

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has a share option scheme approved by the shareholders at a special general meeting on 9 February 1995 under which the directors may, on or before 8 February 2005, invite any directors or employees of the Group to take up options to subscribe for shares in the Company. The particulars of the share option scheme are set out in note 26 to the financial statements.

Pursuant to the above share option scheme, details of the share options granted to directors and the options exercised during the year and those remained outstanding as at 31 December 2000 are set out as follows:

Name	At 1 January 2000	Granted during the year	Adjusted during the year	Exercised during the year	At 31 December 2000	Exercise price per share
Sy Edward D.	103,000,000	–	19,816,207*	–	122,816,207	HK\$0.10*
Law Wai Chung, Allen	5,877,678	10,000,000	–	5,877,678	10,000,000	HK\$0.10
	4,122,322	–	–	4,122,322	–	HK\$0.117
Chang Tsung Yuan	55,242,225	33,000,000	–	55,242,225	33,000,000	HK\$0.10

* Adjusted on 31 March 2000 to take into account the placement and subscription of shares of the Company as detailed in note 26.

The options are exercisable at any time for a period of two years commencing on the expiry of six months after the date of grant and expiring on the last day of the said two years' period. The exercise price of options is adjustable in accordance with the provisions of the share option scheme.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 to the financial statements, no director had a significant beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.



BIOGRAPHICAL DETAILS OF DIRECTORS**Executive directors**

Chan Ting Chuen, aged 53, joined the Group in 1997 and was appointed as Chairman of the Company. He has more than 25 years' experience in the construction industry and property development. Mr. Chan is the Chairman of Citylink Holdings Limited, a company engaged principally in property investment and development. He is a non-executive director of Wing Shan International Limited, a company listed on the Stock Exchange. He is actively involved in community services. Mr. Chan is also a director of each of Royal Pacific and First Place, both of which are substantial shareholders of the Company under the SDI Ordinance.

Sze Sun Sun, Tony, aged 49, joined the Group in 1997 and was appointed as Joint Managing Director of the Company but was redesignated as Deputy Chairman on 2 May 2000. He has over 25 years' experience in investment and property development in Hong Kong, mainland China and overseas markets. He has been responsible for supervising industrial projects such as power stations and steel rolling mills. Mr. Sze is a director of each of First Place, Alexon International, Search Pacific Limited ("Search Pacific"), Search Asia Pacific (BVI) Limited ("SAP(BVI)") and Mercantile Diamond Corporation ("MDC"), all of which are substantial shareholders of the Company under the SDI Ordinance.

Sy Edward D., aged 50, joined the Group in 1999 and was appointed as Joint Managing Director but was subsequently redesignated as Managing Director on 2 May 2000. He was formerly Chief Operating Officer of Philippine Commercial International Bank ("PCIB"). Prior to PCIB, Mr. Sy had a long career with Citibank, N.A. from 1974 to 1998 where he held various senior positions including Country Treasurer of Hong Kong, Private Banking Head of Hong Kong, Taiwan and Korea. Mr. Sy received a Bachelor of Science in Industrial Engineering from De La Salle University and a Master of Business Administration from University of California at Los Angeles, U.S.A.

Wong Mo Wah, Gordon, aged 41, joined the Group in 1997 and was appointed an executive director. He holds a Master of Business Administration degree from the University of Southern California. He has over 20 years' experience of securities trading, international property development and investment and holds directorships in a number of private companies in the investment and commercial sector. He has served for over 18 years as one of the senior executives of an international private investment group based in Hong Kong. Mr. Wong is also a director of each of First Place, Search Pacific, SAP(BVI) and MDC, all of which are substantial shareholders of the Company under the SDI Ordinance.

Law Wai Chung, Allen, aged 45, joined the Group in 1997. He has over 20 years' experience in banking, manufacturing, investment and property development and has participated in a number of corporate restructuring and reorganisations. He is the Chairman of one of the prestigious commercial and residential development in Hong Kong. He has been a director and company secretary of a number of listed companies in Hong Kong and is a Fellow of The Hong Kong Institute of Directors. Mr. Law is also a director of First Place, which is a substantial shareholder of the Company under the SDI Ordinance.



