MIRABELL INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1179)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2005

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Mirabell International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 31 August 2005 (the "period under review"), which were reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Unaudited Six months ended 31 August	
		2005	2004 (restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**403,410**	340,741
Cost of sales		**(163,485)**	(142,081)
Gross profit		**239,925**	198,660
Other revenue	3	**2,144**	2,837
Other operating income		**1,830**	1,704
Distribution and selling costs		**(167,893)**	(136,531)
Administrative expenses		**(47,058)**	(38,367)
Other operating expenses		**(946)**	(171)
Operating profit	4	**28,002**	28,132
Finance costs	5	**(1,072)**	(512)
Share of profit of an associate		**6,351**	15,605
Profit before taxation		**33,281**	43,225
Taxation	6	**(3,083)**	(3,284)
Profit attributable to shareholders		**30,198**	39,941
Dividends	7	**33,089**	6,363
Basic earnings per share	8	**11.9 cents**	15.7 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 31 August 2005 HK$'000	Audited 28 February 2005 (restated) HK$'000
Non-current assets			
Property, plant and equipment		**38,843**	33,932
Investment properties		**53,448**	61,448
Leasehold land and land use rights		**16,700**	17,704
Intangible assets		**1,000**	2,000
Interest in an associate		**99,753**	93,339
Rental deposits paid		**34,914**	30,687
Non-current deposits		**10,702**	10,702
Deferred tax assets		**2,363**	2,535
		257,723	252,347
Current assets			
Inventories	*9*	**177,575**	135,022
Trade receivables	*10*	**59,864**	72,228
Other receivables, deposits and prepayments		**33,388**	22,139
Taxation recoverable		**35**	1,029
Cash and cash equivalents		**75,800**	86,357
		346,662	316,775
Current liabilities			
Trade payables	*11*	**52,961**	52,273
Other payables and accrued charges		**52,079**	58,325
Taxation payable		**5,607**	4,576
Borrowings		**57,731**	31,084
Derivative financial instruments		**264**	–
		168,642	146,258
Net current assets		**178,020**	170,517
Total assets less current liabilities		**435,743**	422,864
Non-current liabilities			
Derivative financial instruments		**84**	–
Deferred tax liabilities		**1,569**	1,546
		1,653	1,546
Net assets		**434,090**	421,318
Equity			
Share capital		**25,453**	25,453
Other reserves		**110,621**	110,986
Retained earnings			
– Dividends declared after the balance sheet date	*7*	**33,089**	16,799
– Others		**264,927**	268,080
Shareholders' funds		**434,090**	421,318

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2004/2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 28 February 2005 except that the Group has changed certain of its accounting policies, mainly following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information (November 2005). The HKFRS standards and interpretations which will be applicable at 28 February 2006, including those which will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's principal accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

During the year ending 28 February 2006, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004/2005 comparatives have been restated as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 37, HKFRS 2 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of share of net after-tax results of an associate and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 33, 37, HKFRS 2 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, interests in land and buildings other than investment properties were stated at fair value, and separate values were not attributed to land and buildings.

The adoption of HKASs 32 and 39 has resulted in the recognition of derivative financial instruments at fair value.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy for investment properties. The changes in fair values of the investment properties are recorded in the income statement as part of other operating income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Until 28 February 2005, goodwill was:

– amortised on a straight line basis over its estimated useful life of 15 years; and

– assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1 March 2005;

– accumulated amortisation as at 28 February 2005 has been eliminated with a corresponding decrease in the cost of goodwill;

– from the year ending 28 February 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment was resulted from this reassessment.

All relevant changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39 – does not permit recognising, derecognising or measuring financial assets and liabilities in accordance with this standard on a retrospective basis; and

– HKFRS 3 – prospectively after 1 March 2005.

Apart from the adoption of new HKFRS, the Group has adopted the cost model of HKAS 16 for buildings other than investment properties. Buildings are carried at cost less accumulated depreciation and accumulated impairment. The Company believes that the change in accounting policy has resulted in a more appropriate presentation of the buildings of the Group. The new accounting policy has been adopted retrospectively.

