



The Directors present their report together with the audited accounts for the year ended 28 February 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the Group's performance for the year by geographical and business segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2003 are set out in the consolidated profit and loss account on page 23.

The Directors do not recommend the payment of any dividend in respect of the year ended 28 February 2003 (2002: Nil).

FINANCIAL SUMMARY

The financial summary of the Group is set out on page 60.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 22 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 11 to the accounts.



DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Lee Tze Bun, Marces (<i>Chairman</i>)	(appointed on 18 October 2002)
Wan Tat Wah, Eddie (<i>President</i>)	(appointed on 17 February 2003)
Chui Kwan Ho, Jacky (<i>Managing Director</i>)	
Tsui Oi Kuen, Doris	(appointed on 18 October 2002)
Lau Shun Wai, Alice	(appointed on 29 November 2002)
Chan Kui Tim, Jimmy	(resigned on 29 November 2002)
Yiu Chun Kit, Kelvin	(resigned on 2 December 2002)
Lam Sing Hung, Danny	(resigned on 6 May 2003)

Independent Non-executive Directors

Wong Kong Chi	
Law King Wan	(appointed on 29 November 2002)
Barry John Buttifant	(resigned on 29 November 2002)

In accordance with bye-laws 86(2) and 169(2) of the Company's Bye-laws, Ms. Tsui Oi Kuen, Doris retires at the forthcoming annual general meeting and, being eligible, offer herself for re-election.

DIRECTORS' SERVICE CONTRACTS

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



DIRECTORS, SENIOR MANAGEMENT BIOGRAPHIES

Executive Directors

Lee Tze Bun, Marces, aged 70, is the founder of the Group and Chairman of the Company. Mr. Lee has more than 20 years of experience in the shoes retailing business and has established strong and extensive business relation with shoe suppliers in Italy.

Wan Tat Wah, Eddie, aged 49, is President and Executive Director of the Group. Mr. Wan joined the Group in February 2003 and has over 20 years of experience in garment trading and retail business. Prior to joining the Group, he was Chief Operation Officer of Esprit and involved extensively in store operations and merchandising in Asia.

Chui Kwan Ho, Jacky, aged 39, is the Managing Director of the Group and Chief Executive Officer of Maior Ltd. She is responsible for shoes manufacturing operation and export business of the Group.

Tsui Oi Kuen, Doris, aged 47, is Executive Director of the Group. She first joined the Group in 1979 and has over 20 years of Hong Kong retail and management experience. She left the Group in 2001 and returned to the Group in 2002. She is responsible for monitoring the Group's retailing, human resources, warehouse and administration functions.

Lau Shun Wai, Alice, aged 32, joined the Group in 1992. In November 2002, she has been appointed as Executive Director of the Group. She is responsible for Hong Kong and Mainland China's marketing and merchandising planning. Ms. Lau obtained her MBA in Financial Management in England. She has 10 years of merchandising and marketing experience.

Independent Non-Executive Directors

Wong Kong Chi, aged 45, is a qualified accountant and has substantial experience in merchant banking. He also acts as independent non-executive director of several listed companies in Hong Kong. He joined the Group in 1994.

Law King Wan, aged 67, is Director of Sun Hung Kai Properties Limited, first joined the Group in 1992 and has over 30 years of experience in sales and marketing of properties. He left the Group in February 2002 and re-joined the Group in November 2002.



SENIOR MANAGEMENT

Lee Wing Kam, Jackie, aged 42, joined the Group in 1984. In August 1999, she has been appointed as Assistant General Manager of Shunde Shuang Qiang Property Development Company Limited, responsible for real estate business in Mainland China.

Chu Tsui Lan, Jackie, aged 33, joined the Group in 1992. In March 2002, she has been appointed as Regional Retail Manager of the Group. She has over 11 years of retail experience in Hong Kong and Mainland China and is responsible for Mainland China retail business operations.

Mak Ping Fai, Mike, aged 37, holds a BBA degree, joined the Group in 1992. Mr. Mak serves as Group Human Resources Manager and is responsible for human resources and training functions.

Lau Yin Wan, Boogie, aged 38, joined the Group in January 2003 as Financial Controller and Company Secretary. Ms. Lau has over 13 years of experience in auditing, accounting and financial management. She is a member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

PARTICULARS OF SHARES HELD BY DIRECTORS

As at 28 February 2003, the interests of the Directors and chief executives in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register maintained under Section 29 of the SDI Ordinance were as follows:

Name of Directors	Number of shares of HK\$0.10 each of the Company			Total
	Personal Interests	Family Interests	Other Interests	
Mr. Lee Tze Bun, Marces ("Mr. Lee")	35,670,000	30,000,000 <i>(note 1)</i>	255,000,000 <i>(notes 2, 3 & 4)</i>	320,670,000
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	2,500,000	-	50,000,000 <i>(note 4)</i>	52,500,000
Mr. Lam Sing Hung, Danny*	1,380,000	-	-	1,380,000
Ms. Tsui Oi Kuen, Doris	1,856,000	-	-	1,856,000
Ms. Lau Shun Wai, Alice	-	150,000 <i>(note 5)</i>	-	150,000

* Mr. Lam resigned as Director of the Company with effect from 6 May 2003.



