

The directors submit their report together with the audited accounts for the year ended 31st March 2004.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture of athletic and sports leisure footwear products. The activities of its principal subsidiaries are set out in note 13 to the accounts.

An analysis of the Group's performance by geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 16.

The directors have declared an interim dividend of HK\$0.01 per ordinary share, totalling US\$437,000 and was paid on 16th January 2004.

The directors recommend the payment of a final dividend of HK\$0.03 per ordinary share, totalling US\$1,310,000 for the year ended 31st March 2004.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company are set out in note 12 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

DISTRIBUTABLE RESERVES

At 31st March 2004, the distributable reserves of the Company available for distribution to shareholders calculated under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company amounted to US\$31,779,000 (2003: US\$30,673,000).

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of Bermuda in relation to the issue of new shares by the Company.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 51 to 52.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st March 2004 are set out in note 13 to the accounts.

BANK BORROWINGS

At 31st March 2004, the Group had no bank borrowings except for a bank overdraft of US\$197,000 (2003: US\$126,000) and bills payable of US\$46,000 (2003: US\$340,000).

DIRECTORS

The directors during the year and up to the date of this report were:

LEE Chi Keung, Russell (*Chairman*)

YU Mee See, Maria

NG Wai Hung¹

LEE Siu Leung¹

¹ *Independent non-executive directors*

In accordance with clauses 87(1) and 87(2) of the Company's Bye-laws, Ms. YU Mee See, Maria shall retire by rotation and, being eligible, offers 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 by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors

LEE Chi Keung, Russell, aged 47, is the chairman of the Company and chief executive officer of the Group. He is responsible for the Group's overall strategic planning as well as sales and marketing. He holds a bachelor of arts degree in economics and accounting from the University of Newcastle upon Tyne, the United Kingdom. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

YU Mee See, Maria, aged 44, is the executive director and company secretary of the Company. She is responsible for the general management of the Group. She holds a bachelor degree from The London School of Economics and Political Science in the United Kingdom and is a fellow member of the Hong Kong Society of Accountants. She is the wife of Mr. Lee Chi Keung, Russell.

NG Wai Hung, aged 40, is an independent non-executive director of the Company. He is a practising solicitor and a partner in Lu Lai & Li, a Hong Kong law firm of solicitors and notaries. He has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong. He joined the Company in 1999.

LEE Siu Leung, aged 38, is an independent non-executive director of the Company. He is a certified public accountant practising in Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He joined the Company in 2000.

Senior Management

YEH Tsun Hsing, Steve, aged 48, is the vice-president of the Group and is responsible for overall production operations and marketing. He joined the Group in 1990 and has over 20 years of experience in product development and management in the footwear manufacturing business.

WHOA Ru Yeong, Skeat, aged 50, is the vice-president of the Group and is in charge of the research and development operation of the Group. He joined the Group in 1993 and has extensive experience in product development and management of footwear manufacturing business.

CHEN Po Hsiung, aged 49, is the vice-president of the Group and is responsible for the development and operation of shoe soles production. He joined the Group in 1990 and has extensive experience in footwear manufacturing and sole unit production.

CHIU Sai Hon, Vincent, aged 30, is the financial controller of the Group and is responsible for corporate development, financial planning and strategic investments of the Group. He joined the Group in 2004. Prior to joining the Group, he had several years' experience in finance and accounting with an international accounting firm in Hong Kong. He holds a bachelor of arts degree in accountancy from the Hong Kong Polytechnic University and is an associate member of the Hong Kong Society of Accountants.