	Effect of adopting					
	HKAS 1	**HKAS 16 & HKAS 17**	**HKAS 32 & HKAS 39**	**HKFRS 3, HKAS 36 & HKAS 38**	**HKAS 40**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Effect of changes in the accounting policies on consolidated income statement						
Six months ended 31 August 2005						
(Decrease)/increase in share of profit of an associate	(1,517)	–	–	578	–	(939)
Decrease in other operating income	–	–	(86)	–	–	(86)
Increase in distribution and selling costs	–	(190)	–	–	–	(190)
Decrease in administrative expenses	–	7	–	–	–	7
Decrease/(increase) in taxation	1,517	(19)	–	–	–	1,498
(Decrease)/increase in profit attributable to shareholders	–	(202)	(86)	578	–	290
(Decrease)/increase in basic earnings per share	–	(0.1 cent)	(0.0 cent)	0.2 cent	–	0.1 cent

	Effect of adopting					
	HKAS 1	**HKAS 16 & HKAS 17**	**HKAS 32 & HKAS 39**	**HKFRS 3, HKAS 36 & HKAS 38**	**HKAS 40**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 31 August 2004						
Decrease in share of profit of an associate	(1,606)	–	–	–	–	(1,606)
Increase in distribution and selling costs	–	(394)	–	–	–	(394)
Increase in administrative expenses	–	(60)	–	–	–	(60)
Decrease/(increase) in taxation	1,606	(19)	–	–	–	1,587
Decrease in profit attributable to shareholders	–	(473)	–	–	–	(473)
Decrease in basic earnings per share	–	(0.2 cent)	–	–	–	(0.2 cent)
Year ended 28 February 2005						
Decrease in share of profit of an associate	(3,605)	–	–	–	–	(3,605)
(Decrease)/increase in other operating income	–	(1,063)	–	–	1,700	637
Increase in distribution and selling costs	–	(787)	–	–	–	(787)
Increase in administrative expenses	–	(120)	–	–	–	(120)
Decrease/(increase) in taxation	3,605	104	–	–	(90)	3,619
(Decrease)/increase in profit attributable to shareholders	–	(1,866)	–	–	1,610	(256)
(Decrease)/increase in basic earnings per share	–	(0.7 cent)	–	–	0.6 cent	(0.1 cent)

Effect of changes in the accounting policies on consolidated balance sheet

	HKAS 1	HKAS 16 & HKAS 17	HKAS 32 & HKAS 39	HKFRS 3, HKAS 36 & HKAS 38	HKAS 40	Total
As at 31 August 2005						
Increase/(decrease) in non-current assets						
Property, plant and equipment	(53,448)	(34,161)	–	–	–	(87,609)
Investment properties	53,448	–	–	–	–	53,448
Leasehold land and land use rights	–	16,700	–	–	–	16,700
Interests in an associate	–	–	–	578	–	578
Deferred tax assets	–	53	–	–	–	53
	–	(17,408)	–	578	–	(16,830)
Increase in current assets						
Other receivables, deposits and prepayments	–	2,005	–	–	–	2,005
Increase in current liabilities						
Derivative financial instruments	–	–	264	–	–	264
Increase/(decrease) in non-current liabilities						
Deferred tax liabilities	–	(629)	–	–	–	(629)
Derivative financial instruments	–	–	84	–	–	84
	–	(629)	84	–	–	(545)
Increase/(decrease) in equity						
Investment properties revaluation reserve	–	–	–	–	(11,772)	(11,772)
Other properties revaluation reserve	–	(12,047)	–	–	–	(12,047)
Retained earnings	–	(2,727)	(348)	578	11,772	9,275
	–	(14,774)	(348)	578	–	(14,544)
As at 28 February 2005						
Increase/(decrease) in non-current assets						
Property, plant and equipment	(61,448)	(34,982)	–	–	–	(96,430)
Investment properties	61,448	–	–	–	–	61,448
Leasehold land and land use rights	–	17,704	–	–	–	17,704
Deferred tax assets	–	49	–	–	–	49
	–	(17,229)	–	–	–	(17,229)

Increase in current assets						
Other receivables, deposits and prepayments	–	2,005	–	–	–	2,005
Decrease in non-current liabilities						
Deferred tax liabilities	–	(652)	–	–	–	(652)
Increase/(decrease) in equity						
Investment properties revaluation reserve	–	–	–	–	(13,682)	(13,682)
Other properties revaluation reserve	–	(12,047)	–	–	–	(12,047)
Retained earnings	–	(2,525)	–	–	13,682	11,157
	–	(14,572)	–	–	–	(14,572)
As at 1 March 2005 (equity only)						
Increase/(decrease) in equity						
Investment properties revaluation reserve	–	–	–	–	(13,682)	(13,682)
Other properties revaluation reserve	–	(12,047)	–	–	–	(12,047)
Retained earnings	–	(2,525)	(262)	–	13,682	10,895
	–	(14,572)	(262)	–	–	(14,834)