PARTICULARS OF SHARES HELD BY DIRECTORS *(Continued)*

Notes:

1. Madam Ho Fai Yee ("Mrs. Lee"), wife of Mr. Lee, is the legal and beneficial owner of 30,000,000 shares and Mr. Lee is deemed to be interested in such number of shares in the Company.
2. Lee Tze Bun Trustee Holding Corporation ("LTB Trustee") in the capacity as trustee of a unit trust called The Lee Tze Bun Unit Trust ("LTB Trust") holds 155,000,000 shares, representing approximately 34.55% of the issued share capital of the Company. Mr. Lee is the appointor of the LTB Trust and all units in the LTB Trust (other than one unit which is beneficially owned by Mr. Lee) are beneficially owned by The Lee Keung Family Trust ("Lee Family Trust"), a discretionary trust.
3. Lee Keung Trustee Holding Corporation ("LK Trustee") in the capacity as trustee of a unit trust called The Lee Keung Unit Trust ("LK Trust") holds 50,000,000 shares, representing approximately 11.15% of the issued share capital of the Company. Mr. Lee is the appointor of the LK Trust and all units of the LK Trust (other than one unit which is beneficially owned by Mr. Lee) are beneficially owned by the Lee Family Trust.
4. Mr. Lee and Ms. Chui in their capacity as trustees of The Lee Keung Charitable Foundation ("Charitable Foundation") jointly hold 50,000,000 shares, representing approximately 11.15% of the issued share capital of the Company.
5. 150,000 shares were owned by husband of Ms. Lau Shun Wai, Alice and therefore Ms. Lau Shun Wai, Alice is deemed to be interested in such number of shares in the Company.

At the balance sheet date, Mr. Lee and Mrs. Lee, beneficially owned 18,000 and 2,000 non-voting deferred shares respectively in L.S. Retailing Limited, a wholly owned subsidiary of the Company.

Other than the holdings disclosed above and the Old Scheme and New Scheme described under the heading "Share Option Scheme" as hereinafter mentioned, (a) at no time during the year was the Company, its holding company or any of its 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 (b) none of the Directors or their spouse or children under 18 years of age, had any rights to subscribe for shares of the Company, or had exercised any such right during the year.

Save as disclosed above, none of the Directors nor their associates had any interests in any securities of the Company or any of its associated corporation as defined in the SDI Ordinance as at 28 February 2003.



SUBSTANTIAL SHAREHOLDERS

At the balance sheet date, according to the register of interests required to be kept by the Company under section 16(1) of the SDI Ordinance, the shareholders who were interested in 10% or more of the issued share capital of the Company were as follows:

Name	Number of shares
LTB Trustee as trustee of the LTB Trust	155,000,000
LK Trustee as trustee of the LK Trust	50,000,000
Mr. Lee and Ms. Chui as trustees of The Charitable Foundation	50,000,000

Save as disclosed above, as at 28 February 2003, according to the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance, so far as the Directors were aware, there were no persons who directly or indirectly, held or were interested in 10% or more of the Company's issued share capital.

PRE-EMPTIVE RIGHTS

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.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the connected transactions as detailed below, no contracts of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company 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.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following transactions with "connected persons" for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"):

The Group rented a shop located in Macau from Mr. Lee, a substantial shareholder and Director of the Group, as retail outlet in Macau. The gross floor area rented is approximately 1,120 sq.ft. and rental expenses for the year is HK\$1,200,000.

The Group received rental income of HK\$192,000 for leasing its investment property located in Hong Kong to Fornari International Limited, of which Mr. Lee was a shareholder. The amount of the aforesaid rental was mutually agreed by the parties.

These connected transactions are also related party transactions (see also note 27 to the accounts).



SHARE OPTION SCHEME

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company terminated the share option scheme adopted by the Company on 20 November 1992 (the "Old Scheme") and approved to adopt a new share option scheme (the "New Scheme") in compliance with the new requirements of Chapter 17 of the Listing Rules.

The Old Scheme

The Old Scheme was maintained by the Company under which eligible employees of the Group, including Executive Directors of the Company, might be granted options to subscribe for shares in the Company (the "Shares"). The Old Scheme was designated to act as an incentive to employees and executives of the Group. The maximum entitlement of each participant was 25 per cent. of the aggregate number of Shares issued or issuable under the Share Option Scheme. The maximum number of Shares in respect of options might be granted (together with options exercised and options then outstanding) under the Scheme and any other Share Option Schemes of the Company would not be 10 per cent. of the issued share capital of the Company from time to time excluding Shares issued under the Share Option Scheme. The subscription price was determined by the Board of Directors of the Company but was not less than 80 per cent. of the average closing prices of the Shares on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of an option or the nominal value of the Share, whichever was higher. Each share option entitles the holder to subscribe for one share of HK\$0.10 each in the Company at a predetermined price. The cash consideration to be paid for each grant of option is HK\$1.00, with full amount of the subscription price for the Shares to be made upon exercise of an option.



