

The Directors present their report together with the audited accounts for the year ended 28 February 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 13 to the accounts.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 28 February 2005 are set out in the consolidated profit and loss account on page 38.

The Directors declared an interim dividend of HK2 cents (2004: Nil) per ordinary share in respect of the year ended 28 February 2005, totalling HK\$9,036,000, which was paid on 22 December 2004.

The Directors recommend the payment of a final dividend of HK4.5 cents (2004: HK2 cents) per ordinary share, totalling approximately HK\$22,580,000 in respect of the year ended 28 February 2005 (2004: HK\$8,972,000).

SHARE CAPITAL

Details of the issued share capital of the Company during the year are set out in note 22 to the accounts.

FINANCIAL SUMMARY

The financial summary of the Group is set out on pages 73 and 74.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in note 24 to the accounts.

DIRECTORS

The directors of the Company (the “Directors”) during the year were:

Executive Directors

Lee Tze Bun, Marces (*Chairman*)

Wan Tat Wah (*President*)

Chui Kwan Ho, Jacky (*Managing Director*)

Tsui Oi Kuen

Ven Kam Cheong, Eric (*appointed on 13 December 2004*)

Lau Shun Wai (*resigned on 10 August 2004*)

Independent Non-Executive Directors

Wong Kong Chi

Law King Wan

Leung Wai Ki, George (*appointed on 28 September 2004*)

RE-ELECTION OF DIRECTORS

During the year under review, Mr. Ven Kam Cheong, Eric, an executive Director, and Mr. Leung Wai Ki, George, an independent non-executive Director, were appointed with effect from 13 December and 28 September 2004 respectively. According to Bye-law 86(2) of the Company’s Bye-laws, both of them shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, at the forthcoming annual general meeting, both Mr. Ven Kam Cheong, Eric and Mr. Leung Wai Ki, George will retire and, being eligible, offer themselves for re-election.

Also, in accordance with Bye-law 87 of the Company’s Bye-laws, at the forthcoming annual general meeting, Mr. Law King Wan will retire and, being eligible, offer himself for re-election.

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules and the Company considers that all the independent non-executive Directors to be independent.

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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Lee Tze Bun, Marces, aged 72, is the founder of the Group and Chairman of the Company. With more than 25 years of experience in the shoes retailing business, Mr. Lee has a strong, established and extensive business relation with a vast range of shoe suppliers in Italy.

Wan Tat Wah, aged 51, is President and Executive Director of the Group. He has been in the garment trading and retail business for more than 20 years. Prior to joining the Group in February 2003, Mr. Wan was the Chief Operation Officer of Esprit and involved extensively in store operations and merchandising in Asia.

Chui Kwan Ho, Jacky, aged 41, is Managing Director of the Group and Chief Executive Officer of Maior Ltd. She is responsible for the Group's shoes manufacturing operation as well as export business.

Tsui Oi Kuen, aged 49, is Executive Director of the Group. She first joined the Group in 1979 and is a 20-year veteran with rich 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.

Ven Kam Cheong, Eric, aged 41, joined the Group in July 2003. In December 2004, he was appointed as Executive Director of the Group and is responsible for the Group's Mainland China operations. He has over 18 years of experience in retail business, and working experience in Southeast Asia, Taiwan, Europe, Australia and Mainland China. Prior to joining the Group, he was the Chief Operation Officer of China Resources Retail (Group) Company Limited and involved extensively in its expansion in the Mainland China retail market, in which over 10 international high-end brands were operated under his supervision.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors

Wong Kong Chi, aged 47, 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 69, is Director of Sun Hung Kai Properties Limited. He 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.

Leung Wai Ki, George, aged 47, has over 20 years of experience in accounting, financial management, auditing and receivership. Mr. Leung is acting as Director and Financial Controller of a real estate development company in Hong Kong. He joined the Group in September 2004.

Senior Management

Lau Yin Wan, aged 40, joined the Group in January 2003 as Financial Controller and Company Secretary. Ms. Lau has over 15 years of experience in auditing, accounting and financial management. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants respectively.

Yeong Kam Chu, aged 40, joined the Group in February 2004, is Merchandising Director of the Group's apparel section. A veteran in the industry, she holds a BA degree in fashion design from the Hong Kong Polytechnic University. Prior to joining the Group, she was responsible for design and merchandising for Esprit in Asia for more than 11 years.

