



MIRABELL

MIRABELL INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1179)

ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2004

UNAUDITED INTERIM RESULTS

The board of directors of Mirabell International Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) as at and for the six months ended 31 August 2004, which were prepared in accordance with the accounting principles generally accepted in Hong Kong and reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 31 August	
		2004	2003
	Note	HKD'000	HKD'000
Turnover	2	340,741	286,888
Cost of sales		(142,081)	(121,742)
Gross profit		198,660	165,146
Other revenue	2	2,837	2,915
Other operating income		1,704	2,523
Income from disposal of trademark		0	8,241
Distribution and selling costs		(127,814)	(120,869)
Administrative expenses		(38,307)	(36,067)
Other operating expenses		(8,494)	(8,422)
Operating profit	2 & 3	28,586	13,467
Finance costs	4	(512)	(635)
Share of profit of an associated company		17,211	12,302

Profit before taxation		45,285	25,134
Taxation	5	(4,871)	(1,674)
Profit attributable to shareholders		40,414	23,460
Dividend	6	6,363	3,818
Basic earnings per share	7	15.9 cents	9.2 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited	Audited
		31 August	29 February
		2004	2004
	<i>Note</i>	<i>HKD'000</i>	<i>HKD'000</i>
Non-current assets			
Intangible assets		3,000	4,000
Fixed assets		118,423	118,838
Interest in an associated company		89,015	76,402
Rental deposits paid		29,936	32,771
Deferred tax assets		3,521	3,521
Current assets			
Inventories		109,819	104,876
Trade receivable	8	42,393	41,447
Other receivables, deposits and prepayments		13,740	9,353
Pledged bank deposits		0	10,068
Bank balances and cash		101,411	96,135
		267,363	261,879
Current liabilities			
Trade payable	9	32,833	35,583
Other payables and accrued charges		45,255	49,854
Taxation payable		3,901	3,294
Short-term bank loans – unsecured		25,712	26,105
Current portion of long-term bank loans		3,333	6,667
		111,034	121,503

Net current assets		156,329	140,376
		<hr/>	<hr/>
Total assets less current liabilities		400,224	375,908
		<hr/>	<hr/>
Financed by:			
Share capital		25,453	25,453
Reserves		366,666	332,678
Proposed dividend	6	6,363	16,035
		<hr/>	<hr/>
Shareholders' funds		398,482	374,166
Non-current liabilities			
Deferred tax liabilities		1,742	1,742
		<hr/>	<hr/>
		400,224	375,908
		<hr/>	<hr/>

NOTES:

1. Principal accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the 2003/2004 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 29 February 2004.

2. Turnover, revenues and segment information

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

	Unaudited	
	Six months ended	
	31 August	
	2004	2003
	<i>HKD'000</i>	<i>HKD'000</i>
Turnover		
Sales of goods	340,741	286,888
	<hr/>	<hr/>

Other revenue

Rental income	1,209	1,209
Royalty income	1,492	1,141
Interest income	134	243
Others	2	322
	<hr/>	<hr/>
	2,837	2,915
	<hr/>	<hr/>
Total revenue	343,578	289,803
	<hr/>	<hr/>

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 Six months ended 31 August		Unaudited Operating profit Six months ended 31 August	
	2004	2003	2004	2003
	HKD'000	HKD'000	HKD'000	HKD'000
Principal markets:				
Hong Kong and Macau	266,569	232,583	16,524	2,145
The People's Republic of China (the "PRC")	74,172	54,305	12,062	11,322
	<hr/>	<hr/>	<hr/>	<hr/>
	340,741	286,888	28,586	13,467
	<hr/>	<hr/>	<hr/>	<hr/>

3. Operating profit

Unaudited
Six months ended
31 August
2004 2003
HKD'000 **HKD'000**

Operating profit is stated after charging/
(crediting) the following:

Cost of inventories	137,751	118,742
Depreciation of fixed assets	7,116	6,694
Loss on disposal of fixed assets	157	283
Amortisation of goodwill	1,000	578
Rental income	(1,209)	(1,209)
Royalty income	(1,492)	(1,141)
Interest income	(134)	(243)
Gain on disposal of an investment property	0	(320)
	_____	_____

