

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
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

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 2003, 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

		Unaudited	
		Six months ended	
		31 August	
		2003	2002
			(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	286,888	302,671
Cost of sales		(121,742)	(131,432)
Gross profit		165,146	171,239
Other revenues		2,915	4,893
Other operating income		2,523	2,524
Income from disposal of trademark	3	8,241	–
Distribution and selling costs		(120,869)	(123,151)
Administrative expenses		(36,067)	(35,783)
Other operating expenses		(8,422)	(6,520)
Operating profit	2 & 4	13,467	13,202
Finance costs		(635)	(823)
Share of profit of an associated company		12,302	8,065
Profit before taxation		25,134	20,444
Taxation	5	(1,674)	(2,052)
Profit attributable to shareholders		23,460	18,392
Interim dividend		3,818	3,818
Basic earnings per share	6	9.2 cents	7.2 cents



CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		31 August	28 February
		2003	2003
			(Restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets		108,323	110,908
Investment in an associated company		68,644	57,435
Rental deposits paid		35,103	36,040
Deferred tax assets		2,811	2,671
Current assets			
Inventories		83,815	84,190
Trade receivable	7	40,279	32,440
Other receivables, deposits and prepayments		15,948	12,675
Bank balances and cash		87,329	96,696
		227,371	226,001
Current liabilities			
Short-term bank loans – unsecured		23,522	17,734
Current portion of long-term bank loans	8	6,667	6,667
Trade payable	9	25,594	32,869
Other payables and accrued charges		43,233	42,070
Taxation payable		4,782	4,061
		103,798	103,401
Net current assets		123,573	122,600
Total assets less current liabilities		338,454	329,654
Financed by:			
Share capital	10	25,453	25,453
Other reserves		127,089	127,470
Retained earnings			
Proposed dividend		3,818	10,945
Others		177,096	157,454
Shareholders' funds		333,456	321,322
Non-current liabilities			
Long-term bank loans	8	3,333	6,667
Deferred tax liabilities		1,665	1,665
		338,454	329,654



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended	
	31 August	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow from operating activities	3,968	29,682
Net cash outflow from investing activities	(3,830)	(4,773)
Net cash outflow from financing	(9,124)	(15,709)
(Decrease)/increase in bank balances and cash	(8,986)	9,200
Bank balances and cash as at 1 March	96,696	80,123
Effect of foreign exchange rate changes	(381)	–
Bank balances and cash as at 31 August	<u>87,329</u>	<u>89,323</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	Six months ended	
	31 August	
	2003	2002
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity as at 1 March		
As previously reported	320,621	285,714
Prior period adjustment arising from change in accounting policy for income tax	<u>701</u>	<u>314</u>
As restated	321,322	286,028
Exchange differences arising on translation of the accounts of foreign subsidiaries	<u>(381)</u>	<u>-</u>
Net loss not recognised in the profit and loss account	(381)	-
Profit for the period		
As previously reported		18,544
Prior period adjustment arising from change in accounting policy for income tax		<u>(152)</u>
Profit for the period	23,460	18,392
Dividends approved and paid during the period	<u>(10,945)</u>	<u>(9,163)</u>
Total equity as at 31 August	<u>333,456</u>	<u>295,257</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 (“SSAP”) 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”).

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2002/2003 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 28 February 2003 except that the Group has changed certain of its accounting policies following its adoption of the SSAP 12 “Income Taxes” (revised) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group’s accounting policies and the effect of adopting this new and revised SSAP 12 are set out below:

Deferred taxation is provided in full, using liability method, on temporary differences between the tax base of assets/(liabilities) and their carrying amounts in the financial statements. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax asset is not recognized unless it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred taxation is provided on the temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled by the parent company and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current tax rate in respect of timing difference between taxable profit and accounting profit to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform with the changed policy.

The balances of the Investment Properties Revaluation Reserve as at 1 March 2002 and 1 March 2003 have reduced by HK\$1,737,000 and HK\$1,665,000 respectively, and the Retained Earnings as at 1 March 2002 and 1 March 2003 have increased by HK\$2,051,000 and HK\$2,366,000 respectively. The comparative amount in respect of taxation for the prior period has also increased by HK\$152,000 on the adoption of the changed policy.