Ho Jun Kim, Joel, aged 41, joined the Group in August 2004 as Group Creative Director. He oversees the development of the Group's various brand images. Mr. Ho has worked for leading international advertising agencies and received numerous awards in relation to creative designs and in recognition of his innovation. Prior to joining the Group, he was the Creative Director of Esprit and was responsible for image enhancement of various brands for the Asia Pacific markets.

Chu Tsui Lan, aged 35, joined the Group in 1992. In August 2004, she was appointed as General Manager (China) of the Group. She has over 13 years of retail experience in Hong Kong and Mainland China and is responsible for the Group's Mainland China retail business operations.

Mak Ping Fai, aged 39, holds a BBA degree. He joined the Group in 1992. Mr. Mak serves as Group Human Resources Manager and is responsible for human resources and training functions.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 28 February 2005, the interests and short positions of the Directors and chief executives of the Company in the shares of HK\$0.10 each in the capital of the Company ("Shares"), underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in Shares of the Company

Name of Directors	Number of Shares			Total	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Other interests		
Mr. Lee Tze Bun, Marces ("Mr. Lee")	25,820,000	30,000,000 <i>(note 1)</i>	205,000,000 <i>(notes 2 & 3)</i>	260,820,000	51.98%
Ms. Chui Kwan Ho, Jacky ("Ms. Chui")	4,150,000	-	50,000,000 <i>(note 4)</i>	54,150,000	10.79% <i>(note 5)</i>
Ms. Tsui Oi Kuen ("Ms. Tsui")	1,856,000	-	50,000,000 <i>(note 4)</i>	51,856,000	10.33% <i>(note 6)</i>

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in Shares in associated corporation of the Company

Name of associated corporation	Name of Director	Personal interests	Approximate percentage of the issued share capital of the associated corporation of the Company
L. S. Retailing Limited	Mr. Lee	20,000 non-voting deferred shares (note 7)	100% (in respect of non-voting deferred shares)

Notes:

1. 30,000,000 Shares are held by Succex Limited, which is owned as to 60% by Mr. Lee. Therefore, Mr. Lee is deemed to be interested in those Shares.
2. Lee Tze Bun Trustee Holding Corporation ("LTB Trustee") being the trustee of a unit trust called The Lee Tze Bun Unit Trust ("LTB Trust"), holds 155,000,000 Shares, representing approximately 30.89% 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. Therefore, Mr. Lee is deemed to be interested in those Shares.
3. Lee Keung Trustee Holding Corporation ("LK Trustee"), being the trustee of a unit trust called The Lee Keung Unit Trust ("LK Trust"), holds 50,000,000 Shares, representing approximately 9.96% 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. Therefore, Mr. Lee is deemed to be interested in those Shares.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Notes:

4. Ms. Chui, Ms. Tsui and Ms. Lee Wing Kam Rowena Jackie (“Ms. Lee”), the daughter of Mr. Lee, being the trustees of The Lee Keung Charitable Foundation (“the Charitable Foundation”) jointly hold 50,000,000 Shares, representing approximately 9.96% of the issued share capital of the Company. Therefore, Ms. Chui, Ms. Tsui and Ms. Lee are deemed to be interested in those Shares.
5. Ms. Chui personally holds 4,150,000 Shares, other than the Shares mentioned in (4) above, she is entitled 2,100,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Chui’s interests in the Company will be increased from the existing 10.79% to 11.21% of the issued share capital of the Company.
6. Ms. Tsui personally holds 1,856,000 Shares, other than the Shares mentioned in (4) above, she is entitled 3,000,000 share options granted by the Company. Upon exercise of these outstanding share options in full, Ms. Tsui’s interests in the Company will be increased from the existing 10.33% to 10.93% of the issued share capital of the Company.
7. Mr. Lee beneficially owns 20,000 non-voting deferred shares in L. S. Retailing Limited, a wholly-owned subsidiary of the Company, in which Mr. Lee holds 100% interests in respect of such non-voting deferred shares.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company

Share Option Scheme

At the special general meeting of the Company held on 22 July 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 20 November 1992 (the "Old Scheme") and the adoption of the new share option scheme (the "New Scheme") pursuant to Chapter 17 of the Listing Rules.

The Old Scheme

The Old Scheme was maintained by the Company under which Eligible Employees (as defined under the Old Scheme) of the Group, including Executive Directors, might be granted options to subscribe for 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 Old Scheme. The maximum number of Shares in respect of options that might be granted (together with options exercised and options then outstanding) under the Old Scheme and any other Share Option Schemes of the Company would not exceed 10 per cent. of the issued share capital of the Company from time to time excluding Shares issued under the Old 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.