4. Finance costs

Unaudited
Six months ended
31 August
2004 2003
HKD'000 **HKD'000**

Interest on bank loans and overdrafts	512	635
	_____	_____

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the six months ended 31 August 2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the period 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 condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended	
	31 August	
	2004	2003
	<i>HKD'000</i>	<i>HKD'000</i>
Current taxation		
– Hong Kong profits tax	2,306	286
– Overseas taxation	959	435
Deferred taxation relating to the origination and reversal of temporary differences	0	62
Deferred taxation resulting from an increase in tax rate	0	(203)
	<hr/> 3,265	<hr/> 580
Share of taxation attributable to an associated company	1,606	1,094
	<hr/> 4,871	<hr/> 1,674
Taxation charge	<u>4,871</u>	<u>1,674</u>

6. Dividend

- (a) Interim dividend declared after the balance sheet date of the interim period:

	Unaudited	
	Six months ended	
	31 August	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
2005 interim dividend of HK2.5 cents (2004: HK1.5 cents) per ordinary share	6,363	3,818
	<hr/> 6,363	<hr/> 3,818

The dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

- (b) Final dividend in respect of the previous financial year, approved and paid during the interim period:

	Unaudited	
	Six months ended	
	31 August	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
2004 final dividend, paid, of HK6.3 cents (2003: HK4.3 cents) per ordinary share	16,035	10,945
	<u>16,035</u>	<u>10,945</u>

7. Basic earnings per share

The calculation of basic earnings per share is based on the Group's unaudited consolidated profit attributable to shareholders of HK\$40,414,000 (2003: HK\$23,460,000) and the weighted average number of 254,530,000 (2003: 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.

8. Trade receivable

Other than cash and credit card sales, the majority of the Group's credit sales is on a credit term of 30-60 days. As at 31 August 2004, the ageing analysis of the trade receivable is as follows:

	Unaudited	Audited
	31 August	29 February
	2004	2004
	<i>HKD'000</i>	<i>HKD'000</i>
0 – 30 days	40,375	40,064
31 – 60 days	1,115	623
61 – 90 days	33	428
Over 90 days	870	332
	<u>42,393</u>	<u>41,447</u>

9. Trade payable

As at 31 August 2004, the ageing analysis of the trade payable is as follows:

	Unaudited 31 August 2004 <i>HKD'000</i>	Audited 29 February 2004 <i>HKD'000</i>
0 – 30 days	29,863	27,669
31 – 60 days	519	681
61 – 90 days	254	886
Over 90 days	2,197	6,347
	<hr/> 32,833 <hr/>	<hr/> 35,583 <hr/>

10. Contingent liabilities

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

11. Review of results

The interim results of the Group are unaudited but have been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The board of directors has resolved to declare an interim dividend of HK2.5 cents (2004: HK1.5 cents) per ordinary share in respect of the financial year ending 28 February 2005. The interim dividend will be paid on Thursday, 16 December 2004 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, 9 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Group increased by 18.77% to HK\$340.74 million whereas the profit attributable to shareholders increased by 72.27% to HK\$40.41 million, compared with corresponding period last year. The increase in the profit attributable to shareholders was mainly due to the satisfactory results in retailing, wholesaling and manufacturing businesses as well as the increase in the share of profit of an associated company.

(a) The Hong Kong and Macau market

As the economy of Hong Kong has been rebounding since the fourth quarter of 2003 and continuing towards the year of 2004 as reflected by the soaring stock and property markets, falling in unemployment rate, increasing in consumer sentiment and the increasing number of the PRC visitors, the retail business has been picking up very rapidly. In particular, the business for the retail outlets located in the tourist regions was well. During the period under review, the Group achieved

a satisfactory growth in the turnover and operating profit in the local market. The turnover and operating profit increased to HK\$266.57 million and HK\$16.52 million, respectively.

The Group has a solid foundation in the local retail market. In order to maintain and further increase the competitive advantage, the Group is committed to striving for customer service excellence. Apart from making more effort on launching marketing campaigns and renovating retail outlets, the Group has been reviewing the product mix from time to time with reference to the ever-changing needs of customers.

While the economic fundamentals have been still improving, the management is of the view that the general outlook of the local retail business is optimistic in the foreseeable future. Benefiting from the recovery in retail industry together with the coming hot 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. By the end of October 2004, the Group operated 90 retail outlets in Hong Kong and Macau under five brands of Mirabell, Joy & Peace, Fiorucci, INshoesnet and Geox.

During the period under review, the wholesale business achieved a promising result. At present, we are 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, Macau and the PRC as well as the exclusive footwear and apparel distributor of the U.S. brand of K•Swiss in the PRC.