2. Segmental information

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.

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	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets:				
Hong Kong and Macau	232,583	250,332	2,145	10,098
The People's Republic of China (the "PRC")	54,305	52,339	11,322	3,104
	<u>286,888</u>	<u>302,671</u>	<u>13,467</u>	<u>13,202</u>

3. Income from disposal of trademark

On 1 March 2003, Hornet Agents Limited, a wholly-owned subsidiary of the Company, entered into a disposal agreement to dispose of its "teenmix" trademark, which is developed by the Group, to an independent third party at a consideration of HK\$8,241,000. The disposal completed on 3 March 2003.

4. Operating profit

Unaudited	
Six months ended	
31 August	
2003	2002
<i>HK\$'000</i>	<i>HK\$'000</i>

Operating profit is stated after crediting
and charging the following:

Crediting		
Interest income	243	391
Rental income	1,209	1,595
Royalty income	1,141	2,904
Gain on disposal of properties	320	–
	<u>320</u>	<u>–</u>
Charging		
Cost of inventories sold	118,742	127,932
Depreciation of fixed assets	6,694	6,930
Loss on disposal of fixed assets	283	235
Amortization of goodwill	578	578
	<u>578</u>	<u>578</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable profit for the six months ended 31 August 2003. In 2003, the government enacted a change in the profits tax rate from 16.0% to 17.5% for the fiscal year 2003/2004. Overseas taxation is calculated at the rates applicable in the respective jurisdictions.

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

	Unaudited	
	Six months ended	
	31 August	
	2003	2002
		(Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation:		
– Hong Kong	286	622
– Other jurisdictions	435	–
Deferred taxation relating to the origination and reversal of temporary differences	62	152
Deferred taxation resulting from an increase in tax rate	(203)	–
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiary companies	580	774
Share of taxation attributable to an associated company	1,094	1,278
	<hr/>	<hr/>
	1,674	2,052
	<hr/>	<hr/>

6. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$23,460,000 (2002 restated: HK\$18,392,000) and the weighted average of 254,530,000 (2002: 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.

7. Trade receivable

Other than cash and credit card sales, the majority of the Group's credit sales are on credit terms ranging from 30 to 60 days. As at 31 August 2003, the ageing analysis of the trade receivable was as follows:

	Unaudited 31 August 2003 <i>HK\$'000</i>	Audited 28 February 2003 <i>HK\$'000</i>
0 – 30 days	37,889	30,980
31 – 60 days	1,110	889
61 – 90 days	384	226
Over 90 days	896	345
	<u>40,279</u>	<u>32,440</u>

8. Long-term bank loans

	Unaudited 31 August 2003 <i>HK\$'000</i>	Audited 28 February 2003 <i>HK\$'000</i>
Long-term bank loans – secured	10,000	13,334
Less: Current portion of long-term bank loans	<u>(6,667)</u>	<u>(6,667)</u>
	<u>3,333</u>	<u>6,667</u>

As at 31 August 2003, the Group's long-term bank loans were repayable as follows:

	Unaudited 31 August 2003 <i>HK\$'000</i>	Audited 28 February 2003 <i>HK\$'000</i>
Within one year	6,667	6,667
In the second year	3,333	6,667
In the third to fifth year	–	–
After the fifth year	<u>–</u>	<u>–</u>
	<u>10,000</u>	<u>13,334</u>

9. Trade payable

As at 31 August 2003, the ageing analysis of the trade payable was as follows:

	Unaudited 31 August 2003 <i>HK\$'000</i>	Audited 28 February 2003 <i>HK\$'000</i>
0 – 30 days	23,091	30,696
31 – 60 days	673	856
61 – 90 days	380	601
Over 90 days	1,450	716
	<u>25,594</u>	<u>32,869</u>

10. Share capital

	Ordinary shares of HK\$0.1 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised:		
As at 28 February 2003 and 31 August 2003	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 28 February 2003 and 31 August 2003	<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 were as follows:

		Unaudited	
		Six months ended	
		31 August	
		2003	2002
Notes		HK\$'000	HK\$'000
Purchases from related companies	(i)	2,061	1,913
Royalty income received from a related company	(ii)	<u>—</u>	<u>3,747</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) *In March 2003, Bestfull International Limited ("BIL"), a subsidiary of BQL, entered into two franchise termination agreements with Mirabell Footwear Limited and Hornet Agents Limited, wholly-owned subsidiaries of the Company, respectively to terminate the sole licences previously granted to BIL.*

- (b) As at 31 August 2003, 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\$12,900,000 (28 February 2003: HK\$12,900,000). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Group decreased by 5.21% to HK\$286.89 million, compared with the corresponding period last year. The decrease in the turnover was mainly due to the prolonged slump of the economy and persistent high unemployment rate in Hong Kong, the outbreak of the Severe Acute Respiratory Syndrome (the “SARS”), together with the keen competition among the market players. Despite the decrease in the turnover, the unaudited profit attributable to shareholders increased by 27.56% to HK\$23.46 million, compared with the corresponding period last year. The increase in the unaudited profit attributable to shareholders was due to the effective cost control measures implemented by the Group, an increase in the gross profit margin, a decrease in the distribution and selling costs, an income from the sale of the trademark of teenmix as well as an increase in the share of profit of an associated company.

(a) Local Market

During the period under review, the economy of Hong Kong remained stagnant as reflected by the unremitting deflationary environment and persistently high unemployment rate. The outbreak of the SARS further hampered the local retail market with a weakened consumer sentiment and a sharp decrease in the number of tourists. The retail industry has gone through an unusually and extraordinarily challenging time. Compared with the corresponding period last year, the turnover decreased by 7.09% to HK\$232.58 million, whereas the operating profit decreased by 78.76% to HK\$2.15 million.

In March 2003, the Group faded out the self-developed brand of teenmix and launched the Italian brand of Fiorucci in the Hong Kong market. Fiorucci is an international renowned brand and its products, including footwear and handbags, are specially designed for trendy and fashion conscious young ladies. The initial market response is encouraging. The outbreak of the SARS unavoidably impaired the local retail market. To counteract the adverse impact, the management imposed a number of measures such as revising staff salary packages, negotiation with the landlords for rent reduction, revising the buying budget, decreasing the inventory level, reviewing the marketing strategies, and further strengthening cost controls. The transition stage of the brand re-positioning, the unfavourable effects from the SARS as well as the closure of some non-performing retail outlets resulted instant decreases in the turnover and the operating profit.

Although the outbreak of the SARS seriously hampered the economy of Hong Kong, the management believes that the effect will only be temporary. Recently, the economic fundamentals have been improving. Benefiting from the recovery in tourism industry, together with the coming hot sales 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.

Senses Marketing International Limited (“Senses Marketing”), a wholly-owned subsidiary of the Company, established in January 2003, is principally engaged in wholesaling of footwear. In addition to reducing the purchase costs and increasing gross profit of the Group, Senses Marketing can provide a synergy effect to the Group in terms of further strengthening the product mix, brand development and promotion. Senses Marketing is currently the exclusive footwear distributor of the U.S. brands of Caterpillar and Merrell in Hong Kong, Macau and the PRC, and the Italian brand of Geox in Hong Kong as well as the exclusive footwear and apparel distributor of the U.S. brand of K•Swiss in the PRC.

By the end of October 2003, the Group operated 94 retail outlets in Hong Kong and Macau under four brands of Mirabell, Joy & Peace, Fiorucci and INshoesnet.

(b) PRC Market

Compared with the corresponding period last year, the turnover increased by 3.76% to HK\$54.31 million, whereas the operating profit increased by 264.76% to HK\$11.32 million.

During the period under review, the management improved operational efficiency, strengthened cost controls, increased promotion activities, and provided a more comprehensive staff training. In June 2003, the Group set up 8 specialty retail outlets selling three U.S. brands of Caterpillar, Merrell and K•Swiss products in Shanghai. The market response is very encouraging. The Group plans to open more such specialty retail outlets in other cities. In view of the economic growth and booming business opportunities in the PRC, the Group will undertake a proactive approach to monitor the operations of the retail outlets and review the expansion pace from time to time.