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.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company
 (Continued)

Share Option Scheme (Continued)

The Old Scheme (Continued)

For the year ended 28 February 2005, the movements of the outstanding share options under the Old Scheme are as follows:

Name or category of participant	Date of share options granted	Number of Shares			Outstanding as at 28 February 2005	Exercise price per Share	Exercise period
		Outstanding as at 1 March 2004	Exercised during the year	Lapsed during the year			
Director – Ms. Chui	19 August 1994	600,000	600,000 <i>(note)</i>	–	–	HK\$0.767	19 August 1995 – 18 August 2004
	8 February 1996	750,000	750,000 <i>(note)</i>	–	–	HK\$0.67	8 February 1997 – 7 February 2006
Employees in aggregate	19 August 1994	50,000	–	50,000	–	HK\$0.767	19 August 1995 – 18 August 2004

Note: The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK\$0.867 per Share.

As at the balance sheet date, there was no outstanding share option under the Old Scheme.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company
(Continued)

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 (as defined under the New Scheme) 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 the date of the shareholders' approval. 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 8.94% 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.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company
(Continued)

Share Option Scheme (Continued)

The New Scheme (Continued)

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.

Pursuant to the New Scheme, the Company has granted share options to certain Directors and employees of the Company to subscribe for Shares of the Company. The movements of the outstanding share options under the New Scheme during the year are set out below:

Name or category of participant	Date of share options granted <i>(notes 1 & 2)</i>	Number of Shares			Outstanding as at 28 February 2005	Exercise price per Share	Exercise period
		Granted during the year	Exercised during the year <i>(note 3)</i>	Cancelled during the year			
Directors – Mr. Wan Tat Wah ("Mr. Wan") <i>(notes 4 & 5)</i>	13 April 2004	3,000,000	–	–	3,000,000	HK\$0.38	26 July 2004 - 12 April 2014
	13 April 2004	3,000,000	–	–	3,000,000	HK\$0.38	26 July 2005 - 12 April 2014
	13 April 2004	4,000,000	–	–	4,000,000	HK\$0.38	26 July 2006 - 12 April 2014
Ms. Chui	13 April 2004	900,000	900,000	–	–	HK\$0.38	26 July 2004 - 12 April 2014
	13 April 2004	900,000	–	–	900,000	HK\$0.38	26 July 2005 - 12 April 2014
	13 April 2004	1,200,000	–	–	1,200,000	HK\$0.38	26 July 2006 - 12 April 2014

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company
(Continued)

Share Option Scheme (Continued)

The New Scheme (Continued)

Name or category of participant	Date of share options granted <i>(notes 1 & 2)</i>	Number of Shares			Outstanding as at 28 February 2005	Exercise price per Share	Exercise period
		Granted during the year	Exercised during the year <i>(note 3)</i>	Cancelled during the year			
Directors – Ms. Tsui	13 April 2004	900,000	–	–	900,000	HK\$0.38	26 July 2004 - 12 April 2014
	13 April 2004	900,000	–	–	900,000	HK\$0.38	26 July 2005 - 12 April 2014
	13 April 2004	1,200,000	–	–	1,200,000	HK\$0.38	26 July 2006 - 12 April 2014
Mr. Ven Kam Cheong, Eric ("Mr. Ven") <i>(notes 4 & 6)</i>	13 April 2004	1,500,000	–	–	1,500,000	HK\$0.38	26 July 2004 - 12 April 2014
	13 April 2004	1,500,000	–	–	1,500,000	HK\$0.38	26 July 2005 - 12 April 2014
	13 April 2004	2,000,000	–	–	2,000,000	HK\$0.38	26 July 2006 - 12 April 2014
Ms. Lau Shun Wai ("Ms. Lau") <i>(note 7)</i>	13 April 2004	900,000	900,000	–	–	HK\$0.38	26 July 2004 - 12 April 2014
	13 April 2004	900,000	–	900,000	–	HK\$0.38	26 July 2005 - 12 April 2014
	13 April 2004	1,200,000	–	1,200,000	–	HK\$0.38	26 July 2006 - 12 April 2014
Employees – Other employees in aggregate	13 April 2004	600,000	–	–	600,000	HK\$0.38	26 July 2004 - 12 April 2014
	13 April 2004	4,065,000	–	210,000	3,855,000	HK\$0.38	13 April 2005 - 12 April 2014
	13 April 2004	600,000	–	–	600,000	HK\$0.38	26 July 2005 - 12 April 2014
	13 April 2004	4,065,000	–	210,000	3,855,000	HK\$0.38	13 April 2006 - 12 April 2014
	13 April 2004	800,000	–	–	800,000	HK\$0.38	26 July 2006 - 12 April 2014
	13 April 2004	5,420,000	–	280,000	5,140,000	HK\$0.38	13 April 2007 - 12 April 2014

