

## DIRECTORS' REPORT

The directors present the annual report and audited financial statements for the year ended 31st December, 2000.

### *PRINCIPAL ACTIVITIES*

The Company is an investment holding company. The Group is engaged principally in the manufacture and sale of footwear products. The principal activities of the principal subsidiaries are set out in note 29 to the financial statements.

The Group's turnover for the year ended 31st December, 2000 are set out in note 3 to the financial statements.

### *SUBSIDIARIES AND AN ASSOCIATE*

Details of the Company's principal subsidiaries and the Group's associate at 31st December, 2000 are set out in notes 29 and 13 to the financial statements respectively.

### *RESULTS AND DIVIDENDS*

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 26.

An interim dividend of 3 Hong Kong cents per ordinary share and a total dividend of US\$637,500 for the convertible non-voting preference shares were paid during the year. The directors recommend a final dividend of 1.5 Hong Kong cents per ordinary share for the year ended 31st December, 2000.

### *RESERVES*

Movements in the reserves of the Group and of the Company during the year are set out in note 20 to the financial statements.

# DIRECTORS' REPORT

## *FINANCIAL SUMMARY*

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 54.

## *PROPERTY, PLANT AND EQUIPMENT*

During the year, the Group spent approximately US\$18,776,000 on property, plant and equipment in order to expand the Group's production capacity and related facilities.

In addition, the Group's land use rights and buildings were revalued at 31st December, 2000. Revaluation deficit of approximately US\$157,000 has been charged to the assets revaluation reserve.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## *SHARE CAPITAL AND SHARE OPTIONS*

Details of the authorised and issued share capital of the Company are set out in note 18 to the financial statements.

Details of the Company's share option scheme are set out in note 19 to the financial statements. No share option was granted or exercised during the year.

## *BORROWINGS*

Bank borrowings repayable within one year or on demand are classified under current liabilities in the financial statements. A repayment analysis of bank borrowings is set out in note 17 to the financial statements.

# DIRECTORS' REPORT

## *DIRECTORS*

The directors of the Company during the year and up to the date of this report were:

### **Executive directors:**

Mr. Thomas Wu Chen San (Chairman)  
Mr. Michael Wu Jenn Chang (Deputy Chairman)  
Mr. Jackson Wu Jenn Tzong  
Mr. Arthur Yang Chih Chieh  
Mr. Steven Ho Chin Fa

### **Non-executive director:**

Mr. Yang Hui Kuan

### **Independent non-executive directors:**

Mr. Sanford Kent Dawson  
Ms. Fang Yen Ling  
Mr. John Hamilton McLean

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Arthur Yang Chih Chieh, Mr. Steven Ho Chin Fa and Mr. Sanford Kent Dawson retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The terms of office of non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws.

## *DIRECTORS' SERVICE CONTRACTS*

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 25th September, 1996 and continuing thereafter until terminated by either party giving to the other party a period of advance notice in writing ranging from three to six months.

None of the directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REPORT

### *DIRECTORS' INTERESTS IN SHARES*

At 31st December, 2000, the interests of the directors and their associates in the share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

<b>Name of director</b>	<b>Type of interest</b>	<b>Number of shares</b>
Mr. Thomas Wu Chen San	Corporate	<i>(Note 1)</i>
Mr. Michael Wu Jenn Chang	Corporate	<i>(Note 1)</i>
	Personal	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
	Family <i>(Note 2)</i>	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
Mr. Jackson Wu Jenn Tzong	Corporate	<i>(Note 1)</i>
	Personal	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
	Family <i>(Note 2)</i>	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
Mr. Arthur Yang Chih Chieh	Corporate	<i>(Note 1)</i>
	Family <i>(Note 3)</i>	7,193,970 ordinary shares of the Company

*Note 1:* Mr. Thomas Wu Chen San and his wife, Mrs. Peggy Wu, jointly hold 3,235 shares (16% of the issued share capital); each of Mr. Michael Wu Jenn Chang and Mr. Jackson Wu Jenn Tzong through a company (the entire issued share capital of which is owned by them respectively) holds 6,470 shares (32% of the issued share capital); and Mr. Arthur Yang Chih Chieh and his wife jointly through a company (the entire issued share capital of which is owned by them jointly) hold 474 shares (2% of the issued share capital), of Pegasus Footgear Management Limited which is a substantial shareholder of the Company.

