MIRABELL INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1179)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2007

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 28 February 2007, together with the comparative figures for the previous year, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Turnover	2	**934,225**	866,238
Cost of sales	3	**(377,503)**	(360,385)
Gross profit		**556,722**	505,853
Other income	2	**5,298**	4,614
Other gains, net		**4,701**	2,236
Distribution and selling costs	3	**(399,157)**	(359,541)
Administrative expenses	3	**(106,590)**	(98,666)
Operating profit		**60,974**	54,496
Finance costs	4	**(2,199)**	(2,321)
Share of profit of an associate	8	**58,002**	19,713
Profit before income tax		**116,777**	71,888
Income tax expense	5	**(11,315)**	(6,391)
Profit attributable to equity holders of the Company		**105,462**	65,497
Earnings per share (expressed in HK cents per share)			
– Basic	6	**41.4 cents**	25.7 cents
– Diluted	6	**41.0 cents**	25.7 cents
Dividends	7	**3,818**	47,088

CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2007

	Note	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**39,638**	41,251
Investment properties		**56,460**	53,448
Leasehold land and land use rights		**15,697**	17,704
Intangible assets		**14,905**	13,321
Interest in an associate	*8*	**864,389**	59,343
Rental deposits		**24,735**	29,727
Non-current deposits		**–**	10,702
Deferred income tax assets		**9,900**	7,965
		1,025,724	233,461
Current assets			
Inventories	*9*	**182,052**	154,148
Trade receivables	*10*	**80,646**	70,231
Other receivables, deposits and prepayments		**49,008**	30,010
Taxation recoverable		**3,770**	1,687
Cash and cash equivalents		**108,246**	114,891
Derivative financial instruments		**–**	80
		423,722	371,047
Current liabilities			
Trade payables	*11*	**48,666**	42,234
Other payables and accrued charges		**69,420**	60,384
Taxation payable		**8,814**	6,565
Short-term bank borrowings		**25,008**	47,817
		151,908	157,000
Net current assets		**271,814**	214,047
Total assets less current liabilities		**1,297,538**	447,508
Non-current liabilities			
Other non-current liabilities		**11,514**	8,107
Deferred income tax liabilities		**1,697**	1,338
		13,211	9,445
Net assets		**1,284,327**	438,063
Equity			
Share capital		**25,453**	25,453
Other reserves		**871,003**	112,384
Retained earnings			
– Proposed final dividend		**–**	13,999
– Others		**387,871**	286,227
Total equity		**1,284,327**	438,063

Notes:

1. Basis of preparation

The consolidated financial statements of Mirabell International Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investments properties, which are carried at fair value.

(a) Amendment to published standards effective in 2006

HKAS 39 and HKFRS 4 (Amendment), "Financial guarantee contracts", effective for annual periods beginning on or after 1 January 2006. This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on the Group's financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods. The Group has started considering their potential impact. Based on the preliminary assessment, the Group believes that the adoption of these standards, amendments and interpretations to existing standards, if applicable, will not result in substantial changes to the Group's accounting policies. The Group has not early adopted these standards, amendments and interpretations to existing standards, if applicable, in the financial statements for the year ended 28 February 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC)-Int 8	Scope of HKFRS 2 [3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [6]
HK(IFRIC)-Int 12	Service Concession Arrangements [7]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

(c) Standards, amendments and interpretations effective in 2006 but not relevant for the Group's operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRSs 1 & 6 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies

2. Turnover, other income and segment information

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

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**934,225**	866,238
Other income		
Royalty income	**4,375**	3,694
Interest income	**920**	917
Others	**3**	3
	5,298	4,614
Total	**939,523**	870,852

Primary reporting format – geographical segments

The Group's business operates in three main geographical areas, namely the Hong Kong and Macau market, the Mainland China market and the Taiwan market.

