

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2003.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the principal activities of the Group during the year.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 66.

An interim dividend of HK3.5 cents per ordinary share was paid during the year. The directors recommend the payment of a final dividend of HK7 cents per ordinary share in respect of the year, to shareholders on the register of members on 28 August, 2003. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

## SUMMARY 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 respective published audited financial statements is set out below.

### Results

	Year ended 31 March				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	1,240,651	1,035,709	1,057,599	975,613	949,426
PROFIT BEFORE TAX	125,105	117,498	162,922	140,921	112,970
Tax	(4,184)	(6,576)	(14,077)	(12,446)	(13,005)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	120,921	110,922	148,845	128,475	99,965

**SUMMARY FINANCIAL INFORMATION** *(Continued)***Assets and liabilities**

	<b>2003</b>	2002	<b>31 March</b>	2000	1999
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
FIXED ASSETS	420,712	327,082	232,608	162,764	153,699
LONG TERM INVESTMENTS	288	465	388	776	556
DEPOSITS PAID	–	–	–	14,321	–
CURRENT ASSETS	486,518	505,882	599,842	621,002	501,550
<b>TOTAL ASSETS</b>	<b>907,518</b>	833,429	832,838	798,863	655,805
CURRENT LIABILITIES	272,670	254,356	287,282	367,525	311,928
LONG TERM BANK LOAN	5,850	–	19,500	–	2,112
<b>TOTAL LIABILITIES</b>	<b>278,520</b>	254,356	306,782	367,525	314,040
	<b>628,998</b>	579,073	526,056	431,338	341,765

**FIXED ASSETS**

Details of movements in the fixed assets of the Group during the year are set out in note 14 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 the reasons therefor, are set out in notes 23 and 24 to the financial statements, respectively.

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the bye-laws of the Company or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year, in August 2002, the Company repurchased 122,000 of its ordinary shares (2002: Nil) of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the prices of HK\$1.95 per share. The total purchase consideration was HK\$237,900 (2002: Nil).

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$225,700 has been debited to the share premium account. An amount equivalent to the par value of the shares cancelled has been transferred from the retained profits of the Company to the capital redemption reserve.

The repurchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Subsequent to the balance sheet date, in April 2003, the Company repurchased 410,000 shares of its ordinary shares of HK\$0.10 each on the Stock Exchange at prices ranging from HK\$1.81 to HK\$1.87 per share. The total purchase consideration was HK\$749,400.

Further details of these transactions are set out in note 23 to the financial statements. Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **RESERVES**

Details of movements in the reserves of the Company and of the Group during the year are set out in note 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

## **DISTRIBUTABLE RESERVES**

At 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$122,072,000, of which HK\$45,838,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$71,489,000, may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's sales to the five largest customers accounted for 93% of the total sales for the year and sales to the largest customer included therein amounted to 36%. The Group's purchases from the five largest suppliers accounted for less than 30% of the Group's purchases for the year.

None of the directors of the Company or any of their associates or shareholders of the Company (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.

## DIRECTORS

The directors of the Company during the year were:

*Executive directors:*

Chen Ming-hsiung, Mickey

Chen Cheng-hsiung

Huang Hsiu-duan, Helen

Lee Kung

Chan Ho-man, Daniel

Kimmel, Phillip Brian

*Independent non-executive directors:*

Chow Wing-kin, Anthony

Tam King-ching, Kenny

Subsequent to the balance sheet date, on 1 April 2003, Mr. Chen Cheng-hsiung resigned as a director of the Company.

In accordance with article 87 of the Company's bye-laws, Chen Ming-hsiung, Mickey and Tam King-ching, Kenny, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position held	Number of years of service	Business experience
Chen Ming-hsiung, Mickey	50	Chairman and managing director	22	Mr. Chen is a co-founder of the Group. Mr. Chen has more than 26 years' experience in the footwear industry. He is responsible for formulating the overall business strategy and plans of the Group. He also oversees the functions of marketing and product design and development. He is a brother of Chen Cheng-hsiung and the husband of Huang Hsiu-duan, Helen.
Chen Cheng-hsiung	58	Director	22	Chen Cheng-hsiung is the elder brother of Mr. Chen Ming-hsiung, Mickey and is a co-founder of the Group. Mr. Chen Cheng-hsiung resigned as a director of the Company on 1 April 2003.
Huang Hsiu-duan, Helen	46	Director	22	Huang Hsiu-duan, Helen is the wife of Mr. Chen Ming-hsiung, Mickey and is a co-founder of the Group. She is responsible for the Group's administration and has more than 27 years' experience in the footwear industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Name	Age	Position held	Number of years of service	Business experience
Lee Kung	48	Director	22	Lee Kung is a co-founder of the Group and is responsible for the Group's overall production in the PRC. He is also responsible for formulating and controlling the Group's quality control policy and procedures. Mr. Lee has more than 25 years' experience in the footwear industry.
Chan Ho-man, Daniel	48	Director	7	Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Society of Accountants. He is responsible for the Group's corporate finance and is also the Company Secretary of the Company. Mr. Chan has more than 25 years' accounting and finance experience in Hong Kong.
Kimmel, Phillip Brian	51	Director	9	Mr. Kimmel is responsible for the Group's marketing and customer relations. He holds a master's degree in China regional studies from the University of Washington. Mr. Kimmel has more than 28 years' experience in the footwear industry in Taiwan, the USA, Canada and the PRC.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)*