BIOGRAPHICAL DETAILS OF DIRECTORS *continued*

Executive directors *continued*

Chang Tsung Yuan, aged 53, joined the Group at its inception in 1990 and is responsible for overseeing the business development and production of the Group. He has more than 25 years' experience in the footwear manufacturing business.

Non-executive directors

Li Kwok Lung, Alfred Ronald, aged 48, joined the Group in 1997 as Deputy Chairman of the Company but was subsequently redesignated as non-executive director on 2 May 2000. He is Chairman of SPS Group, a Hong Kong based financial services group and brokerage house which is also a member of the Stock Exchange, and of the Hong Kong Futures Exchange Limited. Mr. Li is the Chairman of Momentum Technologies (Holdings) Limited, an information technology solution provider that specializes in customer relationship management software in the banking and finance sector in mainland China and Hong Kong. He is also a co-founder of KLM Capital Group, an international venture capital management firm based in the Silicon Valley (California) with regional offices in Austin (Texas) and Hong Kong. He is also a co-founder and consultant to the Hong Kong law firm, Lu, Lai & Li. Mr. Li is a director of First Place, which is a substantial shareholder of the Company under the SDI Ordinance.

Chu Hon Pong, aged 51, was appointed a non-executive director in 1998. He has over 25 years' experience in international trade, manufacturing, business and industrial management. In the early 80's, he was engaged in business in mainland China and was appointed as the factory manager in a joint venture steel factory in Shenzhen, mainland China. In the early 90's, he was the founder of Vietnam Duty Free Industry. He is the personal assistant to Mr. Robert Miller, Chairman of Search Investment Holdings Limited and is also the Managing Director & Chief Executive Officer of American Dream Parks & Entertainment Limited and Vietnam Duty Free Group. Mr. Chu is also a director of each of Search Pacific, SAP(BVI) and MDC, all of which are substantial shareholders of the Company under the SDI Ordinance.

Independent non-executive directors

Tsao Kwang Yung, Peter, aged 67, was appointed an independent non-executive director in 1994. He was the former Secretary for Home Affairs in the Hong Kong Government. He graduated from National College of Food Technology in London in 1960. In 1977, Mr. Tsao was appointed as the special envoy to Geneva and became the head of the Trade and Industry Department in 1979 and 1981, respectively. In 1983, Mr. Tsao headed the Government Information Service, and in 1988 he was appointed as the Secretary for Home Affairs from which post he retired in February 1992. He is currently the Chairman of Prima Consultants Limited and a director of a number of companies in Hong Kong and the United Kingdom and is a Fellow of The Hong Kong Institute of Directors.



BIOGRAPHICAL DETAILS OF DIRECTORS *continued*

Independent non-executive directors *continued*

Cheng Kar Shing, aged 48, was appointed an independent non-executive director in 1997. He holds a Master degree in Engineering from the University of California in Los Angeles. He has been a director of NWD (Hotels Investments) Limited since 1984 and New World Development Co. Ltd. since 1994. Mr. Cheng is now an Executive Director of New World Infrastructure Limited and New World China Land Limited. He is also a director of Macao Water Supply Co. Limited and Polytown Company Limited.