	Hong Kong and Macau 2007 ***HK$'000***	**Mainland China 2007** ***HK$'000***	**Taiwan 2007** ***HK$'000***	**Total 2007** ***HK$'000***
Gross segment sales	**763,624**	**327,110**	**24,701**	**1,115,435**
Inter-segment sales	**(160,244)**	**(20,966)**	**–**	**(181,210)**
	603,380	**306,144**	**24,701**	**934,225**
Segment results	**30,099**	**37,593**	**(6,718)**	**60,974**
Finance costs				**(2,199)**
Share of profit of an associate	**–**	**58,002**	**–**	**58,002**
Profit before income tax				**116,777**
Income tax expense				**(11,315)**
Profit attributable to equity holders of the Company				**105,462**
Segment assets	**257,328**	**293,911**	**20,148**	**571,387**
Interest in an associate	**–**	**864,389**	**–**	**864,389**
Taxation recoverable				**3,770**
Deferred income tax assets				**9,900**
Total assets				**1,449,446**
Segment liabilities	**76,884**	**73,300**	**4,424**	**154,608**
Taxation payable				**8,814**
Deferred income tax liabilities				**1,697**
Total liabilities				**165,119**
Capital expenditure	**16,645**	**10,067**	**1,459**	**28,171**
Depreciation of property, plant and equipment	**11,395**	**8,586**	**1,867**	**21,848**
Amortisation of leasehold land and land use rights	**1,675**	**332**	**–**	**2,007**
Amortisation of intangible assets	**2,332**	**2,359**	**491**	**5,182**
(Write-back of)/provision for inventory obsolescence	**(1,163)**	**(2,740)**	**993**	**(2,910)**
Provision for impairment of receivables	**–**	**268**	**596**	**864**

	Hong Kong and Macau 2006 *HK$'000*	Mainland China 2006 *HK$'000*	Taiwan 2006 *HK$'000*	Total 2006 *HK$'000*
Gross segment sales	746,034	276,520	11,847	1,034,401
Inter-segment sales	(147,708)	(20,455)	–	(168,163)
	598,326	256,065	11,847	866,238
Segment results	36,418	23,231	(5,153)	54,496
Finance costs				(2,321)
Share of profit of an associate	–	19,713	–	19,713
Profit before income tax				71,888
Income tax expense				(6,391)
Profit attributable to equity holders of the Company				65,497
Segment assets	276,495	248,282	10,736	535,513
Interest in an associate	–	59,343	–	59,343
Taxation recoverable				1,687
Deferred income tax assets				7,965
Total assets				604,508
Segment liabilities	83,477	74,403	662	158,542
Taxation payable				6,565
Deferred income tax liabilities				1,338
Total liabilities				166,445

Capital expenditure	18,374	20,268	5,826	44,468
Depreciation of property, plant and equipment	9,717	7,866	1,130	18,713
Amortisation of leasehold land and land use rights	1,673	332	–	2,005
Amortisation of intangible assets	4,477	1,948	337	6,762
(Write-back of)/provision for inventory obsolescence	(2,103)	2,701	–	598

Secondary reporting format – business segments

The Group's principal activities are retailing, wholesaling and manufacturing of footwear. No business segment information has been prepared by the Group for the years ended 28 February 2006 and 2007 as less than 10% of the Group's turnover and results are attributable to wholesaling and manufacturing.

3. Expenses by nature

	2007 *HK$'000*	2006 *HK$'000*
Auditors' remuneration	**1,569**	1,219
Depreciation of property, plant and equipment	**21,848**	18,713
Amortisation of leasehold land and land use rights	**2,007**	2,005
Amortisation of intangible assets	**5,182**	6,762
Cost of inventories sold	**354,336**	337,484
Loss on disposal of property, plant and equipment	**1,243**	391
Loss on disposal of an investment property	**–**	66
Employee benefit expenses (including directors' emoluments):		
– Wages, salaries and allowances	**149,970**	137,274
– Share-based payments in relation to share options granted to directors and employees	**8,344**	–
– Pension costs	**4,333**	4,143
(Write-back of)/provision for inventory obsolescence	**(2,910)**	598
Provision for impairment of receivables	**864**	–
Operating leases rental in respect of leasehold land and buildings, including contingent rental expenses of HK$93,295,000 (2006: HK$54,082,000)	**228,626**	203,632
Outgoings in respect of investment properties	**172**	144
Others	**107,666**	106,161
Total cost of sales, distribution and selling costs, and administrative expenses	**883,250**	818,592

4. Finance costs

	2007 *HK$'000*	2006 *HK$'000*
Interest on bank loans and overdrafts	**2,199**	2,321

5. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the geographical areas in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

	2007 *HK$'000*	2006 *HK$'000*
Current income tax		
– Hong Kong profits tax	**5,937**	6,790
– Overseas taxation	**4,889**	6,271
– Under/(over)-provision in prior years	**2,065**	(1,032)
Deferred income tax	**(1,576)**	(5,638)
Income tax expense	**11,315**	6,391

6. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**105,462**	65,497
Weighted average number of ordinary shares in issue	**254,530,000**	254,530,000
Basic earnings per share (HK cents per share)	**41.4**	25.7

(b) *Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007
Profit attributable to equity holders of the Company (HK$'000)	**105,462**
Weighted average number of ordinary shares in issue	**254,530,000**
Adjustments for share options	**2,650,000**
Weighted average number of ordinary shares for diluted earnings per share	**257,180,000**
Diluted earnings per share (HK cents per share)	**41.0**

No disclosure of diluted earnings per share for the year ended 28 February 2006 has been made as there was no potential dilutive ordinary shares outstanding during the year.

