

Dear Shareholders,

I am pleased to present this annual report of Mirabell International Holdings Limited for the year ended 28 February 2003.

Results and dividend

Turnover of the Group for the year ended 28 February 2003 was HK\$625,616,000 whereas profit attributable to shareholders was HK\$48,685,000.

The board of directors has recommended a final dividend of HK4.3 cents per share which, subject to the approval of shareholders, will be paid on 14 August 2003 to shareholders whose names appear on the Register of Members of the Company on 6 August 2003. This together with the interim dividend of HK1.5 cents per share will make a total dividend of HK5.8 cents per share for the year.

Encountering the tough business environment

The persistence in adverse economic climate in Hong Kong, increasingly intensive price competition amongst competitors, customers' caution in spending and uncertainties of economic factors led the business environment to be very tough during the year.

In view of the ever-changing business environment, flexibility and adaptability are essential to corporate management. Together with the management's experience in professional retail management and the concerted efforts of all staff, the Group during the year implemented the total quality management, redeployed resources and strengthened staff training and sales management, so as to further enhance the products' competitiveness and operational effectiveness.

Under the economic uncertainties, the Group closely monitored operational costs and expenses during the year. In addition, the management regularly reviewed the merchandizing budget and reformulated more flexible strategies in accordance with the market trend and changes. Consequently, the inventory management has been improved. Compared with last year, the stock balance and stock turnover period have been reduced and shortened, respectively. Owing to well-established relationship with suppliers, high quality services provided by our sales staff, broad customers' base and comprehensive business strategies formulated by the experienced management, the competitive advantage of the Group could be sustained.

Owing to the depression in the Hong Kong economy, the business of our 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 decided to fade out the brand of teenmix out of the Hong Kong market and launched the Italian brand of Fiorucci in spring/summer of 2003. Fiorucci is an international renowned brand and its products, including footwear and handbags, are specially designed for trendy and fashion conscious young ladies.

In January 2003, the Group set up a footwear wholesaling company, Senses Marketing International Limited (“Senses Marketing”), in Hong Kong focusing on the distribution of international brands of footwear. Senses Marketing is currently the exclusive footwear distributor of the U.S. brands of Caterpillar and Merrell in Hong Kong, Macau and the People’s Republic of China (the “PRC”). In addition to reinforcement of brand promotion, Senses Marketing also provides the Group with the business opportunities apart from the retail business.

The Group will continue to expand its business in the PRC, and is optimistic that this business segment will make a greater contribution to the Group in the future. Under the ever-changing PRC market, the Group will reinforce the novel brands image and adopt flexible operating strategies so as to increase its share in the enormous PRC market.

Acknowledgement

On behalf of the board of directors, I would like to take this opportunity to express my gratitude to all shareholders and business partners for their support and to all employees for their hard work.

Tang Wai Lam*Chairman*