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company
(Continued)

Share Option Scheme (Continued)

The New Scheme (Continued)

Notes:

1. The respective vesting periods of the above share options are from their respective dates of the grant until the commencement of their respective exercise periods.
2. The closing price of the Shares of the Company immediately before 13 April 2004 on which the share options were granted was HK\$0.40 per Share.
3. The weighted average closing market price per Share immediately before the respective dates on which the share options were exercised was HK\$0.808 per Share respectively.
4. On 13 April 2004, 10,000,000 share options and 5,000,000 share options were granted to Mr. Wan and Mr. Ven respectively, which were in excess of the specified limit of 4,486,196 Shares, being 1% of the issued Shares as at 25 June 2004. Mr. Wan is an executive Director and Mr. Ven was appointed as an executive Director on 13 December 2004. At the Annual General Meeting of the Company held on 26 July 2004, the shareholders of the Company approved the granting of such share options to Mr. Wan and Mr. Ven respectively.
5. Mr. Wan is entitled to 10,000,000 share options as at 28 February 2005. Upon exercise of these outstanding share options in full, Mr. Wan will be interested in approximately 1.99% of the issued share capital of the Company.
6. Mr. Ven is entitled to 5,000,000 share options as at 28 February 2005. Upon exercise of these outstanding share options in full, Mr. Ven will be interested in approximately 1% of the issued share capital of the Company.
7. On 10 August 2004, Ms. Lau resigned as a Director. Upon Ms. Lau's resignation, the aggregate of 2,100,000 share options of the Company granted to her at an exercise price of HK\$0.38 per Share were lapsed and cancelled.

DISCLOSURE OF INTERESTS (Continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE EQUITY DERIVATIVES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

Long positions in underlying shares of the equity derivatives and debentures of the Company (Continued)

Share Option Scheme (Continued)

The New Scheme (Continued)

Save as disclosed above, as at 28 February 2005, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares of equity derivatives and debentures of the Company or its associated corporations (within the meaning of Part XV of 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 pursuant to the Model Code.

ARRANGEMENT TO PURCHASE SHARES AND DEBENTURES

Other than the interests disclosed under the heading "Disclosure of Interests" above and the Old Scheme and New Scheme described under the heading "Share Option Scheme", (a) at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors 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 any of their spouses or children under 18 years of age, had any rights to subscribe for Shares or debt securities of the Company, or had exercised any such rights during the year.

SUBSTANTIAL SHAREHOLDERS

As at 28 February 2005, according to the register of interests in Shares and short positions of the Company required to be kept under section 336 of the SFO, the Company had been notified of the following entities/persons who are interested in 5% or more of the issued share capital of the Company which fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS (Continued)

Long position in Shares of the Company

Name	Note	Number of Shares			Total	Approximate percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests		
Mr. Lee	1, 2, 3 & 4	25,820,000	30,000,000	205,000,000	260,820,000	51.98%
HSBC International Trustee Limited ("HSBCITL")	1, 2 & 3	-	-	205,000,000	205,000,000	40.85%
HSBC Trustee (Cook Islands) Limited ("HSBC Trustee") (formerly known as Bermuda Trust (Cook Islands) Limited)	1, 2 & 3	-	-	205,000,000	205,000,000	40.85%
LTB Trustee as trustee of the LTB Trust	1, 2 & 3	-	-	155,000,000	155,000,000	30.89%
LK Trustee as trustee of the LK Trust	1, 2 & 3	-	-	50,000,000	50,000,000	9.96%
Succex Limited	4	-	30,000,000	-	30,000,000	5.98%
Ms. Chui	5 & 7	4,150,000	-	50,000,000	54,150,000	10.79%
Ms. Tsui	6 & 7	1,856,000	-	50,000,000	51,856,000	10.33%
Ms. Lee	7	-	-	50,000,000	50,000,000	9.96%
Ms. Chui, Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation	5, 6 & 7	-	-	50,000,000	50,000,000	9.96%
Value Partners Limited ("VPL")	8	-	-	50,000,000	50,000,000	9.96%
Mr. Cheah Cheng Hye ("Mr. Cheah")	8 & 9	-	-	50,000,000	50,000,000	9.96%

