



MIRABELL

MIRABELL INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1179)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2004

RESULTS

The board of directors is pleased to announce the audited consolidated results of Mirabell International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 29 February 2004, together with the comparative figures for the previous year, as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		2004	As restated
	<i>Note</i>	<i>HK\$'000</i>	2003
			<i>HK\$'000</i>
Turnover	3	645,617	625,616
Cost of sales		<u>(267,189)</u>	<u>(264,123)</u>
Gross profit		378,428	361,493
Other revenues	3	5,338	10,306
Other operating income		13,100	3,797
Distribution and selling costs		<u>(260,519)</u>	<u>(261,950)</u>
Administrative expenses		<u>(77,479)</u>	<u>(67,151)</u>
Other operating expenses		<u>(6,552)</u>	<u>(5,425)</u>
Operating profit	4	52,316	41,070
Finance costs	5	(1,200)	(1,466)
Share of profit of an associated company		<u>20,086</u>	<u>16,304</u>
Profit before taxation		71,202	55,908
Taxation	6	<u>(5,112)</u>	<u>(6,909)</u>
Profit attributable to shareholders		<u>66,090</u>	<u>48,999</u>
Dividends	7	<u>19,853</u>	<u>14,763</u>
Basic earnings per share	8	<u>26.0 cents</u>	<u>19.3 cents</u>

CONSOLIDATED BALANCE SHEET

		2004	As restated 2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Intangible assets		4,000	–
Fixed assets		118,838	110,908
Interest in an associated company		76,402	57,435
Rental deposits paid		32,771	36,040
Deferred tax assets		3,521	2,671
Current assets			
Inventories		104,876	84,190
Trade receivable	9	41,447	32,440
Other receivables, deposits and prepayments		9,353	12,675
Pledged bank deposits		10,068	–
Bank balances and cash		96,135	96,696
		<u>261,879</u>	<u>226,001</u>
Current liabilities			
Trade payable	10	35,583	32,869
Other payables and accrued charges		49,854	42,070
Taxation payable		3,294	4,061
Short-term bank loans – unsecured		26,105	17,734
Current portion of long-term bank loans		6,667	6,667
		<u>121,503</u>	<u>103,401</u>
Net current assets		<u>140,376</u>	<u>122,600</u>
Total assets less current liabilities		<u>375,908</u>	<u>329,654</u>
Financed by:			
Share capital		25,453	25,453
Reserves (including final dividend proposed of HK\$16,035,000; 28 February 2003: HK\$10,945,000)	11	348,713	295,869
Shareholders' funds		374,166	321,322
Non-current liabilities			
Long-term bank loans		–	6,667
Deferred tax liabilities		1,742	1,665
		<u>375,908</u>	<u>329,654</u>

Notes:

1. Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investments properties and other properties are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The change to the Group’s accounting policies and the effect of adopting the new policy is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

As detailed in note 11, the opening retained earnings as at 1 March 2002 and 2003 have increased by HK\$2,051,000 and HK\$2,365,000, respectively, the opening investment properties revaluation reserve as at 1 March 2002 and 2003 have decreased by HK\$1,307,000 and HK\$1,252,000, respectively, and the opening other properties revaluation reserve as at 1 March 2002 and 2003 have decreased by HK\$430,000 and HK\$412,000, respectively, which represent the unprovided net deferred tax assets/liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 28 February 2003 by HK\$2,366,000 and HK\$1,665,000, respectively. The profit and amount charged to equity for the year ended 28 February 2003 have increased by HK\$314,000 and HK\$73,000, respectively.

2. Summary of the auditors’ report

The auditors have issued an unqualified opinion on the accounts of the Company and the consolidated accounts of the Group for the year ended 29 February 2004.

3. Turnover, revenues and segment information

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Sales of goods	<u>645,617</u>	<u>625,616</u>
Other revenues		
Rental income	2,417	2,600
Royalty income	2,429	6,924
Interest income	489	779
Others	3	3
	<u>5,338</u>	<u>10,306</u>
Total revenues	<u>650,955</u>	<u>635,922</u>

Geographical segment analysis

The Group's business operates in two main geographical areas, namely Hong Kong and Macau market, and the People's Republic of China (the "PRC") market.