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Chow Wing-kin, Anthony, SBS, JP	53	Director	9	Mr. Chow has been practicing as a solicitor in Hong Kong for the past 23 years and is a partner in the law firm, Peter C. Wong, Chow & Chow. Mr. Chow is a Council Member of the Law Society of Hong Kong, having previously served three terms as President of the Society. He is a Steward of the Hong Kong Jockey Club and is also a director of the Hong Kong Solicitors' Indemnity Fund Limited. He was appointed as a member of Member of National Committee of the Chinese People's Political Consultative Conference on 23 January 2003.
Tam King-ching, Kenny	54	Director	9	Mr. Tam is a fellow member of the Hong Kong Society of Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Tam is a Certified Public Accountant in Hong Kong and practices under the name of Kenny Tam & Co.
Cho Chin-fu, George	50	Senior production manager	13	Mr. Cho holds a bachelor's degree in industrial management from the Tam Kang University. He has more than 24 years' experience in footwear production management and is responsible for the Group's production in the PRC.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)*

<b>Name</b>	<b>Age</b>	<b>Position held</b>	<b>Number of years of service</b>	<b>Business experience</b>
Huang Pen Yuan, David	50	Senior marketing manager	12	Mr. Huang is responsible for the Group's marketing and Taiwan operations in respect of customer relations. He has more than 25 years' experience in the footwear industry.
Lai Chi Hang, David	36	Assistant financial controller	10	Mr. Lai is responsible for the Group's accounting and financial management. He has 15 years' experience in the fields of auditing, accounting and financial management.
Chen Hsien Yu, Simon	44	Senior technical & marketing manager	9	Mr. Chen is responsible for the technical control, operations and customer relations in Vietnam. Mr. Chen has over 17 years' experience in the footwear industry.
MacGregor, Wayne Lyndon	33	Customer relations manager	4	Mr. MacGregor holds a master's degree in international relations focused on Greater China, a bachelor's degree in international relations and a bachelor's degree in law from the University of the Witwatersrand, Johannesburg. He is responsible for the Group's marketing and customer relations.
Liao Mei-yueh, Linda	41	Senior accounts manager	4	Ms. Liao holds a diploma in commercial from Soochow University, Taiwan. She has more than 17 years' experience in the footwear industry.

**DIRECTORS' SERVICE CONTRACTS**

Neither the executive directors, nor the independent non-executive directors proposed for re-election at the forthcoming annual general meeting, have 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 CONTRACTS

Apart from those contracts disclosed in note 3 to the financial statements, no director had a material beneficial interest in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES

At 31 March 2003, the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of directors	Number of ordinary shares of the Company held and nature of interest	
	Personal interest	Corporate interest*
Chen Ming-hsiung, Mickey	7,906,250	289,082,950
Chen Cheng-hsiung	–	289,082,950
Huang Hsiu-duan, Helen	9,219,250	289,082,950
Lee Kung	–	289,082,950
Chan Ho-man, Daniel	3,173,750	–
Kimmel, Phillip Brian	2,400,000	–

\* These shares represent a 44.2% equity interest in the Company and are owned by King Strike Limited. The issued share capital of King Strike Limited is beneficially owned by Chen Ming-hsiung, Mickey as to 70.72%, Chen Cheng-hsiung as to 6.7%, Huang Hsiu-duan, Helen as to 20.59% and Lee Kung as to 1.99%.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations (as defined in the SDI Ordinance).

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the share option schemes disclosures in note 24 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

Due to the adoption of Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, most of the detailed disclosures relating to the Company’s share option schemes have been moved to note 24 to the financial statements.

## SUBSTANTIAL SHAREHOLDERS

Apart from the interest of King Strike Limited in the issued share capital of the Company as disclosed in the “Directors’ interests in shares” section above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the by-laws of the Company.

## POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 30 to the financial statements.

## AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises the two independent non-executive directors of the Company. The Group’s financial statements for the year ended 31 March 2003 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## 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  
**Chen Ming Hsiung, Mickey**  
*Chairman*

Hong Kong  
16 July 2003