

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Group have not changed during the year.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries consisted of the manufacturing and trading of footwear, and property and investment holding.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit before tax by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Turnover		Contribution to profit before tax	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Footwear manufacturing and trading	633,550	484,688	135,723	100,486
Property investment	1,515	2,344	1,515	2,344
	<u>635,065</u>	<u>487,032</u>	<u>137,238</u>	<u>102,830</u>
Other revenue:				
Footwear manufacturing and trading			46,723	42,250
Others			26,354	–
Expenses:				
Distribution costs				
Footwear manufacturing and trading			(16,626)	(11,276)
Administrative expenses				
Footwear manufacturing and trading			(67,375)	(63,880)
Property investment			(67)	(27)
Others			(1,325)	–
Other operating expenses				
Footwear manufacturing and trading			(80,973)	(20,063)
Others			(5,770)	–
Finance costs				
Footwear manufacturing and trading			(467)	(12)
Profit before tax			<u>37,712</u>	<u>49,822</u>



SEGMENTAL INFORMATION *continued*

	Turnover		Contribution to profit before tax	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By geographical area:				
North America:				
United States of America	384,154	249,489	82,296	51,724
Others	34,819	21,754	7,459	4,510
	418,973	271,243	89,755	56,234
Europe	132,314	134,554	28,345	27,896
Asia	39,813	27,041	9,719	7,464
Australia	20,873	40,377	4,472	8,371
Others	23,092	13,817	4,947	2,865
	635,065	487,032	137,238	102,830
Other revenue			73,077	42,250
Expenses:				
Distribution costs			(16,626)	(11,276)
Administrative expenses			(68,767)	(63,907)
Other operating expenses			(86,743)	(20,063)
Finance costs			(467)	(12)
Profit before tax			37,712	49,822

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 60.

The directors recommend the payment of a final dividend of HK\$0.005 per ordinary share in respect of the year, to shareholders on the register of members on 29 May 2001. This recommendation has been incorporated in the financial statements.



REPORT OF THE DIRECTORS

continued

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out as follows:

RESULTS	2000 HK\$'000	Year ended 31 December			
		1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TURNOVER	635,065	<u>487,032</u>	<u>487,465</u>	<u>685,267</u>	<u>709,672</u>
PROFIT/(LOSS) BEFORE TAX	37,712	49,822	43,234	21,142	(90,402)
Tax	(1,828)	<u>(2,143)</u>	<u>(692)</u>	<u>(4,681)</u>	<u>(749)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	35,884	47,679	42,542	16,461	(91,151)
Minority interests	541	<u>630</u>	<u>214</u>	<u>141</u>	<u>(70)</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	36,425	<u>48,309</u>	<u>42,756</u>	<u>16,602</u>	<u>(91,221)</u>
		As at 31 December			
ASSETS AND LIABILITIES	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
TOTAL ASSETS	973,341	736,556	760,609	762,450	296,379
TOTAL LIABILITIES	(271,021)	(166,621)	(178,096)	(162,125)	(246,761)
MINORITY INTERESTS	(13,834)	<u>(14,375)</u>	<u>(22,781)</u>	<u>(30,920)</u>	<u>(5,386)</u>
NET ASSETS	688,486	<u>555,560</u>	<u>559,732</u>	<u>569,405</u>	<u>44,232</u>

Notes:

- (1) The results of the Group for the years ended 31 December 1999 and 2000 are as set out on page 26 of the financial statements. The results for the years ended 31 December 1996, 1997 and 1998 have been extracted from the audited financial statements of the Group for these years.
- (2) The assets and liabilities of the Group as at 31 December 1999 and 2000 are as set out on page 28 of the financial statements. The assets and liabilities of the Group as at 31 December 1996, 1997 and 1998 have been extracted from the audited financial statements of the Group for these years.



SUMMARY OF FINANCIAL INFORMATION *continued*

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group are set out in notes 12 and 13 to the financial statements, respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 16 to the financial statements.

RELATED PARTY TRANSACTIONS

Particulars of the related party transactions are set out in note 31 to the financial statements.

BANK LOAN AND OVERDRAFTS

Details of the bank loan and overdrafts of the Group are set out in note 24 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 26 to the financial statements.

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution were HK\$112,616,000 (1999: HK\$96,751,000). In addition, in accordance with the laws of Bermuda, the Company's share premium account, in the amount of HK\$28,057,000 (1999: HK\$191,000), may be distributed in the form of fully paid bonus shares and the Company's contributed surplus may be distributed in certain circumstances.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$6,000.



SUMMARY OF FINANCIAL INFORMATION *continued*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 89% (1999: 92%) of the total sales for the year and sales to the largest customer included therein amounted to 56% (1999: 63%).

Purchases from the Group's five largest suppliers accounted for less than 30% (1999: less than 30%) of the Group's total purchases for the year.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Chan Ting Chuen
Sze Sun Sun, Tony (redesignated as Deputy Chairman)
Sy Edward D.
Wong Mo Wah, Gordon
Law Wai Chung, Allen
Chang Tsung Yuan

Non-executive directors:

Li Kwok Lung, Alfred Ronald (redesignated as non-executive director)
Chu Hon Pong

Independent non-executive directors:

Tsao Kwang Yung, Peter
Cheng Kar Shing
Lam Ping Cheung

In accordance with the Company's bye-laws, Sze Sun Sun, Tony, Wong Mo Wah, Gordon and Li Kwok Lung, Alfred Ronald will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.



DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2000, the interests of the directors of the Company and their associates in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies ("Model Code") in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

The Company

Name of directors	Notes	Nature of interests	Number of ordinary shares	Number of share options
Chan Ting Chuen	1	Corporate	607,380,000	–
Sze Sun Sun, Tony	1	Corporate	607,380,000	–
Sy Edward D.	2	Personal	–	122,816,207
Law Wai Chung, Allen		Personal	–	10,000,000
Chang Tsung Yuan		Personal	24,000,000	33,000,000
Li Kwok Lung, Alfred Ronald		Personal	10,000,000	–
Chu Hon Pong	3	Corporate	25,000,000	–

Notes:

(1) First Place Limited ("First Place") owned 607,380,000 ordinary shares of the Company. Royal Pacific Limited ("Royal Pacific") and Alexon International Limited ("Alexon International") each held more than one-third of the issued share capital of First Place. Chan Ting Chuen was interested in the entire issued share capital of Royal Pacific and was deemed to be interested in 607,380,000 ordinary shares of the Company held by First Place by virtue of his interests in Royal Pacific.

Sze Sun Sun, Tony was interested in the entire issued share capital of Alexon International and was deemed to be interested in 607,380,000 ordinary shares of the Company held by First Place by virtue of his interests in Alexon International.

(2) The number of share options granted to Sy Edward D. was adjusted from 103,000,000 to 122,816,207 pursuant to the placement and subscription of shares of the Company in March 2000.

(3) Cumena Limited, a company wholly-owned by Chu Hon Pong, owned 25,000,000 ordinary shares of the Company.

Associated Corporation

In addition to the above, as at 31 December 2000, Chang Tsung Yuan had interests in 428,000 non-voting deferred shares of HK\$1 each in a subsidiary of the Company, Liang Shing Industries Limited. The rights and restrictions attaching to these non-voting deferred shares are set out in note 16 to the financial statements.

Save as disclosed above, at 31 December 2000, none of the directors of the Company or their associates had any interests in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the register required to be kept under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