3. Turnover, revenue and segmental 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	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**403,410**	340,741
Other revenue		
Royalty income	**1,764**	1,492
Interest income	**378**	134
Rental income	**–**	1,209
Others	**2**	2
	2,144	2,837
Total revenue	**405,554**	343,578

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/(loss) Six months ended 31 August**	
	2005	2004	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets:				
Hong Kong and Macau	**295,151**	266,569	**23,639**	16,070
Mainland China	**103,878**	74,172	**6,220**	12,062
Taiwan	**4,381**	–	**(1,857)**	–
	403,410	340,741	**28,002**	28,132

4. **Operating profit**

	Unaudited Six months ended 31 August **2005** *HK$'000*	2004 (restated) *HK$'000*
Operating profit is stated after charging/(crediting) the following:		
Cost of inventories	**162,821**	137,751
Depreciation of property, plant and equipment	**8,808**	6,567
Amortisation of up-front prepayments for leasehold land and land use rights	**1,003**	1,003
Loss on disposal of property, plant and equipment	**39**	157
Loss on disposal of an investment property	**66**	–
Amortisation of intangible assets (included in administrative expenses)	**1,000**	1,000
Royalty income	**(1,764)**	(1,492)
Interest income	**(378)**	(134)
Rental income	**–**	(1,209)

5. **Finance costs**

	Unaudited Six months ended 31 August **2005** *HK$'000*	2004 *HK$'000*
Interest on bank loans and overdrafts	**1,072**	512

6. **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the six months ended 31 August 2005. 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 operates.

	Unaudited Six months ended 31 August **2005** *HK$'000*	2004 (restated) *HK$'000*
Current taxation		
– Hong Kong profits tax	**635**	2,306
– Overseas taxation	**2,253**	959
Deferred taxation relating to the origination and reversal of temporary differences	**195**	19
	3,083	3,284

Share of taxation of an associate for the six months ended 31 August 2005 of HK$1,517,000 (2004: HK$1,606,000) is included in the income statement as share of profit of an associate.

7. **Dividends**

(a) Interim and special dividends declared after the balance sheet date of the interim period:

	Unaudited Six months ended 31 August **2005** *HK$'000*	2004 *HK$'000*
2005/2006 interim dividend of HK3.0 cents (2004/2005: HK2.5 cents) per ordinary share	**7,636**	6,363
Special dividend of HK10.0 cents per ordinary share	**25,453**	–
	33,089	6,363

The dividends declared after the balance sheet date have 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 2005 *HK$'000*	2004 *HK$'000*
2004/2005 final dividend, paid, of HK6.6 cents (2003/2004: HK6.3 cents) per ordinary share	**16,799**	16,035

8. 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$30,198,000 (2004: HK$39,941,000 (restated)) and the weighted average number of 254,530,000 (2004: 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.

9. Inventories

	Unaudited 31 August 2005 ***HK$'000***	Audited 28 February 2005 *HK$'000*
Raw materials	**4,168**	3,183
Work in progress	**649**	668
Finished goods	**172,758**	131,171
	177,575	135,022

10. Trade receivables

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 2005, the ageing analysis of the trade receivables was as follows:

	Unaudited 31 August 2005 ***HK$'000***	Audited 28 February 2005 *HK$'000*
0 – 30 days	**57,936**	68,137
31 – 60 days	**1,190**	1,594
61 – 90 days	**525**	803
Over 90 days	**213**	1,694
	59,864	72,228

11. Trade payables

As at 31 August 2005, the ageing analysis of the trade payables was as follows:

	Unaudited 31 August 2005 ***HK$'000***	Audited 28 February 2005 *HK$'000*
0 – 30 days	**47,733**	44,397
31 – 60 days	**1,474**	987
61 – 90 days	**442**	1,210
Over 90 days	**3,312**	5,679
	52,961	52,273

12. Contingent liabilities

As at 31 August 2005, the Group had given guarantees in relation to general banking facilities granted to related companies, amounting to HK$68,400,000 (28 February 2005: HK$61,800,000). They mainly represent the Group's then pro-rated share of the guarantees granted in accordance with its interest in Best Quality. As at 31 August 2005, HK$13,585,000 (28 February 2005: HK$8,212,000) of these banking facilities were utilised.