Lam Ping Cheung, aged 49, was appointed an independent non-executive director on 21 May 1999. He is qualified as a solicitor in Hong Kong. He is the founder and senior partner of Messrs. C.L. Chow & Lam, a law firm in Hong Kong. Mr. Lam is also an independent non-executive director of several public listed companies in Hong Kong including Ngai Lik Industrial Holdings Limited, Golden Resources Development International Limited, Kith Holdings Limited, Qualipak International Holdings Limited, Hansom Eastern (Holdings) Limited and China United Holdings Limited.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Notes	Number of ordinary shares	
		Direct interest	Deemed interest
Royal Pacific	1	–	607,380,000
Alexon International	1	–	607,380,000
First Place		607,380,000	–
HSBC Holdings plc	2	–	1,480,680,000
HSBC Finance (Netherlands)	2	–	1,480,680,000
HSBC Holdings B.V.	2	–	1,480,680,000
HSBC Investment Bank Holdings B.V.	2	–	1,480,680,000
HSBC International Trustee Limited	2	–	1,480,680,000
HSBC Trustee (Cayman) Limited	2	–	1,480,680,000
The Mountain Trust Company	2	–	1,480,680,000
Search Investment Office Limited	2	–	1,480,680,000
Search Mezzanine Investment Limited	2	–	1,480,680,000
Search Pacific	2	–	1,480,680,000
SAP(BVI)	2	–	1,480,680,000
MDC		1,480,680,000	–



SUBSTANTIAL SHAREHOLDERS *continued*

Notes:

- (1) First Place owned 607,380,000 ordinary shares of the Company. Royal Pacific and Alexon International each held more than one-third of the issued share capital of First Place.

Accordingly, Royal Pacific and Alexon International were deemed to be interested in the 607,380,000 ordinary shares in the Company held by First Place.

These interests have also been disclosed as corporate interests of Chan Ting Chuen and Sze Sun Sun, Tony, respectively in the section headed "Directors' interests in securities" above.

- (2) MDC, a wholly-owned subsidiary of SAP(BVI), held 1,480,680,000 ordinary shares of the Company. SAP(BVI) was a wholly-owned subsidiary of Search Pacific. Search Mezzanine Investment Limited ("Search Mezzanine"), a wholly-owned subsidiary of Search Investment Office Limited ("Search Investment"), owned more than 33.5% of the issued share capital of Search Pacific. The Mountain Trust Company ("Mountain Trust") owned the entire issued share capital of Search Investment.

By virtue of HSBC Trustee (Cayman) Limited ("HTCL") being the trustee of a discretionary trust, HTCL was taken to be interested in the 1,480,680,000 ordinary shares of the Company held by MDC. HTCL was a wholly-owned subsidiary of HSBC International Trustee Limited ("HKIT"), which in turn was a wholly-owned subsidiary of HSBC Investment Bank Holdings B.V. ("HSBC Investment"). HSBC Investment was a wholly-owned subsidiary of HSBC Holdings B.V. ("HSBC Holdings"). HSBC Holdings was a wholly-owned subsidiary of HSBC Finance (Netherlands) ("HSBC Finance"), which in turn was a wholly-owned subsidiary of HSBC Holdings plc.

Accordingly, SAP(BVI), Search Pacific, Search Mezzanine, Search Investment, Mountain Trust, HTCL, HKIT, HSBC Investment, HSBC Holdings, HSBC Finance and HSBC Holdings plc were deemed to be interested in the 1,480,680,000 ordinary shares of the Company held by MDC.

Save as disclosed above, at 31 December 2000, no person, other than directors of the Company and the companies controlled by them, whose interests are set out under the section headed "Directors' interests in securities", had registered as having an interest of 10% or more in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PROVIDENT FUND

Details of the provident fund of the Group and the employer's provident costs charged to the profit and loss account for the year are set out in notes 2 and 4 to the financial statements, respectively.



USE OF PROCEEDS

The remaining balance of HK\$220,635,000 of the net proceeds of HK\$381,885,000 from the rights issue of 2,817,032,708 of the Company's shares on 10 November and 13 November 1997, were held as time deposits with banks for the construction of factory premises and the acquisition of plant and machinery.

All net proceeds of approximately HK\$109,017,000 from the placement and subscription of the Company's shares in March 2000 were used by the Group for general working capital purposes.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 32 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation at the annual general meeting in accordance with the provisions of the Company's bye-laws. The Company has appointed four non-executive directors of the Company as members of the Audit Committee. It was established in December 1998 to assist the board of directors in fulfilling its duties by providing review and supervision of the Company's financial reporting process and internal controls.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Chan Ting Chuen

Chairman

Hong Kong
11 April 2001