By the end of October 2003, the Group operated 56 retail outlets in Shenzhen, Guangzhou, Shanghai and Beijing under the brand names of Mirabell, Joy & Peace, Caterpillar, Merrell and K•Swiss. In addition, there were 48 franchised retail outlets under the brand of Joy & Peace.

(c) Prospects

After the relaxation of the travel restriction to the PRC visitors and the signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement, there are indications that the economy of Hong Kong has steadily picked up and the consumer sentiment has gradually improved. The Group will continue to adopt the multi-brand strategy to capture different market segments. The management takes an optimistic and cautious approach to manage the Hong Kong retail business.

Senses Marketing is in the process of negotiation with some corporations possessing with international well-known brands for exclusive distribution rights. The management believes that Senses Marketing has a high growth business potential and shall make a considerable contribution to the Group in the near future.

Despite the SARS impact, the economy of the PRC remains buoyant. The prospects of the retail industry look promising. The Group intends to further strengthen the brand dominance in the PRC and plans to expand the retail business aiming at achieving the economies of scale.

In addition, the Group is actively looking for business opportunities in other Asian regions. All in all, the management is confident that the Group is able to manage 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\$122.60 million to HK\$123.57 million as at the period end.

As at 31 August 2003, the Group's inventory amounted to HK\$83.82 million representing a decrease of HK\$0.38 million from last financial year ended 28 February 2003. As at 31 August 2003, the Group had bank balances and cash of HK\$87.33 million and outstanding bank borrowings of HK\$33.52 million.

As at 31 August 2003, the gearing ratio of the Group was 0.10 (28 February 2003: 0.10) which was calculated based on the Group's total borrowings of HK\$33.52 million (28 February 2003: HK\$31.07 million) and the shareholders' fund of HK\$333.46 million (28 February 2003 restated: HK\$321.32 million).

INTERIM DIVIDEND

The board of directors has resolved to declare an interim dividend of HK1.5 cents (2003: HK1.5 cents) per ordinary share in respect of the financial year ending 29 February 2004. The interim dividend will be paid on Thursday, 18 December 2003 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, 11 December 2003.

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. For the six months ended 31 August 2003, the Group was not subject to any significant exposures in foreign exchange rates risk. Hence, no 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 2003, the net book values of fixed assets pledged as security for the Group's long-term bank loans amounted to approximately HK\$11.67 million (28 February 2003: HK\$24.24 million). As at 31 August 2003, no property of the Group was subject to a negative pledge against certain general bank facilities granted to the Group (28 February 2003: HK\$96.73 million).

HUMAN RESOURCES

As at 31 August 2003, the Group's total number of employees was 1,020. 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 2003, 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 of Listed Companies, 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 (note (i))	14,175,000
Mr Tang Keung Lam	6,000,000	8,175,000 (note (ii))	14,175,000
Mr Ng Man Kit, Lawrence	12,094,000	–	12,094,000
Mr Chung Chun Wah	3,330,000	–	3,330,000

Notes:

- (i) As at 31 August 2003, 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 2003, 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.

(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

Save as disclosed above:

- (i) as at 31 August 2003, 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 2003, 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.

Name of shareholders	Number of ordinary shares of HK\$0.1 each beneficially held
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	13,362,000 (note (v))
Mr Cheah Cheng Hye	13,362,000 (note (v))

Notes:

- (i) As at 31 August 2003, 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 2003, 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 2003, 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 2003, 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 2003, 13,362,000 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 2003, 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 scheme was issued during the period.

CLOSURE OF REGISTER

The register of members of the Company will be closed from Friday, 5 December 2003 to Thursday, 11 December 2003, 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, 4 December 2003.

DEALINGS IN THE COMPANY'S LISTED SHARES

During the six months ended 31 August 2003, 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 2003, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the 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 consolidated interim financial statements for the six months ended 31 August 2003.

On behalf of the Board
TANG WAI LAM
Chairman

Hong Kong, 18 November 2003