	Hong Kong and Macau 2004 <i>HK\$'000</i>	The PRC 2004 <i>HK\$'000</i>	Total 2004 <i>HK\$'000</i>
Turnover	<u>512,260</u>	<u>133,357</u>	<u>645,617</u>
Segment results	<u>24,561</u>	<u>27,755</u>	52,316
Finance costs			(1,200)
Share of profit of an associated company	–	20,086	<u>20,086</u>
Profit before taxation			71,202
Taxation			<u>(5,112)</u>
Profit attributable to shareholders			<u>66,090</u>
Segment assets	252,836	164,652	417,488
Interest in an associated company	–	76,402	76,402
Deferred tax assets			<u>3,521</u>
Total assets			<u>497,411</u>
Segment liabilities	70,711	47,498	118,209
Taxation payable			3,294
Deferred tax liabilities			<u>1,742</u>
Total liabilities			<u>123,245</u>
Capital expenditure	<u>14,634</u>	<u>8,690</u>	<u>23,324</u>
Depreciation	<u>10,370</u>	<u>2,190</u>	<u>12,560</u>
Amortisation charge	<u>2,000</u>	–	<u>2,000</u>

	As restated		
	Hong Kong and Macau 2003 <i>HK\$'000</i>	The PRC 2003 <i>HK\$'000</i>	Total 2003 <i>HK\$'000</i>
Turnover	<u>504,187</u>	<u>121,429</u>	<u>625,616</u>
Segment results	<u>30,631</u>	<u>10,439</u>	41,070
Finance costs			(1,466)
Share of profit of an associated company	–	16,304	<u>16,304</u>
Profit before taxation			55,908
Taxation			<u>(6,909)</u>
Profit attributable to shareholders			<u>48,999</u>
Segment assets	238,785	134,164	372,949
Interest in an associated company	–	57,435	57,435
Deferred tax assets			<u>2,671</u>
Total assets			<u>433,055</u>
Segment liabilities	67,261	38,746	106,007
Taxation payable			4,061
Deferred tax liabilities			<u>1,665</u>
Total liabilities			<u>111,733</u>
Capital expenditure	<u>5,996</u>	<u>1,600</u>	<u>7,596</u>
Depreciation	<u>9,622</u>	<u>2,894</u>	<u>12,516</u>
Amortisation charge	<u>–</u>	<u>–</u>	<u>–</u>

The Group has only one single business segment which is the sales of footwear through retailing, wholesaling and manufacturing. Accordingly, the segment information for this sole business segment is equivalent to the consolidated figures.

4. Operating profit

	2004 HK\$'000	2003 HK\$'000
Operating profit is stated after charging/(crediting) the following:		
Depreciation of owned fixed assets	12,560	12,516
Loss on disposal of fixed assets	1,105	441
Gain on disposal of an investment property	(320)	–
Gain on liquidation of a subsidiary	(727)	–
Staff costs (including directors' emoluments)	102,483	96,461
Pension costs	3,178	3,290
Cost of inventories	268,761	276,713
Operating lease rental in respect of land and buildings	153,173	154,941
Outgoings in respect of investment properties	124	161
Net exchange gains	(685)	(147)
Revaluation surplus on other properties	(940)	–
Revaluation deficit on investment properties	–	800
Income on disposal of trademark [#]	(8,241)	–
Amortisation of intangible assets (included in administrative expenses)	<u>2,000</u>	<u>–</u>

[#] 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.

5. Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts	<u>1,200</u>	<u>1,466</u>

6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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 consolidated profit and loss account represents:

	2004 HK\$'000	As restated 2003 HK\$'000
Current taxation		
– Hong Kong profits tax	3,749	5,508
– Overseas taxation	526	–
– Overprovisions in prior years	(349)	(43)
Deferred taxation relating to the origination and reversal of temporary differences	(550)	(619)
Deferred taxation resulting from an increase in tax rate	<u>(250)</u>	<u>–</u>
	3,126	4,846
Share of taxation attributable to an associated company	<u>1,986</u>	<u>2,063</u>
Taxation charges	<u>5,112</u>	<u>6,909</u>

7. Dividends

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim, paid, of HK1.5 cents (2003: HK1.5 cents) per ordinary share	3,818	3,818
Final, proposed, of HK6.3 cents (2003: HK4.3 cents) per ordinary share	16,035	10,945
	<u>19,853</u>	<u>14,763</u>

8. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$66,090,000 (2003 (as restated): HK\$48,999,000) and the weighted average of 254,530,000 (2003: 254,530,000) ordinary shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive potential ordinary share.