Notes:

1. HSBCITL is the controlling shareholder of HSBC Trustee. By virtue of HSBCITL's interests in HSBC Trustee, HSBCITL is deemed to be interested in 205,000,000 Shares.
2. HSBC Trustee is the trustee of a unit trust called The Lee Family Trust which is the beneficial owner of LTB Trust and LK Trust. By virtue of HSBC Trustee's interests in the Lee Family Trust, HSBC Trustee was taken to be interested in 205,000,000 Shares of which 155,000,000 Shares are held by LTB Trust and 50,000,000 Shares are held by LK Trust.

SUBSTANTIAL SHAREHOLDERS (Continued)

Long position in Shares of the Company (Continued)

Notes:

3. Mr. Lee is the appointor of the LTB Trust and LK Trust. All units in the LTB Trust and the LK Trust (other than one unit in each of the LTB Trust and LK Trust which are beneficially owned by Mr. Lee) are beneficially owned by the Lee Family Trust, a discretionary trust.
4. Mr. Lee personally holds 25,820,000 Shares. Succex Limited holds 30,000,000 Shares, in which Mr. Lee is a controlling shareholder. Together with the interests in the LTB Trust, LK Trust and Succex Limited, Mr. Lee is interested in an aggregate of 260,820,000 Shares, being approximately 51.98% of the issued share capital of the Company.
5. Ms. Chui holds an aggregate of 54,150,000 Shares, comprising 4,150,000 Shares personal interests and together with the 50,000,000 Shares jointly held with Ms. Tsui and Ms. Lee as trustees of the Charitable Foundation, representing approximately 10.79% of the issued share capital of the Company. As disclosed under the heading “the New Scheme”, Ms. Chui is also entitled to an aggregate of 2,100,000 share options of the Company. Upon exercise of these outstanding share options in full, Ms. Chui’s interests in the Company will be increased from the existing 10.79% to 11.21% of the issued share capital of the Company.
6. Ms. Tsui holds an aggregate of 51,856,000 Shares, comprising 1,856,000 Shares personal interests and together with the 50,000,000 Shares jointly held with Ms. Chui and Ms. Lee as trustees of the Charitable Foundation, representing approximately 10.33% of the issued share capital of the Company. As disclosed under the heading “the New Scheme”, Ms. Tsui is also entitled to 3,000,000 share options. Upon exercise of these outstanding share options in full, Ms. Tsui’s interests in the Company will be increased from the existing 10.33% to 10.93% of the issued share capital of the Company.
7. Ms. Lee, together with Ms. Chui and Ms. Tsui, being the trustees of the Charitable Foundation jointly hold 50,000,000 Shares, representing approximately 9.96% of the entire issued share capital of the Company. Accordingly, Ms. Lee is deemed to be interested in these Shares.

SUBSTANTIAL SHAREHOLDERS (Continued)

Long position in Shares of the Company (Continued)

Notes:

8. 50,000,000 Shares representing approximately 9.96% of the issued share capital of the Company are held by various funds under the management of VPL, being the fund manager. Therefore, VPL is deemed to be interested in these Shares.
9. Mr. Cheah is a controlling shareholder of VPL. By virtue of Mr. Cheah's interests in VPL, Mr. Cheah is deemed to be interested in 50,000,000 Shares.

Save as disclosed above, as at 28 February 2005, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest directly or indirectly and/or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 subsidiaries, or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

CONTINUING CONNECTED TRANSACTIONS

During the year under review, for the purposes of the Listing Rules, the Group has entered into the following transactions with the connected persons of the Company (as defined under the Listing Rules):