7. Dividends

	2007	2006
	HK$'000	*HK$'000*
Interim, paid, of HK1.5 cents (2006: HK3.0 cents) per ordinary share	**3,818**	7,636
Special, paid, of Nil (2006: HK10.0 cents) per ordinary share	**–**	25,453
Final, proposed, of Nil (2006: HK5.5 cents) per ordinary share	**–**	13,999
	3,818	47,088

At a meeting held on 21 June 2007, the directors resolved not to recommend a final dividend.

8. Interest in an associate

Movements of interest in an associate are as follows:

	2007	2006
	HK$'000	*HK$'000*
At beginning of year	**59,343**	93,399
Exchange differences	**(436)**	231
Dividends received	**–**	(54,000)
Share of profit	**58,002**	19,713
Other equity movements	**747,480**	–
At end of year	**864,389**	59,343

Best Quality Investments Limited ("Best Quality"), a company incorporated in Samoa, is the Group's associate in which the Group holds 30% interests.

Pursuant to an agreement dated 30 June 2006, Belle International Holdings Limited ("Belle International"), then an associate of Best Quality, agreed to acquire 100% interest in Fullbest Investments Limited and its subsidiaries by the issuance of new ordinary shares of Belle International. As a result of the new issue, Best Quality's equity interest in Belle International was diluted from approximately 20.3% to approximately 17.7%. Accordingly, Belle International became an available-for-sale financial asset of Best Quality, which recorded a gain on deemed disposal of an associate of approximately HK$113,662,000. The Group's share of this gain on deemed disposal amounted to approximately HK$34,099,000.

Based on internal valuation performed by the directors of the Company, the Group's share of the fair value of the available-for-sale financial asset of Best Quality as at 28 February 2007 was approximately HK$864,389,000.

9. Inventories

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**2,873**	4,317
Work in progress	**420**	124
Finished goods	**211,660**	185,518
	214,953	189,959
Less: Provision for inventories	**(32,901)**	(35,811)
	182,052	154,148

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$354,336,000 (2006: HK$337,484,000).

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 28 February 2007, the ageing analysis of the trade receivables was as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**66,785**	68,265
31 – 60 days	**2,540**	1,372
61 – 90 days	**1,638**	149
Over 90 days	**9,683**	445
	80,646	70,231

11. Trade payables

As at 28 February 2007, the ageing analysis of the trade payables was as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**29,367**	37,668
31 – 60 days	**4,929**	477
61 – 90 days	**2,220**	172
Over 90 days	**12,150**	3,917
	48,666	42,234

12. Events after the balance sheet date

(a) On 6 March 2007, share options with rights to subscribe for a total of 5,140,000 shares were granted to certain employees with an exercise price set at HK$5.896 per share (expiry date: 2 April 2014).

(b) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law changes the corporate income tax rate to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, to the carrying value of deferred income tax assets and liabilities as at 28 February 2007. The Group will continue to evaluate the impact as more detailed regulations are announced.

(c) On 1 May 2007, Best Quality declared an interim dividend, which was paid on 8 June 2007. The dividend of HK$21,000,000 was received by the Group.

(d) On 23 May 2007, the shares of Belle International were listed on the Main Board of The Stock Exchange of Hong Kong Limited. Based on the public offer price of HK$6.2 per share, the Group's share of the fair value of the available-for-sale financial asset of Best Quality was approximately HK$2,335,400,000.

(e) On 18 June 2007, Best Quality declared a distribution in specie to its shareholders of all 1,250,000,000 shares in Belle International ("Belle Shares") held by it under which the Group has an entitlement of 375,000,000 shares. On 21 June 2007, the directors of the Company recommended to the shareholders for approval, conditional upon receipt of the Belle Shares from Best Quality, a distribution in specie of 71 Belle Shares for every 50 shares in the Company held by the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year, the Group recorded a turnover of HK$934,225,000, representing an increase of 7.85%, compared with last year. The profit attributable to equity holders of the Company increased by 61.02% to HK$105,462,000.

The Hong Kong and Macau market

The Group was faced with a year full of challenges as well as opportunities. On the one hand, the local economy had been improving progressively evidenced by the soaring stock market, decrease in unemployment rate and increase in consumer sentiment. On the other hand, the number of visitors from the Mainland China was less than expected and the operating costs remained high. The keen market competition posed high pressure and great challenges to us.

