



# MIRABELL

## MIRABELL INTERNATIONAL HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2002

#### UNAUDITED INTERIM RESULTS

The board of directors of Mirabell International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2002 together with comparative figures for the corresponding period of last year as follows:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 31 August	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	302,671	307,790
Cost of sales		<u>(131,432)</u>	<u>(135,365)</u>
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		<u>(8,123)</u>	<u>(9,757)</u>
Operating profit	2 & 3	12,624	13,209
Finance costs		(823)	(735)
Share of profit of an associated company		<u>8,643</u>	<u>8,315</u>
Profit before taxation		20,444	20,789
Taxation	4	<u>(1,900)</u>	<u>(1,900)</u>
Profit attributable to shareholders		<u>18,544</u>	<u>18,889</u>
Interim dividend		<u>3,818</u>	<u>3,818</u>
Basic earnings per share	5	<u>7.3 cents</u>	<u>7.4 cents</u>

## CONDENSED CONSOLIDATED BALANCE SHEET

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

NOTES:

**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 month 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		Unaudited Operating profit	
	Six months ended		Six months ended	
	31 August		31 August	
	2002	2001	2002	2001
	HK\$’000	HK\$’000	HK\$’000	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

	<b>Unaudited Six months ended 31 August</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	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

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

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:

	<b>Unaudited 31 August 2002 HK\$'000</b>	Audited 28 February 2001 HK\$'000
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:

	<b>Unaudited 31 August 2002 HK\$'000</b>	Audited 28 February 2002 HK\$'000
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>

## 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. 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 of the Group is confident that the Group will achieve a promising result in the second half of the year.

## **LIQUIDITY AND BORROWING**

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 is 0.13 (28 February 2002: 0.15) which is calculated based on the Group's total borrowings of HK\$37.53 million (28 February 2002: 43.26 million) and the shareholders' funds 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 exposure 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.

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.

## **CONTINGENT LIABILITIES**

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

## **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.

## **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 latter 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 (“The Stock Exchange”), 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.

## **PUBLICATION OF UNAUDITED INTERIM REPORT ON THE STOCK EXCHANGE’S WEBSITE**

The unaudited interim report of the Group for the six months ended 31 August 2002 containing the information required by paragraph 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on the website of The Stock Exchange as soon as practicable.

On behalf of the Board

**TANG WAI LAM**

*Chairman*

Hong Kong, 18 November 2002

“Please also refer to the published version of this announcement in The Standard”.