9. Trade receivable

Other than cash and credit card sales, the majority of the Group's credit sales are on credit terms ranging from 30-60 days. As at 29 February 2004, the ageing analysis of the trade receivable is as follows:

	2004 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
0 – 30 days	40,064	30,980
31 – 60 days	623	889
61 – 90 days	428	226
Over 90 days	332	345
	<u>41,447</u>	<u>32,440</u>

10. Trade payable

As at 29 February 2004, the ageing analysis of the trade payable is as follows:

	2004 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>
0 – 30 days	27,669	30,696
31 – 60 days	681	856
61 – 90 days	886	601
Over 90 days	6,347	716
	<u>35,583</u>	<u>32,869</u>

11. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Cumulative translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 March 2003, as previously reported	110,650	380	91	13,007	5,027	(20)	166,032	295,167
Effect of adopting SSAP 12	-	-	-	(1,252)	(412)	-	2,366	702
As at 1 March 2003, as restated	110,650	380	91	11,755	4,615	(20)	168,398	295,869
Surplus on revaluation of properties	-	-	-	300	1,135	-	-	1,435
Deferred tax effect on revaluation	-	-	-	17	(44)	-	-	(27)
Translation differences arising on translation of the accounts of foreign subsidiaries and an associated company	-	-	-	-	-	109	-	109
Profit for the year	-	-	-	-	-	-	66,090	66,090
2003 Final dividend paid	-	-	-	-	-	-	(10,945)	(10,945)
2004 Interim dividend paid	-	-	-	-	-	-	(3,818)	(3,818)
As at 29 February 2004	110,650	380	91	12,072	5,706	89	219,725	348,713
Representing:								
2004 Final dividend proposed								16,035
Reserves								332,678
As at 29 February 2004								348,713

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Other properties revaluation reserve HK\$'000	Cumulative translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Company and subsidiaries	110,650	380	91	12,072	5,706	(347)	175,649	304,201
Associated company	–	–	–	–	–	436	44,076	44,512
As at 29 February 2004	110,650	380	91	12,072	5,706	89	219,725	348,713
As at 1 March 2002, as previously reported	110,650	380	91	13,760	5,027	24	130,329	260,261
Effect of adopting SSAP 12	–	–	–	(1,307)	(430)	–	2,051	314
As at 1 March 2002, as restated	110,650	380	91	12,453	4,597	24	132,380	260,575
Deficit on revaluation of properties	–	–	–	(753)	–	–	–	(753)
Deferred taxation effect on revaluation	–	–	–	55	18	–	–	73
Translation differences arising on translation of the accounts of foreign subsidiaries and an associated company	–	–	–	–	–	(44)	–	(44)
Profit for the year	–	–	–	–	–	–	48,999	48,999
2002 Final dividend paid	–	–	–	–	–	–	(9,163)	(9,163)
2003 Interim dividend paid	–	–	–	–	–	–	(3,818)	(3,818)
As at 28 February 2003	110,650	380	91	11,755	4,615	(20)	168,398	295,869
Representing: 2003 Final dividend proposed								10,945
Reserves								284,924
As at 28 February 2003								295,869
Company and subsidiaries	110,650	380	91	11,755	4,615	31	139,872	267,394
Associated company	–	–	–	–	–	(51)	28,526	28,475
As at 28 February 2003	110,650	380	91	11,755	4,615	(20)	168,398	295,869

DIVIDENDS

The board of directors has resolved to recommend a final dividend of HK6.3 cents (2003: HK4.3 cents) per share which, subject to the approval of shareholders, will be paid on Friday, 13 August 2004 to shareholders whose names appear on the Register of Members of the Company on Friday, 6 August 2004. This together with the interim dividend of HK1.5 cents (2003: HK1.5 cents) per share will make a total dividend of HK7.8 cents (2003: HK5.8 cents) per share for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, the Group recorded a turnover of HK\$645.62 million, representing an increase of 3.20%, compared with last year. The audited consolidated profit attributable to shareholders increased by 34.88% to HK\$66.09 million.