*Note 2:* Each of Mr. Michael Wu Jenn Chang and Mr. Jackson Wu Jenn Tzong is deemed under the SDI Ordinance to have an interest in the said issued capital of Topstair International (Taiwan) Ltd., a subsidiary of the Company, held by their respective wives.

## DIRECTORS' REPORT

### *DIRECTORS' INTERESTS IN SHARES (Continued)*

*Note 3:* Mr. Arthur Yang Chih Chieh is deemed under the SDI Ordinance to have an interest in the said shares held by his wife.

Save as disclosed above, at 31st December, 2000, none of the directors or their associates had any interests in any shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

### *ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES*

Under the Company's share option scheme, details of which are set out in note 19 to the financial statements, certain directors of the Company have personal interests in share options to subscribe for shares in the Company which have been granted to them as follows:

<b>Name of director</b>	<b>Date of grant</b>	<b>Exercise price</b> <i>HK\$</i>	<b>Number of share options outstanding</b> <b>at 1.1.2000</b> <b>and 31.12.2000</b>
Mr. Thomas Wu Chen San	4th January, 1997	0.77	8,000,000
	23rd April, 1999	0.60	8,000,000
Mr. Michael Wu Jenn Chang	4th January, 1997	0.77	6,000,000
	23rd April, 1999	0.60	5,000,000
Mr. Jackson Wu Jenn Tzong	23rd April, 1999	0.60	1,000,000
Mr. Arthur Yang Chih Chieh	4th January, 1997	0.77	1,000,000
	23rd April, 1999	0.60	100,000
Mr. Steven Ho Chin Fa	4th January, 1997	0.77	1,000,000
	23rd April, 1999	0.60	200,000
			<hr/> <b>30,300,000</b> <hr/> <hr/>

## DIRECTORS' REPORT

### *ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES (Continued)*

The options can be exercised at any time for a period of three years commencing on the first anniversary of the date of grant. No share option was granted or exercised during the year.

Other than the share option scheme disclosed above, at no time during the year was the Company, its holding company, fellow subsidiaries, or subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors or their spouses or children under the age of 18 had any right to subscribe for the shares in the Company or had exercised any such right during the year.

### *DIRECTORS' INTERESTS IN CONTRACTS/CONNECTED TRANSACTION*

During the current year, the Group purchased finished goods from its associate, Hi-Tech Pacific Limited, amounting to approximately US\$737,000. Mr. Michael Wu Jenn Chang is a director of this company.

In the opinion of the directors, these transactions were carried out in the ordinary course of business of the Group and on normal commercial terms.

Other than as disclosed above, no contracts of significance to which the Company, its holding company or any of its fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' REPORT

### *SUBSTANTIAL SHAREHOLDERS*

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Number of ordinary shares of the Company held</b>	<b>Percentage of issued ordinary share capital</b> %
Pegasus Footgear Management Limited	468,743,940	65

The details of the directors' interests in Pegasus Footgear Management Limited are disclosed under the section headed "Directors' interests in Shares" above. Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st December, 2000.

### *MAJOR CUSTOMERS AND SUPPLIERS*

The largest customer of the Group accounted for approximately 47% of the Group's turnover. The five largest customers accounted for approximately 88% of the Group's turnover. The aggregate purchases attributable to the Group's five largest suppliers was less than 30% of total purchases.

None of the directors, their associates or any shareholder which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers or suppliers of the Group.

### *PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES*

There was no purchase, sale or redemption of the listed shares of the Company by the Company or any of its subsidiaries during the year.

# DIRECTORS' REPORT

## *CORPORATE GOVERNANCE*

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## *PRE-EMPTIVE RIGHTS*

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

## *AUDITORS*

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'A. H. H.', written over a horizontal line.

*Chairman*

Hong Kong, 22nd March, 2001