- (1) (i) A tenancy agreement dated 1 March 2004 (“First Tenancy Agreement”) in respect of Unit 3510-3515, 35/F, Metro Plaza, 183-187 Tian He North Road, Guangzhou, PRC (中國廣州天河區天河北路 183-187 號大都會廣場三十五樓 3510-3515 單位) (“First Premises”) was entered into between Genda Investment Limited (“Genda”) and Guangzhou Hong Jun Shoes Company (廣州市宏峻鞋服有限公司), an indirect wholly-owned subsidiary of the Company, for a term of one year commencing from 1 March 2004 and ending on 28 February 2005. The gross floor area of the First Premises was 493.743 square metres. The rent payable by Guangzhou Hong Jun Shoes Company (廣州市宏峻鞋服有限公司) was RMB56,780 (equivalent to approximately HK\$53,515) per month, was payable in advance each month. The management fees was RMB15,546 (approximately HK\$14,652.20) per month from March 2004 to July 2004 and RMB12,343.60 (approximately HK\$11,633.90) per month from August 2004 onwards, was payable by Guangzhou Hong Jun Shoes Company to Guangzhou Metro Plaza Management Company Limited (廣州大都會廣場物業管理有限公司), an Independent Third Party (within the meaning of Rule 14.58(3) of the Listing Rules). The First Premises was used as office premises to promote the products of the Company and its subsidiaries (together the “Group”) in the People’s Republic of China (“PRC”);
- (ii) As part of an internal reorganisation of the Group’s PRC operations, the First Tenancy Agreement was terminated on 31 December 2004 so that the sales and marketing activities of the Group in the PRC which was previously carried out by Guangzhou Hong Jun Shoes Company (廣州市宏峻鞋服有限公司) was transferred to an indirect wholly-owned subsidiary of the Group, Guangzhou Weipai Trading Company (廣州市韋柏貿易有限公司), which included the use of the First Premises for promoting the Group’s products in the PRC. In this regard, a termination agreement dated 1 December 2004 (“Termination Agreement”) was entered into between Genda and Guangzhou Hong Jun Shoes Company (廣州市宏峻鞋服有限公司) in relation to the termination of the First Tenancy Agreement. The effective date of termination of the First Tenancy Agreement was 31 December 2004;

CONTINUING CONNECTED TRANSACTIONS (Continued)

(iii) As mentioned in paragraph (ii) above, due to an internal reorganisation of the Group's PRC operations and subsequent to the termination of the First Tenancy Agreement, a tenancy Agreement dated 25 January 2005 ("Second Tenancy Agreement") in respect of the First Premises was entered into between Genda and Guangzhou Weipai Trading Company (廣州市韋柏貿易有限公司) for a term of one year commencing from 1 January 2005 and ending on 31 December 2005. The rent payable by Guangzhou Weipai Trading Company (廣州市韋柏貿易有限公司) is RMB56,780 (equivalent to approximately HK\$53,515) per month and payable in advance each month. The management fees of RMB12,343.60 (approximately HK\$11,633.90) per month is payable to Guangzhou Metro Plaza Management Company Limited (廣州大都會廣場物業管理有限公司), an Independent Third Party. The First Premises is used as office premises to promote the Group's products in the PRC.

The total amount of rent paid by the Group to Genda under the First Tenancy Agreement for the period from 1 March 2004 to 31 December 2004 was RMB567,800 (approximately HK\$535,155).

The total amount of rent paid by the Group to Genda under the Second Tenancy Agreement for the two months ended 28 February 2005 was RMB113,560 (approximately HK\$107,031).

Therefore, the aggregate rental expenses paid by the Group to Genda under the First and Second Tenancy Agreements for the year under review was RMB681,360 (approximately HK\$642,186).

(2) A tenancy agreement dated 21 January 2004 ("Third Tenancy Agreement") in respect of AR/C 2-A; 2-B; 2-C, Beco Da Arruda, 32 Rua De S. Domingos, Macau (the "Shop Premises") was entered into between Mr. Lee Tze Bun, Marces ("Mr. Lee"), being the chairman, executive director and controlling shareholder (as defined under the Listing Rules) of the Company, and Master Benefit Limited, an indirect wholly-owned subsidiary of the Company, for a term of two years commencing from 1 March 2004 and ending on 28 February 2006. The rent payable by Master Benefit Limited is HK\$72,218.76 per month or 12.5% of the total turnover deriving from the operation of the Shop Premises for each of the year ended 28 February during the said term, whichever is higher and payable in advance each month. The Shop Premises is used to operate as "Le Saunda" shoe shop. The gross floor area is 103.70 square metres. The government rent/rates payable annually by Master Benefit Limited to the Government of Macau, an Independent Third Party, amounted to Macau Pataca 224,263 (approximately HK\$217,731.06). No management fee is payable by the Group.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The total amount of rent paid by the Group to Mr. Lee under the Third Tenancy Agreement for the year under review was HK\$1,298,536.99 which was based on 12.5% of the total turnover for the year ended 28 February 2005.