The Group recorded an increase in the gross profit margin, remarkable increments in the contribution from the PRC retail business and share of profit of an associated company, coupled with an extraordinary income from the disposal of trademark “teenmix”. Hence, the consolidated profit attributable to shareholders increased, compared with last year.

The Hong Kong and Macau market

During the first half of the year, the economy of Hong Kong remained stagnant as reflected by the unremitting deflationary environment and persistently high unemployment rate. The outbreak of Severe Acute Respiratory Syndrome (the “SARS”) further hampered the local retail market with a weakened consumer sentiment and a sharp decrease in the number of tourists. 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.

During the second half of the year, the implementation of various economic stimulation programs and measures by the Government of Hong Kong with the full support of the Central People’s Government of the PRC resulted in a surge domestic economy rebound spreading across all sectors particularly in tourism and retail industry. Leveraged on the improved economic conditions as reflected by the rising consumer confidence, soaring stock and property markets and falling unemployment rate, the local retail business achieved a remarkable result in the second half of the financial year. Sales performance in the local market showed encouraging signs of improvement.

During the year, although there was keen competition in the retail industry, the gross profit margin still recorded an increase which was mainly due to the synergy effect of the vertical integration of the newly acquired wholesale business with the existing retail business of the Group. Presently, the wholesale business is conducted by Senses Marketing International Limited (“Senses Marketing”), a wholly-owned subsidiary of the Company. In addition to reducing the purchase costs and increasing the gross profit of the Group, Senses Marketing could provide contribution to the Group in terms of further strengthening the product mix, brand development, marketing and promotion. Currently, Senses Marketing is 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 and Macau as well as the exclusive footwear and apparel distributor of the U.S. brand of K•Swiss in the PRC.

Compared with last year, the turnover increased by 1.60% to HK\$512.26 million, whereas the operating profit decreased by 19.82% to HK\$24.56 million. At the end of May 2004, the Group operated 93 retail outlets in Hong Kong and Macau under the brand names of Mirabell, Joy & Peace, Fiorucci, INshoesnet and Geox.

The PRC market

The economy of the PRC recorded consistent growth over the years. To seize the enormous business opportunities, the Group opened 9 specialty retail outlets selling three U.S. brands of Caterpillar, Merrell and K•Swiss products in Shanghai during the year. The market response has been very encouraging.

During the year, the Group implemented the PRC market redevelopment strategy in order to improve operational efficiency. The management ceased the operations of some fixed rental shops where the traffic was low and opened more counters at well-positioned department stores where we pay turnover rent. In addition, the management further tightened cost controls, increased promotion activities and provided a more comprehensive staff training in store management.

In addition to a sino-foreign cooperative joint venture in Guangzhou, the Group set up two wholly foreign-owned enterprises in Shanghai during the year to further support the rapid expansion of retail outlets. The newly set up enterprises in Shanghai not only speed up the time for stock replenishment as well as pave the way to further support our business expansion. All in all, the Group achieved a notable growth in operational profit in the PRC market.

Compared with last year, the turnover increased by 9.82% to HK\$133.36 million, whereas the operating profit increase by 165.88% to HK\$27.76 million. At the end of May 2004, the Group operated 79 retail outlets in Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin and Zhuhai under the brand names of Mirabell, Joy & Peace, Caterpillar, Merrell and K•Swiss. In addition, there were 59 franchised retail outlets under the brand of Joy & Peace.

Outlook

As the economy steadily picks up and the relaxation of travel restriction to the PRC residents visiting Hong Kong, the overall economy of Hong Kong has been rebounding since the fourth quarter of 2003 and continuing towards the first quarter of 2004 as reflected by the soaring stock and property markets and the increasing number of the PRC visitors, the sales for the retail outlets located in the tourist regions are particularly well. For the months of March and April of 2004, because the consumer sentiment has improved, the Group achieved a good result, compared with last year on the same store basis, which was significantly contrasting with those of the stagnant conditions during the last two years. In view of that, the Group is optimistic and confident about the prospects for the business in the remaining three quarters of 2004/2005.

