

**BUSINESS REVIEW AND PROSPECTS** *(Continued)*

In July 2002, the Group acquired a Japan listed footwear distributor, Secaicho Corporation, at a consideration of more than US\$5 million by way of new issue of shares. This company is of over 80 years' history, and owns enormous sales network in Japan, as well as its own brand name Topaz, and was authorized sales brand names such as Elle and Champion. Secaicho becomes the Group's strategic partner in Japan and obtained syndicate effect, which enables the Group effectively explore the footwear market of Japan, and the Group with Secaicho will be agent for overseas brand names for sales in Japan and the Asian Region.

**LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th June 2002, the Group's total assets is US\$155,171,000, including current liabilities of US\$37,660,000, long term liabilities of US\$12,131,000 and shareholders' fund of US\$105,379,000. The current ratio was approximately 1.62 times and the ratio of total bank borrowings to shareholders' fund was 26%. The Group services its debts primarily through cashflow generated from its operation. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion.

**DIRECTORS' INTERESTS IN SHARES**

At 30th June, 2002, 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>Nature of interest</b>	<b>Number of shares</b>
Mr. Thomas Wu Chen San	Personal	<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

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

*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.

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

Save as disclosed above, at 30th June, 2002, 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, 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 directors</b>	<b>Date of grant</b>	<b>Exercise price per share HK\$</b>	<b>Number of share options outstanding at 1st January, 2002 and 30th June, 2002</b>
Mr. Thomas Wu Chen San	23rd April, 1999	0.60	8,000,000
Mr. Michael Wu Jenn Chang	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	23rd April, 1999	0.60	100,000
Mr. Steven Ho Chin Fa	23rd April, 1999	0.60	200,000
			14,300,000

The options can be exercised at any time for a period of three years commencing on the first anniversary of the date of grant.

Other than the share option scheme disclosed above, at no time during the period 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 period.