

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2004.

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 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 62.

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 HK7.0 cents per ordinary share in respect of the year, to shareholders on the register of members on 30 August 2004. 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. This summary does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	1,360,856	1,240,651	1,035,709	1,057,599	975,613
PROFIT BEFORE TAX	108,934	125,105	117,498	162,922	140,921
Tax	(5,845)	(4,184)	(6,576)	(14,077)	(12,446)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	103,089	120,921	110,922	148,845	128,475

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SUMMARY FINANCIAL INFORMATION *(continued)*

Assets and liabilities

	2004	2003	31 March		
	HK\$'000	HK\$'000	2002	2001	2000
			HK\$'000	HK\$'000	HK\$'000
FIXED ASSETS	447,484	420,712	327,082	232,608	162,764
LONG TERM INVESTMENTS	652	288	465	388	776
DEPOSITS PAID	-	-	-	-	14,321
CURRENT ASSETS	490,058	486,518	505,882	599,842	621,002
TOTAL ASSETS	938,194	907,518	833,429	832,838	798,863
CURRENT LIABILITIES	275,214	272,670	254,356	287,282	367,525
LONG TERM BANK LOAN	-	5,850	-	19,500	-
TOTAL LIABILITIES	275,214	278,520	254,356	306,782	367,525
	662,980	628,998	579,073	526,056	431,338

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.



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

During the year, in April 2003, the Company repurchased 410,000 of its ordinary shares (2003: 122,000) of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the prices ranging from HK\$1.81 to HK\$1.87 per share. The total purchase consideration was HK\$749,400 (2003: HK\$237,900).

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\$708,400 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.

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 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$128,581,000, 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\$71,132,000, may be distributed in the form of fully paid bonus shares.

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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 41%. 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 any 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

Huang Hsiu-duan, Helen

Lee Kung

Chan Ho-man, Daniel

Kimmel, Phillip Brian

Independent non-executive directors:

Chow Wing-kin, Anthony, SBS, JP

Tam King-ching, Kenny

In accordance with article 87 of the Company's bye-laws, Kimmel, Phillip Brian and Chow Wing-kin, Anthony, SBS, JP, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position held	Number of years of service	Business experience
Chen Ming-hsiung, Mickey	51	Chairman and managing director	23	Mr. Chen is a co-founder of the Group. Mr. Chen has more than 27 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 the husband of Huang Hsiu-duan, Helen.
Huang Hsiu-duan, Helen	47	Director	23	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 28 years' experience in the footwear industry.
Lee Kung	49	Director	23	Lee Kung is a co-founder of the Group and is responsible for the Group's overall production in Vietnam. 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	49	Director	8	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 26 years' accounting and finance experience in Hong Kong.

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

Name	Age	Position held	Number of years of service	Business experience
Kimmel, Phillip Brian	52	Director	10	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 29 years' experience in the footwear industry in Taiwan, the USA, Canada and the PRC.
Chow Wing-kin, Anthony, SBS, JP	54	Director	10	Mr. Chow has been practicing as a solicitor in Hong Kong for the past 24 years and is a partner in the law firm, Peter C. Wong, Chow & Chow. Mr. Chow is the Vice Chairman of Estate Agents Authority. He is a Member of the Law Reform Commission of Hong Kong and is also a Council Member of the Hong Kong Institute of Education. He was appointed as a Member of National Committee of the Chinese People's Political Consultative Conference on 23 January 2003 and also presently serves as a Steward of the Hong Kong Jockey Club.
Tam King-ching, Kenny	55	Director	10	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 and Past President of The Society of Chinese Accountants & Auditors in Hong Kong.

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

Name	Age	Position held	Number of years of service	Business experience
<i>Hong Kong Office:</i>				
Lai Chi-hang, David	37	Financial controller	11	Mr. Lai is responsible for the Group's accounting and financial management. He has 16 years' experience in the fields of auditing, accounting and financial management.
<i>Taiwan Office:</i>				
Huang Pen-yuan, David	51	Senior marketing manager	13	Mr. Huang is responsible for the Group's marketing and Taiwan operations in respect of customer relations. He has more than 26 years' experience in the footwear industry.
<i>Zhuhai factory I:</i>				
Hsieh Jih-lin, Cassandra	50	Senior marketing manager	2	Ms. Hsieh holds a bachelor's degree in Business of Arts from Providence University, Taiwan. She is responsible for the Group's marketing and China operations in respect of customer relations. She has more than 26 years' experience in the footwear industry.
Wann Ker-chung, Kevin	43	MIS manager	8	Mr. Wann holds a Master of Science in Physics from University of Arizona and a Master of Science in Computer Science from Southwest Texas State University. He is responsible for the Group's Information and Systems Management.

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

Name	Age	Position held	Number of years of service	Business experience
<i>Zhuhai factory II:</i>				
Yu Ming-yuan, Jerry	54	Senior production manager	10	Mr. Yu holds a bachelor's degree in Sociology from Tunghai University, Taiwan. He is responsible for the Group's production in PRC. He has more than 28 years' experience in the footwear industry.
Mathias Yeu	26	Customer account manager	2	Mr. Yeu holds a master's degree in Business Administration from Business School of Management of Rouen, France and a university degree in Business Administration from D.U.T. Gea, Universite Du Maine. Le Mans, France. He is responsible for the Group's marketing and customer relations.
<i>Vietnam factory:</i>				
Kuo Chien-kuei, James	53	Senior production manager	14	Mr. Kuo is responsible for the Group's production in Vietnam. He has more than 25 years' experience in footwear production management.
Chen Hsien-yu, Simon	45	Senior technical & marketing manager	10	Mr. Chen is responsible for the Group's technical control operation and customer relations in Vietnam. Mr. Chen has over 18 years' experience in the footwear industry.
<i>Zhongshan factory:</i>				
Huang Chao-sheng, Charles	48	Senior production manager	7	Mr. Huang is responsible for the Group's production in PRC. He has more than 21 years' experience in footwear production management.

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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, either directly or indirectly, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the interests and short positions of the directors in the share capital of the Company or 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children*	Through controlled corporation**			
Chen Ming-hsiung, Mickey	7,906,250	9,219,250	269,704,752	286,830,252	43.80%	
Huang Hsin-duan, Helen	9,219,250	7,906,250	269,704,752	286,830,252	43.80%	
Lee Kung	-	-	269,704,752	269,704,752	41.19%	
Chan Ho-man, Daniel	3,173,750	-	-	3,173,750	0.48%	
Kimmel, Phillip Brian	2,400,000	-	-	2,400,000	0.37%	

* Huang Hsin-duan, Helen is the wife of Mr. Chen Ming-hsiung, Mickey.

** These shares represent a 41.19% 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 75.80%, Huang Hsiu-duan, Helen as to 22.07% and Lee Kung as to 2.13%.

The interests of the directors in the share options of the Company are separately disclosed in note 24 to the financial statements.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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 minor children, 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 SCHEME

Concerning the share options granted during the year to the directors and employees as detailed in note 24 to the financial statements, the directors do not consider it appropriate to disclose a theoretical value of the options granted because in the absence of a readily available market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of these share options.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2004, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
King Strike Limited	Directly beneficially owned	269,704,752	41.19%
J.P. Morgan Chase & Co.	Directly beneficially owned	65,514,265	10.00%



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SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 bye-laws of the Company.

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 2004 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
19 July 2004