Notwithstanding the keen competition in the PRC retail market, the management truly believes that there is still a huge potential for business development. The focus for the PRC business will be on expanding the retail outlets and networks, with full effort to attentively promote products of Mirabell and Joy & Peace and in the meantime to actively explore the market for casual footwear products of Caterpillar, Merrell and K•Swiss.

On the other hand, the Group is cautious for the rapidly changing market conditions. After the relaxation of travel restriction to the PRC residents and the signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement, there are speculators for property investment in retail shops. Consequently, some property developers and owners have unreasonably high expectations on rentals. The surge boost in rentals undoubtedly increases the operating costs of retailers. However, the Group adopts a conservative and practical approach consistently to run the business and will not recklessly bear any unreasonably high rentals in order to minimise the business risks.

Looking ahead, the Group will continue to reinforce the brand development, sales and distribution network as well as pursue continuous quality improvement of products, increase the staff efficiency coupled with a clear business development direction and a professional teamwork, we are able to bring values to our shareholders and customers. The Group is confident to achieve satisfactory growth in turnover and profit in the year of 2004/2005.

Liquidity and Financial Resources

Working capital of the Group increased from HK\$122.60 million to HK\$140.38 million, and the current ratio and quick ratio remained at a steady level of 2.16 and 1.29 times, respectively.

The inventory balance as at 29 February 2004 amounted to HK\$104.88 million. Compared with the inventory balance of HK\$84.19 million as at 28 February 2003, an increase was recorded. As at 29 February 2004, the Group had bank balances and cash of HK\$96.14 million and outstanding bank borrowings of HK\$32.77 million. During the year, the Group raised new short-term bank loans of HK\$66.22 million for financing of working capital and bank loans of HK\$64.52 million were settled.

As at 29 February 2004, the gearing ratio of the Group was 0.09 (2003: 0.10) which was calculated on the Group's total borrowings of HK\$32.77 million (2003: HK\$31.07 million) and the shareholders' funds of HK\$374.17 million (2003 (as restated): HK\$321.32 million).

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 year ended 29 February 2004, the Group has entered two forward exchange contracts with expiry date in 2005 and 2006 respectively to hedge with potential revaluation of Renminbi. Except these two forward exchange contracts, no other financial instrument has been 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 29 February 2004, the carrying amount of fixed assets pledged as security amounted to approximately HK\$11.10 million (2003: HK\$24.24 million) and no assets were subject to negative pledge (2003: HK\$96.73 million).

Contingent Liabilities

As at 29 February 2004, the Group had contingent liabilities in respect of guarantees issued for banking facilities granted to subsidiaries of an associated company amounting to HK\$15.30 million (2003: HK\$12.90 million).

Human Resources

As at 29 February 2004, the Group had a total of 1,077 employees. 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.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 30 July 2004 to 6 August 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong 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 29 July 2004.

DEALINGS IN THE COMPANY'S LISTED SHARES

The Company did not redeem any of the Company's shares during the year. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's share during the year.

CORPORATE GOVERNANCE

Throughout the year, the Company has complied fully 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 "Exchange"), save that independent non-executive directors of the Company are not appointed for a fixed term but are subject to the retirement by rotation provisions of the Articles of Association of the Company.

AUDIT COMMITTEE

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters related to the preparation of the 2003/2004 annual report.

PUBLICATION OF ANNUAL REPORT ON THE EXCHANGE'S WEBSITE

The 2003/2004 annual report of the Company containing the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules Governing the Listing of Securities on the Exchange will be released on the website of the Exchange (www.hkex.com.hk) in due course.

By Order of the Board
Tang Wai Lam
Chairman

Hong Kong, 17 June 2004

As at the date of this announcement, the Company's executive directors are Mr Tang Wai Lam, Mr Tang Keung Lam, Mr Ng Man Kit, Lawrence and Mr Chung Chun Wah; independent non-executive directors are Mr Lee Kin Sang and Mr Chan Ka Sing, Tommy; non-executive director is Mr Lee Kwan Hung.

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