SHARE OPTION SCHEME (Continued)

The Old Scheme (Continued)

As at 28 February 2003, details of the outstanding share options granted to and accepted certain directors under the Old Scheme are as follows:

Name of Director	Date of share options granted & accepted	Number of shares in respect of share options			Outstanding at 28 February 2003	subscription price per share	Exercisable period
		Outstanding at 1 March 2002	Exercised during the year	Lapsed during the year			
Ms. Chui Kwan Ho, Jacky	19 August 1994	600,000	-	-	600,000	HK\$0.767	19 August 1995- 18 August 2004
	8 February 1996	750,000	-	-	750,000	HK\$0.67	8 February 1997- 7 February 2006
Mr. Lam Sing Hung, Danny * ("Mr. Lam")	8 February 1996	500,000	-	-	500,000	HK\$0.67	8 February 1997- 7 February 2006
Ms. Tsui Oi Kuen, Doris ** ("Ms. Tsui")	19 August 1994	500,000	-	500,000	-	HK\$0.767	19 August 1995- 28 May 2002
Ms. Lui Miu Lan, Winnie *** ("Ms. Lui")	19 August 1994	600,000	-	600,000	-	HK\$0.767	19 August 1995- 1 March 2002
	8 February 1996	600,000	-	600,000	-	HK\$0.67	8 February 1997- 1 March 2002

* Mr. Lam resigned as Director of the Company with effect from 6 May 2003.

** Ms. Tsui resigned as Director of the Company with effect from 1 December 2001 and was re-appointed on 18 October 2002.

*** Ms. Lui resigned as Director of the Company with effect from 1 December 2001.

Under the Old Scheme, these share options are exercisable 12 months on or after dates of acceptance and will expire on the 10th anniversary from dates of acceptance. Upon resignation of two executive directors, options granted on 19 August 1994 and 8 February 1996 for holders to subscribe for 1,100,000 and 600,000 ordinary shares of the Company at a subscription price of HK\$0.767 and HK\$0.67 per share respectively were cancelled in the year. No options were exercised during the year.

The Old Scheme was terminated without prejudice to the rights and benefits of and attached to those outstanding options that have been granted. No further options will be offered upon termination of the Old Scheme.



SHARE OPTION SCHEME *(Continued)*

The New Scheme

The purpose of the New Scheme is to enable the Board to grant options to selected Eligible Persons (Note 1) as incentives or rewards for their contribution or potential contribution to the Group. The maximum number of Shares that may be issued upon exercise of all options to be granted under the New Scheme shall not in aggregate exceed 10 per cent. of the Shares in issue as at 22 July 2002, the adoption date of the New Scheme. The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share options schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As at the balance sheet date, a total of 44,861,960 shares, which represents 10% of the issued share capital of the Company, are available for issue under the New Scheme.

The maximum number of Shares issued and to be issued upon exercise of options granted under the New Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of option in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the New Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed 10 years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted). The minimum period for which an option must be held before it can be exercised is determined by the Board of Directors upon the grant of an option.

The amount payable on acceptance of an option is HK\$1.00. The full amount of the exercise price for the subscription of Shares must be paid upon exercise of an option.

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the Eligible Person), which must be a business day; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

The New Scheme will remain in force until 21 July 2012. No option were granted under the New Scheme to the Eligible Persons during the year.



SHARE OPTION SCHEME *(Continued)*

The New Scheme *(Continued)*

(Note 1):

"Eligible Person"

means:

- (i) (a) any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) of, or
- (b) any individual for the time being seconded to work for, any member of the Group or any Controlling Shareholder (Note 2) or any company controlled by a Controlling Shareholder; or
- (ii) any holder of any securities issued by any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder; or
- (iii) (a) any business or joint venture partner, contractor, agent or representative of,
- (b) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to,
- (c) any supplier, wholesaler, retailer of goods or services to,
- (d) any customer, licensee (including any sub-licensee) or distributor of goods or services of, or
- (e) any landlord or tenant (including any sub-tenant) of, any member of the Group or any Controlling Shareholder or a company controlled by a Controlling Shareholder;

and, for the purposes of the New Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants.

(Note 2):

"Controlling Shareholder"

any person who has the power, directly or indirectly, to secure:

- (i) by means of the holding of shares entitling him to exercise or control the exercise of 30% (or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company, or
- (ii) by means of controlling the composition of a majority of the Board, or
- (iii) by virtue of any powers conferred by the constitutional document of the Company or any other corporation,

that the affairs of the Company are conducted in accordance with the wishes of such person.

ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

Except for the Share Option Scheme, at no time during the year was the Company or its 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.



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 30% of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

- | | |
|-----------------------------------|-----|
| - the largest supplier | 26% |
| - five largest suppliers combined | 71% |

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

CODE OF BEST PRACTICE

With the exception that Independent Non-executive Directors have not been appointed for a specific term of office but retire from office on a rotational basis, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the year ended 28 February 2003.

AUDIT COMMITTEE

In compliance with the requirements of The Stock Exchange of Hong Kong Limited, an audit committee was formed in 1999. The committee composed of two Independent Non-executive Directors. The audit committee reviews matters within the purview of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lee Tze Bun Marces
Chairman

Hong Kong, 20 June 2003