DIRECTORS' INTERESTS IN CONTRACTS

Save as those disclosed in the accounts, no contracts of significance in relation to the Group's business to which the Company or 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS

As at 31st March 2004, the interests of each of the directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in shares of the Company

Name of directors	Ordinary shares held		Percentage of issued share capital
	Corporate interests	Family interests	
Lee Chi Keung, Russell ("Mr. Lee")	191,809,484 (Note)	–	56.31%
Yu Mee See, Maria ("Ms. Yu")	–	191,809,484 (Note)	56.31%

Note:

The corporate interests of 191,809,484 shares in the Company represent 81,205,184 shares held by Wonder Star Securities Limited ("Wonder Star") and 110,604,300 shares held by its wholly-owned subsidiary, Top Source Securities Limited. The entire issued share capital of Wonder Star is owned by Mr. Lee. In addition, Ms. Yu, the wife of Mr. Lee is deemed to be interested in these shares.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES CORPORATIONS (Continued)

During the year, Wonder Star had placed down its 60,000,000 shares in the Company to several independent investors and reduced its direct shareholding in the Company to 81,205,184 shares. Accordingly, the interests of both Mr. Lee and Ms. Yu in the shares of the Company had been reduced to 191,809,484 shares.

Save as disclosed above and in the section "Directors' rights to acquire shares" below, at no time during the year, the directors of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations as defined in the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Share Options Scheme

On 30th August 2002, the Company adopted a share option scheme (the "Scheme") whereby, the board of directors at their discretion, invite any eligible participants (including any employees, executive, non-executive and independent non-executive directors of the Group), who have contributed or will contribute to the development of the Group to take up options to subscribe for shares of the Company.

The Company operates the Scheme for the purpose of providing eligible participants with an opportunity to acquire proprietary interests in the Company, which the directors believe will help the building of common objective of the Group and the eligible participants for the betterment of business and profitability of the Group.

The maximum number of option shares can be granted under the Scheme shall not exceed 3,406,169, which is 10% of the total number of shares in issue on the date of the adoption. Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and unexercised options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date on which the document containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK\$1.00.

DIRECTORS' RIGHTS TO ACQUIRE SHARES (Continued)

Share Options Scheme (Continued)

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the Board at the time the option is offered to the participants. No options may be granted under the Scheme after the date of the tenth anniversary of the adoption of the Scheme.

No share options have been granted under the Scheme since its adoption.

Save as disclosed above, at no time during the year was the Company or its subsidiary companies a party to any arrangement 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 chief executive, nor any of their respective spouses or children under the age of 18 had any rights to subscribe for the shares in the Company or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2004, the register of substantial shareholders maintained under Section 336 of the SFO showed that the Company had been notified of the following substantial shareholders' interests who are interested in 5% or more of the issued share capital of the Company. These interests have been disclosed above in respect of the directors.

Long position in shares of the Company

Name	Number of ordinary shares	Percentage of issued share capital
Wonder Star Securities Limited ("Wonder Star")	191,809,484	56.31% (Note)
Top Source Securities Limited ("Top Source")	110,604,300	32.47%

Note:

The interests of Wonder Star include 81,205,184 shares held directly by Wonder Star and 110,604,300 shares held by Top Source, a wholly-owned subsidiary of Wonder Star.

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 percentages of purchases and sales attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	7%
– five largest suppliers combined	25%

Sales

– the largest customer	81%
– five largest customers combined	97%

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 or customers noted above.

EMPLOYEES

At 31st March 2004, the Group had approximately 60 (2003: 70) staff stationed in Hong Kong and Mainland China as well as approximately 11,500 (2003: 11,500) workers in the factories in Mainland China. In addition to salaries, the Group provides certain benefits including a discretionary bonus programme, provident fund schemes as well as an in-house training programme for its employees.

Performance of staff is appraised annually to provide a base for the review of the remuneration package.

CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that independent non-executive directors are not appointed for a specific term as they are subjected to retirement by rotation in accordance with the Company's Bye-Laws.

AUDIT COMMITTEE

The Company set up an audit committee on 25th November 1999 comprising two independent non-executive directors of the Company. The role of the audit committee is to review and provide supervision over the Group's accounting and financial reporting practices, the internal control systems and to increase the level of corporate governance.

AUDITORS

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

On behalf of the Board

Lee Chi Keung, Russell

Chairman

Hong Kong, 22nd July 2004