- (3) A tenancy agreement dated 23 December 2003 (“Fourth Tenancy Agreement”) in respect of Room 3002, 30/F, Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong (the “Second Premises”) was entered into between Trend Light Trading Company Limited, an indirect wholly-owned subsidiary of the Group, and Prosper Hon Investment Limited for a term of one year commencing on 1 January 2004 and ending on 31 December 2004. The rent and electricity payable by Prosper Hon Investment Limited was HK\$1,952 and HK\$300 per month respectively and payable in advance each month. The gross floor area was 488 square feet. The management fee of HK\$488 per month and the government rent and rates of HK\$1,041.74 per year were payable by Trend Light Trading Company to KSH Guardian Property Management Limited and Government of Hong Kong respectively, Independent Third Parties. The Second Premises was used as office/warehouse by Prosper Hon Investment Limited. Upon expiration of its term, the parties did not renew the Fourth Tenancy Agreement since the tenant did not want to renew the Fourth Tenancy Agreement and has moved out of the Second Premises.

The total amount of rent and electricity paid by Prosper Hon Investment Limited to the Group under the Fourth Tenancy Agreement for the period from 1 March 2004 to 31 December 2004 was HK\$22,520.

- (4) (i) A tenancy agreement dated 23 June 2003 (“Fifth Tenancy Agreement”) in respect of Car park No. V09 on the ground floor of Hing Wai Centre, 7 Tin Wan Praya Road, Aberdeen, Hong Kong (the “Carpark”) was entered into between Le Saunda Management Limited, an indirect wholly-owned subsidiary of the Group, and Dragon Venture Enterprises Limited, for a term of one year commencing from 1 July 2003 and ending on 30 June 2004. The rent payable by Le Saunda Management Limited was HK\$3,200 per month (inclusive of rates and management fees) and payable in advance each month. The Carpark was used for parking one lorry of the Group.
- (ii) Upon the expiration of the terms of the Fifth Tenancy Agreement, a tenancy agreement dated 23 June 2004 (“Sixth Tenancy Agreement”) in respect of the Carpark was entered into between Le Saunda Management Limited and Dragon Venture Enterprises Limited, for a term of one year commencing on 1 July 2004 and ending on 30 June 2005. The rent payable by Le Saunda Management Limited is HK\$3,200 per month (inclusive of rates and management fees) and payable in advance each month. The Carpark is used for parking one lorry of the Group.

CONTINUING CONNECTED TRANSACTIONS (Continued)

On 17 June 2005, Le Saunda Management Limited and Dragon Venture Enterprises Limited have renewed the Sixth Tenancy Agreement in respect of the Carpark. All the terms of the Sixth Tenancy Agreement remain the same except that the term of the renewal shall commence on 1 July 2005 and ending on 30 June 2006, such terms were made with reference to the then prevailing market rates which were obtained by the Group from estate agents and based on terms which would be similar to those offered by Dragon Venture Enterprises Limited to other third parties (if the Carpark is to be let by Dragon Venture Enterprises Limited to other third parties).

The total amount of rent paid (inclusive of rates and management fees) by the Group to Dragon Venture Enterprises Limited under the Fifth Tenancy Agreement for the period from 1 March 2004 to 30 June 2004 was HK\$12,800.

The total amount of rent (inclusive of rates and management fees) paid by the Group to Dragon Venture Enterprises Limited under the Sixth Tenancy Agreement for the period from 1 July 2004 to 28 February 2005 was HK\$25,600.

Therefore, the aggregate rental expense paid by the Group to Dragon Venture Enterprises Limited under the Fifth and Sixth Tenancy Agreement for the year under review was HK\$38,400.

The aggregate rental paid by the Group to Genda, Dragon Venture Enterprises Limited and Mr. Lee under the First, Second, Third, Fifth and Sixth Tenancy Agreement of the Continuing Connected Transactions did not exceed HK\$1,979,122.99 for the twelve months ended 28 February 2005.

The aggregate rental to be paid by the Group to Genda, Dragon Venture Enterprises Limited and Mr. Lee under the Second, Third and Sixth Tenancy Agreement and the renewed Sixth Tenancy Agreement of the Continuing Connected Transactions will not exceed HK\$2,500,000 for the year ending 28 February 2006.

