

Directors' Report

The directors present the annual report and audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is engaged principally in the manufacture and sale of footwear products. The activities of its principal subsidiaries, associates and a jointly controlled entity are set out in notes 11, 12 and 13, respectively, to the financial statements.

ADOPTION OF A CHINESE NAME

Pursuant to a special resolution passed on 23rd May, 2002, the Chinese name “創信國際控股有限公司” was adopted as the Company's official Chinese name for the purpose of registration in Hong Kong.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 18.

An interim dividend of 1 Hong Kong cent per ordinary share amounting to US\$931,000 was paid during the year. The directors now recommend a final dividend of 1 Hong Kong cent per ordinary share amounting to US\$931,000 for the year ended 31st December, 2002 and the retention of the remaining profit for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note [10] to the financial statements.

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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

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Michael Wu Jenn Chang and Mr. Jackson Wu Jenn Tzong 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 determinable by the Group within one year without payment of compensation, other than statutory compensation.

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DIRECTORS' INTERESTS IN SHARES

At 31st December, 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:

Name of director	Nature of interest	Number of shares
Mr. Thomas Wu Chen San	Personal	(Note 1)
Mr. Michael Wu Jenn Chang	Corporate	(Note 1)
	Personal	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
	Family (Note 2)	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
Mr. Jackson Wu Jenn Tzong	Corporate	(Note 1)
	Personal	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
	Family (Note 2)	1,000 ordinary shares of Topstair International (Taiwan) Ltd.
Mr. Arthur Yang Chih Chieh	Corporate	(Note 1)
	Family (Note 3)	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.

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, 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.

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SHARE OPTIONS

Details of the Company's share option scheme are set out in note 20 to the financial statements.

The following table discloses the details of the Company's share options outstanding at 31st December, 2002:

Directors	Date of grant	Exercisable period	Exercise price per share <i>HK\$</i>	Number of share options outstanding at 1.1.2002 and 31.12.2002
Mr. Thomas Wu Chen San	23.4.1999	23.4.2000 to 22.4.2003	0.60	8,000,000
Mr. Michael Wu Jenn Chang	23.4.1999	23.4.2000 to 22.4.2003	0.60	5,000,000
Mr. Jackson Wu Jenn Tzong	23.4.1999	23.4.2000 to 22.4.2003	0.60	1,000,000
Mr. Arthur Yang Chih Chieh	23.4.1999	23.4.2000 to 22.4.2003	0.60	100,000
Mr. Steven Ho Chin Fa	23.4.1999	23.4.2000 to 22.4.2003	0.60	200,000
				<hr/>
				14,300,000
Employees	23.4.1999	23.4.2000 to 22.4.2003	0.60	300,000
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Total				<u>14,600,000</u>

No share options were granted or exercised during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme disclosed above, at no time during the year was the Company, its holding company, 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 and 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.

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DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company, its holding company or any of its 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2002, 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 of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares of the Company held	Percentage of issued ordinary share capital %
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, 2002.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group accounted for approximately 51% of the Group's turnover. The five largest customers accounted for approximately 86% of the Group's turnover. The aggregate purchases attributable to the Group's five largest suppliers were 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 of the Group.

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CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2002 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 'K. H. A.', written in a cursive style.

Chairman

Hong Kong, 15th April, 2003