To cope with the challenges, the Group reviewed the operational strategies from time to time. The management is of the view that our multi-brand strategy enables the Group not only to target a broader clientele but also to stand out from competitors. During the year, the Group focused on store performance improvement and brand building particularly by means of strengthening product development. In the meantime, the management strived for providing customers with excellent services beyond their expectations. As a result, the retail business in the Hong Kong and Macau market continued to progress steadily during the year. The gross profit margin of the retail business recorded an increase owing to the improved sales of exclusive international brand products. However, the increased gross profit margin was nearly offset by high rental and operational costs.

Because of the keen competition in the marketplace, the wholesale business recorded a decrease in the turnover during the year. At present, we are the exclusive footwear distributor of the US 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 as well as the exclusive footwear, bags and apparel distributor of the UK brand of Gola in Hong Kong, Macau and the Mainland China.

Compared with last year, the turnover increased by 0.84% to HK$603,380,000 whereas the operating profit decreased by 17.35% to HK$30,099,000 in the Hong Kong and Macau market. At the end of May 2007, the Group operated 107 retail outlets in Hong Kong and Macau under the brands of Mirabell, Joy & Peace, Fiorucci, Inshoesnet and Geox.

The Mainland China market
During the year, the business of the Group benefited from the Mainland China's continued growing economy. The management widened the product range by introducing new international brands in order to progressively increase the coverage of the footwear market. For the purposes of enhancing overall performance, the Group ceased the operations of some non-performing retail outlets and opened more counters at prime department stores and shopping malls where turnover rent shall be paid. At the same time, the management maintained a very tight cost control in order to increase the operating profit. In addition, the Group has begun a significant upgrading the management information systems and IT infrastructure so as to increase our business process capability, and inventory and sales management since March 2007.

During the year, the Group achieved growth in the turnover and operating profit in the Mainland China market. Compared with last year, the turnover increased by 19.56% to HK$306,144,000 whereas the operating profit increased by 61.82% to HK$37,593,000. At the end of May 2007, the Group operated 192 retail outlets in Shenzhen, Guangzhou, Shanghai, Beijing, Tianjin, Dalian, Chengdu, Chongqing, Zhuhai, Xi'an, Wuhan, Wuxi, Dongguan, Harbin, Shijiazhuang, Panyu, Shenyang, Huizhou, Foshan, Hangzhou and Nanjing under the brands of Mirabell, Joy & Peace, Innet, Caterpillar, Merrell, Fiorucci and Kokopelli. In addition, there were 108 franchised retail outlets under the brand of Joy & Peace.

The Taiwan market
During the year, market conditions were extremely tough and worsened by the weak consumer sentiment. The economy had been continuing to be sluggish. The turnover increased by 108.50% to HK$24,701,000 whereas the operating loss increased by 30.37% to HK$6,718,000, compared with last year. As the outlook for the market remained uncertain during the year, the management focused on brand awareness, product development, store performance improvement as well as cost control. At the end of May 2007, the Group operated 16 retail outlets under the brand of Fiorucci in Taiwan.

Associate of the Group
Best Quality Investments Limited ("Best Quality"), a company incorporated in Samoa, is the Group's associate in which the Group holds 30% interests. The Company was informed that on 1 September 2006, Belle International Holdings Limited ("Belle International") issued new shares to a company owned by Mr Tang Yiu, who is a cousin of Mr Tang Wai Lam, a director of the Company, as consideration for acquisition of another company owned by Mr Tang Yiu which carries on the business of retailing of sportswear in the PRC. Moreover, the Company was also informed that such acquisition and issue of new shares were the result of commercial negotiations between Belle International and Mr Tang Yiu by reference to the valuation of Belle International and the company being acquired respectively as at 30 June 2006. Best Quality's equity interest in Belle International was diluted from approximately 20.3% to approximately 17.7%. Accordingly, the Company's attributable interest in Belle International was diluted to approximately 5.3%. As Belle International has ceased to be accounted for as an associate in the consolidated financial statements of Best Quality, the consolidated profits or losses of Belle International have ceased to be equity accounted for in the consolidated financial statements of Best Quality.

As a result of the listing of Belle International on the Main Board of The Stock Exchange of Hong Kong Limited on 23 May 2007 and the over-allotment option in respect of Belle International's global offering being exercised in full on 28 May 2007, the Company's attributable interest in Belle International was further diluted to approximately 4.4%.

