

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 30 September 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the design, manufacture and sale of a wide range of leisure and athletic footwear.

SEGMENT INFORMATION

An analysis of the Group's results, assets and liabilities by segment for the year is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of dividend for the year ended 30 September 2003.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 6.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its shares during the year and neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 12 June 2002 for the purpose of attracting and retaining quality personnel and providing them with incentive to contribute to the business and operation of the Group. The Scheme will remain in force for a period of ten years from the date of adoption.

The directors may at their discretion grant options to any director or employee of the Group without any initial payment at an exercise price equal to the highest of (i) the nominal value of the shares of the Company; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option. The directors may specify the exercise period (not more than 10 years from the date of grant) and the minimum period for which an option must be held before it can be exercised at the time of grant of options. As at the date of this annual report, the maximum number of shares available for issue under the Scheme is 28,000,000, representing approximately 6.8% of the issued share capital of the Company.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the share capital of the Company as at the date on which the Company's shares commenced listing on the Stock Exchange, i.e., 40,000,000 shares (the "Limit"). The Company may seek approval by shareholders in general meeting to refresh the Limit or to grant options beyond the Limit provided that the options in excess of the Limit are granted only to participants specifically identified by the Company before such approval is sought, subject to the limitation that the maximum number of shares which may be issued or issuable upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not exceed 30% of the issued share capital of the Company from time to time.

The maximum number of shares (issued and to be issued) in respect of which options may be granted under the Scheme to any one participant in any 12-month period shall not exceed 1% of the share capital of the Company in issue on the last day of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the option).

Where options are proposed to be granted to a substantial shareholder or an independent non-executive director or any of their respective associates, and the proposed grant of options would result in the shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1% of the total issued shares for the time being and have an aggregate value (based on the closing price of a share at each date of the grant of these options) exceeding HK\$5 million, the proposed grant shall be subject to the approval of shareholders of the Company in general meeting (with all connected persons abstained from voting and votes taken on poll) in accordance with the requirements of the Listing Rules.

The following table discloses movements in the Company's share options during the year:

	Exercise price per share	Outstanding at 1 October 2002	Granted during the year	Exercised during the year	Outstanding at 30 September 2003
	HK\$				
Employees	0.435	–	12,000,000	(12,000,000)	–

DIRECTORS

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

Mr Lee Man Fa (*Chairman*)

Mr Lin Hui Sheng (*Deputy Chairman*)

Ms Yu Kin Ling, Katherine

Mr Kwok Ming Fai (Appointed on 14 October 2003)

Mr Tai King Foon (Appointed on 24 October 2003)

Mr Kan Siu Lun*

Mr Chan Kin Kee*

* *independent non-executive directors*

Mr Kwok Ming Fai and Mr Tai King Foon, the directors retiring in accordance with Bye-laws 86(2) of the Company's Bye-laws, being eligible, offered themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) of the Company's Bye-laws, Mr Lin Hui Sheng retires by rotation and being eligible, offers himself for re-election.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

Each of Mr Lee Man Fa, Mr Lin Hui Sheng and Ms Yu Kin Ling, Katherine, has entered into a service contract with the Company for an initial term of two years from 1 June 2002.

Save as disclosed herein, 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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries and fellow 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 IN THE SHARE CAPITAL

As at 30 September, 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Future Ordinance (the "SFO"), as recorded in the register maintained 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 shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Lee Man Fa	Held by controlled corporation (<i>note</i>)	121,000,000	29.37%

Note: These shares were held by Info Fortune Holdings Limited, a company whose entire issued share capital is beneficially owned by Mr Lee Man Fa.

Save as disclosed above, as at 30 September, 2003, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, as recorded in the register maintained 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September, 2003, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of SFO.

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Info Fortune Holdings Limited	Beneficial owner	121,000,000	29.37%

Save as disclosed above, as at 30 September, 2003, according to records required to be kept by the Company under section 336 of the SFO, there was no person (except for the directors and chief executive of the Company) who had any interest or short positions in the shares or underlying shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 37% of the total sales for the year, in which sales to the largest customer represented approximately 9% of the total sales for the year.

Purchases from the Group's five largest suppliers amounted to approximately 65% of the total purchases for the year while total purchases from the largest supplier represented approximately 21% of the total purchases for the year.

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the listing rules throughout the year ended 30 September 2003, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the directors and the Company's auditors in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr Kan Siu Lun and Mr Chan Kin Kee.

AUDITORS

The accounts have been audited by the Company's first auditors, Grant Thornton, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Lee Man Fa

Chairman

Hong Kong, 15 January 2004