MANAGEMENT DISCUSSION AND ANALYSIS

The turnover of the Group increased by 18.39% to HK$403.41 million whereas the profit attributable to shareholders decreased by 24.39% to HK$30.20 million, compared with the corresponding period last year. During the period under review, the increase in gross profit was offset by the increase in operating expenses. As a result, the operating profit was approximately level with that of the corresponding period last year. The decrease in the profit attributable to shareholders was mainly due to the decrease in the share of profit of an associate.

(a) Hong Kong and Macau market

During the period under review, the economy of Hong Kong has been improving indicated by the soaring property and stock markets. With the further relaxation of the Individual Visit Scheme by the PRC government, the local retail market has been greatly boosted. Besides, drop in unemployment rate and reviving property and stock markets have improved the overall consumption sentiment in the local market.

The development of wholesale business is a vital part of the Group's operating strategy. During the period under review, the wholesale business achieved a promising result. In addition to reducing purchase costs and increasing gross profit, the wholesale operation could provide a synergy effect to the Group in terms of further strengthening the product mix, brand development and promotion. At present, we are the exclusive footwear distributor of the U.S. brands of Caterpillar, Merrell, Royal Elastics and Sebago in Hong Kong, Macau and the Mainland China, and the Italian brand of Geox in Hong Kong and Macau; the exclusive footwear, bags and apparel distributor of the U.K. brand of Gola in Hong Kong, Macau and the Mainland China; the exclusive footwear distributor of the U.S. brand of Harley-Davidson in Hong Kong as well as the exclusive footwear and apparel distributor of the U.S. brand of K•Swiss in the Mainland China.

During the period under review, the Group took full advantage of strengths and market recognition of our brands, Mirabell, Joy & Peace, Geox, Fiorucci and Inshoesnet, to provide our customers with high quality and trendy products and successfully accomplished an elevation in the high-end brand position in the marketplace. The Group achieved a steady growth in the turnover and operating profit in the local market. The turnover and operating profit increased to HK$295.15 million and HK$23.64 million, respectively. At the end of October 2005, the Group operated 96 retail outlets in Hong Kong and Macau.

(b) Mainland China market

The booming economy in the Mainland China and the increasing gross national income have generated great demand for trendy and high quality footwear products. During the period under review, the Group actively expanded the Mainland China business by opening additional retail outlets and strived for increasing the market share. To capture the huge business opportunities, the Group has been expanding the market coverage of our retail outlets to second tier cities. For store opening in new regions, initial set up costs as well as advertisement costs arisen from increased marketing and promotion activities are particularly high. Consequently, the operating profit recorded a decrease during the period under review.

The turnover of the Mainland China market increased to HK$103.88 million whereas the operating profit decreased to HK$6.22 million.

The Group has been actively developing the Mainland China market for years and has established 159 retail outlets at the end of October 2005 located in Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin, Dalian, Chengdu, Chongqing, Zhuhai, Xi'an, Wuhan, Wuxi, Ningbo, Dongguan, Harbin, Shijiazhuang and Panyu under the brands of Mirabell, Joy & Peace, Innet, Caterpillar, Merrell, K•Swiss and Fiorucci. In addition, there were 68 franchised retail outlets under the brand of Joy & Peace.

(c) Taiwan market

The Group opened the first Fiorucci retail outlet in Taiwan in April 2005. At the end of October 2005, we had 9 Fiorucci retail outlets in Taiwan. The initial market response is encouraging. The management will review the expansion plan from time to time.