(b) The PRC market

During the period under review, the Group captured huge opportunities arising in the PRC market and continued to develop the business. The turnover and operating profit increased to HK\$74.17 million and HK\$12.06 million, respectively.

As the PRC economy continues to grow and the living standards of residents are raised continuously, the management is of the view that the room to grow in the retail market is enormous. Consequently, the Group speeded up the business expansion rate by opening more retail outlets in various major cities during the period under review. By the end of October 2004, the Group operated 105 retail outlets in Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin, Dalian, Chengdu, Chongqing and Zhuhai under the brands of Mirabell, Joy & Peace, INNET, Caterpillar, Merrell and K•Swiss. In addition, there were 60 franchised

retail outlets under the brand of Joy & Peace. The management believes that the opening more retail outlets will not only further boost sales but also allow the Group to enjoy economies of scale in the long run. In addition to the retail operation, the wholesale business also recorded an encouraging result. The initial market response is promising.

In view of the ever-rising demand for high quality and trendy footwear products in the PRC market, the management plans to strengthen and expand the sales and distribution network in the second half of the year aiming at further increasing the market share. The Group will vigilantly manage the existing retail outlets and review the business expansion plan from time to time.

(c) Prospects

Given that the economy of Hong Kong has been gradually recovered, the demand of the local retail market is expected to increase. With the increase in consumption sentiment and the ongoing relaxation of travel policy restrictions adopted by the Government of the PRC for the mainland residents visiting Hong Kong, the local retail environment has shown a marked improvement. In the meantime, the management will cautiously manage the increase in rental expenses for retail outlets. The Group is optimistic for the local retail business in the foreseeable future.

The management is of the view that the wholesale business has a high growth potential and will make a considerable contribution. The Group expects to get more exclusive distribution rights of international footwear brands.

Notwithstanding the keen competition in the PRC retail market, the Group believes that there is still a huge potential for business expansion. The management will further open retail outlets on a manageable pace basis and manage risks involved proactively in the rapidly changing business environment. In the meantime, so as to encapsulate vast growth opportunities, the Group will strategically expand the wholesale business in the PRC market.

The Group considers to launch the brand of Fiorucci in the PRC and Taiwan markets and expects to open retail outlets in the near future.

Looking ahead, the Group will be more than ever committed to improving customer services, reinforcing brand development, pursuing continuous quality improvement of products and increasing operational efficiency and effectiveness. All in all, the management is confident that the Group is able to cope with 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\$140.38 million to HK\$156.33 million as at the period end.

As at 31 August 2004, the Group's inventory amounted to HK\$109.82 million representing an increase of HK\$4.94 million from last financial year ended 29 February 2004. As at 31 August 2004, the Group had bank balances and cash of HK\$101.41 million and outstanding bank borrowings of HK\$29.05 million.

As at 31 August 2004, the gearing ratio of the Group was 0.07 (29 February 2004: 0.09) which was calculated based on the Group's total borrowings of HK\$29.05 million (29 February 2004: HK\$32.77 million) and the shareholders' funds of HK\$398.48 million (29 February 2004: HK\$374.17 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. As at 31 August 2004, the Group entered two foreign exchange contracts with expiry date in 2005 and 2006 respectively to hedge with potential revaluation of Renminbi. Except these two foreign exchange contracts, no other 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 2004, the net book value of fixed assets pledged as security for the Group's long-term bank loans amounted to approximately HK\$11.10 million (29 February 2004: HK\$11.10 million).

HUMAN RESOURCES

As at 31 August 2004, the Group's total number of employees was 1,311. 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 Friday, 3 December 2004 to Thursday, 9 December 2004, 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, 2 December 2004.

DEALINGS IN THE COMPANY'S LISTED SHARES

During the six months ended 31 August 2004, 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 2004, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange"), save that the independent non-executive directors are not appointed for a fixed term but are subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was formed in accordance with the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal control. The audit committee comprises three independent non-executive directors of the Company.

The audit committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements for the six months ended 31 August 2004.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have confirmed compliance with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules during the six months ended 31 August 2004.

PUBLICATION OF INTERIM RESULTS ON THE EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Exchange in due course.

On behalf of the Board
TANG WAI LAM
Chairman

Hong Kong, 17 November 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, Mr. Chan Ka Sing, Tommy and Mr. Ng Chun Chuen, David; non-executive director is Mr. Lee Kwan Hung.

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