial foundation for the Group. This allows us to overcome difficult times and to seize business opportunities.

Responsive and innovative management – With a responsive and innovative management, the Group can keep pace with the fast changing business environment and continue to sharpen its competitive advantage with stronger market alertness and responsiveness, better cost control and higher operational efficiency. It is proven by the Group's ability to meet different challenges and opportunities over years.

Dynamic risk control policy – With different geographic coverage, multi-brand strategy to explore and capture different potential markets and effective market penetration policy to enhance operational efficiency, the Group is successful in minimizing the adverse effect of market risk.

Our business philosophy – Achieving “Total Customer Service” through “Total Devoted Staff” becoming the inherited business philosophy of the Group. Management believes that only with devoted staff can add value to customers, create emotional bonds with them and consequently returning with loyalty. With this well-established business philosophy, our brand equity is gradually enhanced which differentiates our brand with others.

**Outlook**

Regarding the uncertain economic prospects, the management believes that it will take some time to see a clear robustness in the region's retail industry. However, the Group will strive to weather these difficult times and bring long-term value to its shareholders.

Hong Kong is our foundation – In medium term, Hong Kong will still be the Group's major income and profit source. The Group will strive to sustain its leading market position by reiterating its commitment to product and service quality. In addition, it will continue to use its multi-brand strategy to capture different market segments and improve its operational efficiency as a means to protect its profit margin.

Mainland China is our growth driver – With Mainland China entering the World Trade Organization, most of the protective measures will gradually be eased. There will be more opportunities for foreign retailers to tap the vast potential market. Since the Group has already established an intensive network in Mainland which inevitably be a competitive advantage. Due to the vast differences in terms of geographic, culture and economic systems etc. among cities and regions of China, the Group will continue to use a hybrid of self-operate and franchise mode in association with the multi-brand strategy to penetrate different segments of the market. Moreover, for self operated stores, the Group will focus to enhance its operational efficiency so as to deliver higher return to the Group.

New Market is our future – In view of the economic globalization trend, the Group is looking into the development of business opportunities in other Asian regions such as Korea and Taiwan to widen the Group's geographic base.

**Acknowledgement**

Finally, I would like to extend my appreciation to all the shareholders for their support and to thank the directors for their guidance and the staff members for their dedication and hard work.

**Tang Wai Lam***Chairman*