(d) Associate of the Group

Best Quality Investments Limited ("Best Quality"), a company incorporated in Samoa, is a Group's associate in which the Group holds 30% interests. On 12 September 2005, Belle International Holdings Limited ("Belle International") issued new redeemable ordinary shares to companies owned by certain persons with expertise in retail management in the PRC and institutional investors. As a result of the new issue, the equity interest of Best Quality in Belle International has been diluted from 100% to approximately 20%. On the same day, Best Quality declared a dividend, which was paid on 13 September 2005. The Company paid a special dividend of HK10 cents per ordinary share on 26 October 2005 after consideration of, among other things, the dividend of HK$54,000,000 received from Best Quality. The Group had given guarantees in relation to general banking facilities granted to certain subsidiaries of Belle International. They mainly represent the Group's then pro-rated share of the guarantees granted in accordance with its interest in Best Quality. The Company has been informed that Belle International and its subsidiaries (the "Belle Group") intend to negotiate with banks to reduce the amount of such guarantees so that they will only represent the Group's indirect percentage interest in the Belle Group after the new issue of shares by Belle International.

(e) Prospects

Despite the recent interest rate rises and oil price volatility, the economy of Hong Kong further improves progressively and consumer confidence remains high. The opening of Hong Kong Disneyland in September 2005 attracts more tourists and stimulates the entire economy of Hong Kong particularly in the tourism and retail sectors. However, the increases in rental and salary expenses in the Hong Kong and Macau market pose high pressure and great challenge to retailers. The management is of the view that the rentals in tourist areas have reached an unreasonable level and believes such level could not be maintained persistently. We expect the rentals in tourist areas will commence going down to a reasonable level from the mid of 2006. The Group will cautiously review the expansion pace and tighten cost controls aiming at achieving steady business growth in the local market.

The continuous economic growth in the Mainland China boosts the demand for trendy and high quality footwear products. With the keen competition in the Mainland China, the management will closely monitor the market response and take cautious steps in growing the business. After the last year's rapid growth in the number of retail outlets in the Mainland China, the Group would slow down slightly the expansion pace and focus on store performance improvement and cost controls to enhance operating profit advancement. Apart from the retail business, the Group will further develop the wholesale business in the Mainland China shortly by signing distribution agreements with the retailers in major cities of the Mainland China.

To cope with the market response and assess business opportunities and potential of assorted brands of the Group, the management plans to further expand the business in Taiwan.

Looking ahead, the Group will focus on increasing market share in the highly competitive Greater China region. The management plans to strengthen the retail networks in the Mainland China and Taiwan as a major drive for business expansion. The Group will continue to strive for improvements in all business areas so as to further increase our competitive advantage in the marketplace. In light of the positive economic outlook in the Greater China region, the management is cautiously optimistic about the business performance of the Group in the second half of the financial year.

DEALINGS IN THE COMPANY'S LISTED SHARES

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

CORPORATE GOVERNANCE

The Company is committed to building and maintaining high standards of corporate governance. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with certain deviations as mentioned below, throughout the period under review.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Both roles of the Company are at present performed by Mr Tang Wai Lam holding the positions of Chairman and Managing Director.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Non-executive directors of the Company were not appointed for a specific term. In accordance with the Articles of Association of the Company, at each annual general meeting, a specified proportion of the directors (other than the Managing Director) for the time being shall retire from office by rotation.

Code Provision B.1.1 stipulates that issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A remuneration committee was formed on 17 October 2005 with terms of reference no less exacting than those stipulated in the code provisions of the CG Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Following a specific enquiry, each of the directors confirmed that he complied with the code of conduct regarding directors' securities transactions throughout the period under review.

AUDIT COMMITTEE

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal control and risk evaluation. The Audit Committee comprises three independent non-executive directors, namely Mr Lee Kin Sang, Mr Chan Ka Sing, Tommy and Mr Ng Chun Chuen, David. One meeting was held during the period under review.

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 information for the six months ended 31 August 2005. It has also reviewed the compliance with the CG Code by the Company.

REMUNERATION COMMITTEE

The Remuneration Committee makes recommendations to the Board on the policy and structure of the Company for all remuneration of directors and senior management. The Remuneration Committee comprises three independent non-executive directors, namely Mr Chan Ka Sing, Tommy, Mr Lee Kin Sang and Mr Ng Chun Chuen, David and two executive directors, namely Mr Tang Wai Lam and Mr Tang Keung Lam.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend in respect of the financial year ending 28 February 2006 of HK3.0 cents (2005: HK2.5 cents) per ordinary share. The interim dividend will be paid on 16 December 2005 to members whose names appear on the Register of Members of the Company on 9 December 2005.

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 7 December 2005 to 9 December 2005, 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 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 6 December 2005.

On behalf of the Board
TANG WAI LAM
Chairman

Hong Kong, 21 November 2005

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."