Outlook
The management is of the view that the continuing decrease in the unemployment rate together with the booming stock market should further stimulate consumer spending in the local market. On the contrary, the management is concerned about the impact from increases in rental and operational costs. As opportunities arise from the continuous arrival of the Mainland tourists and the improvement in the local economy, the Group is confident the business in Hong Kong and Macau.

The Group has laid down solid foundations in the Mainland China market, including but not limited to the expansion of the product range and the strengthening of our operational management, for the next stage of business growth. Leveraging on our competitive advantage, the management aims at driving further business expansion in the Mainland China market. The Group plans to increase the geographical coverage and the market share by opening more retail outlets particularly in the first and second tier cities of the Mainland China.

For the Taiwan market, the Group will be cautious to review the operating strategies from time to time to encounter the rapidly changing economic conditions. In the future, the Group will focus on strengthening brand management and marketing as well as closely monitoring cost control in order to improve the overall performance.

Looking ahead, the management is fully committed to growing business in the Greater China region. The Group will continue to reinforce brand development, pursue continuous product quality improvement and customer service excellence as well as enhance operational effectiveness and efficiency. Having accumulated several years of experience in the Mainland China, the Group is well-positioned to consolidate its foothold and further speeds up the pace of business development there as a major drive of growth. All in all, the management is optimistic about the business in the future.

LIQUIDITY AND FINANCIAL RESOURCES

Working capital of the Group increased from HK$214,047,000 to HK$271,814,000, and the current ratio and quick ratio remained at a steady level of 2.79 and 1.59 times, respectively.

The inventory balance as at 28 February 2007 amounted to HK$182,052,000. Compared with the inventory balance of HK$154,148,000 as at 28 February 2006, an increase was recorded. As at 28 February 2007, the Group had bank balances and cash of HK$108,246,000 and outstanding bank borrowings of HK$25,008,000. During the year, the Group raised new short-term bank loans of HK$70,279,000 for the financing of working capital and short-term bank loans of HK$94,846,000 were settled.

As at 28 February 2007, the gearing ratio of the Group was 0.02 (2006: 0.11) which was calculated on the Group's total borrowings of HK$25,008,000 (2006: HK$47,817,000) and the total equity of HK$1,284,327,000 (2006: HK$438,063,000).

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 28 February 2007, the Group did not employ any financial instrument. 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 28 February 2007, the net book values of land and buildings pledged as security for certain banking facilities available to the Group amounted to approximately HK$10,396,000 (2006: HK$10,856,000).

CONTINGENT LIABILITIES

As at 28 February 2007, the Group did not have any contingent liabilities (2006: HK$31,330,000 in respect of guarantees issued for general banking facilities, of which HK$10,636,000 were utilised, granted to third parties).

HUMAN RESOURCES

As at 28 February 2007, the Group had a total of 1,916 employees. The Group offers a competitive remuneration package to its employees, including insurance and medical benefits. In addition, discretionary bonus and share options may be granted to eligible employees based on the Group's performance and individual performance.

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

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 on The Stock Exchange of Hong Kong Limited, with certain deviations as mentioned below, throughout the year.

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. The Board believes that such appointment has served and is serving the Group well by providing unified leadership and direction and allowing corporate strategies to be developed and implemented more effectively. There is a strong independent element on the Board, which can exercise independent judgement and ensure a balance of power and authority. Throughout the year under review, independent non-executive directors represent more than one-third of the Board and executive directors do not comprise a majority of the Board.

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 all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Details of the deviations were set out in the Corporate Governance Report of the 2005/2006 Annual Report. To ensure stricter compliance with the CG Code, relevant amendments to the Articles of Association were proposed to and approved by shareholders at the Annual General Meeting held on 28 July 2006 (the "2006 AGM"). Following shareholders' resolution passed at the 2006 AGM and the effectiveness of the amendments to the Articles of Association, save as the term of appointment of non-executive directors, the Company fully complies with Code Provisions A.4.1 and A.4.2.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with directors the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of the annual results, related to the preparation of the 2006/2007 annual report.

The figures in respect of this preliminary announcement of the Group's results for the year ended 28 February 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DIVIDEND

The board of directors has resolved not to recommend a final dividend. An interim dividend of HK1.5 cents per share was paid on 18 December 2006.

By Order of the Board
Tang Wai Lam
Chairman

Hong Kong, 21 June 2007

As at the date of this announcement, the Company's executive directors are Mr Tang Wai Lam, Mr Ng Man Kit, Lawrence, Mr Chung Chun Wah and Mr Leung Kelvin Yiu Fai; 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."