The basis of the cap amount in the amount of HK\$2,500,000 mentioned above is determined with reference to:

- (a) the annual rental in the amount of RMB567,800 (approximately HK\$535,150) to be paid by the Group to Genda pursuant to the Second Tenancy Agreement;
- (b) the historical turnover deriving from the operation of the Shop Premises in the amount of HK\$1,298,536.99 based on 12.5% of the total turnover for the year ended 28 February 2005;

CONTINUING CONNECTED TRANSACTIONS (Continued)

- (c) the anticipated growth of the turnover to be derived from the business of the Shop Premises for the year ended 28 February 2006 which is based on the aggregate turnover from 1 March 2005 to 31 May 2005 and the expected growth rate in turnover for the remaining period; and
- (d) the annual rental (inclusive of rates of management fee) to be paid by the Group to Dragon Venture Enterprises Limited in the amount of HK\$12,800 pursuant to the Sixth Tenancy Agreement and the amount of HK\$25,600 pursuant to the renewed terms of the Sixth Tenancy Agreement.

Genda, Prosper Hon Investment Limited and Dragon Venture Enterprises Limited are all 100% beneficially owned by Mr. Lee, an executive Director and the controlling shareholder (as defined under the Listing Rules) of the Company, and his associates (as defined under the Listing Rules) and hence Mr. Lee is a connected person of the Company under the Listing Rules. Mr. Lee and Ms. Tsui Oi Kuen, an executive Director, are also directors of Genda, Prosper Hon Investment Limited and Dragon Venture Enterprises Limited. Thus, Ms. Tsui Oi Kuen is also a connected person of the Company under the Listing Rules. The First Tenancy Agreement (prior to its effective date of termination on 31 December 2004), the Second Tenancy Agreement, the Third Tenancy Agreement, the Fourth Tenancy Agreement (prior to the expiration of its terms), the Fifth Tenancy Agreement (prior to the expiration of its terms) and the Sixth Tenancy Agreement (together known as the “Continuing Connected Transactions”) therefore constitute Continuing Connected Transactions of the Group under Rule 14A.34 of the Listing Rules.

As each of the percentage ratios (except for the profits test) for the Continuing Connected Transactions is on an annual basis less than 2.5%, therefore the Continuing Connected Transactions are only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the independent shareholders’ approval requirements under Rule 14A.34 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The board of Directors (including the independent non-executive Directors and with Mr. Lee and his associates and Ms. Tsui abstained from voting), confirm that the Continuing Connected Transactions were entered into by the Group in the ordinary and usual course of its business since the Group is principally engaged in the manufacture and sale of shoes and property development and leasing of premises for the sale of shoes would be incidental to the operation of the Group's business. They also consider that the terms governing the Continuing Connected Transactions were negotiated and conducted on an arm's length basis and on normal commercial terms between the Group and the respective landlords under each of the respective tenancy agreements, which were made with reference to the then prevailing market rates which were obtained by the Group from estate agents and based on terms which would be similar to those offered by Genda, Dragon Venture Enterprises Limited or Mr. Lee to other third parties (if such premises were to be let by Genda, Dragon Venture Enterprises Limited or Mr. Lee to other third parties). There are similar comparable properties offered by the relevant landlords on similar terms to other third parties as the various tenancy agreements. Genda also rented comparable property to other third party on similar terms to those offered to the Group under the First and Second Tenancy Agreements. Dragon Venture Enterprises Limited also rented comparable car park to other third party on similar terms to those offered to the Group under the Fifth and Sixth Tenancy Agreements. In the case of the Fourth Tenancy Agreement, the terms were made with reference to the then prevailing market rates which were obtained by the Group from estate agents and based on terms which would be similar to those offered by the Group to other third parties (if such premises were to be let by the Group to other third parties). Save and except disclosed herein, the Group has not entered into any other property tenancy agreements with the connected persons of the Company during the period under review.

The board of Directors (including the independent non-executive Directors) is of the view that so far as the shareholders of the Company are concerned, the Continuing Connected Transactions and the terms thereof are fair and reasonable and in the best interests of the Group and the shareholders of the Company as a whole.

Further, the auditors of the Company have confirmed in a letter to the board of Directors that during the year under review, the Continuing Connected Transactions (i) have received the approval of the board of Directors; (ii) were entered into in accordance with the respective terms of the relevant tenancy agreements governing such Continuing Connected Transactions; and (iii) the aggregate annual consideration were not in excess of the total cap amount of HK\$2,010,000 for the year ended 28 February 2005, as stated in the minutes of the meeting of board of Directors of the Company held on 13 June and 15 June 2005.

Certain connected transactions which are significant are also disclosed as related party transactions (see note 28 to the accounts).

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

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

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 under review.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of purchases and sales attributable to the Group's five largest suppliers and customers respectively are less than 30%.

USE OF PROCEEDS FROM PLACEMENT OF NEW SHARES

On 22 December 2004, the Company placed an aggregate of 50,000,000 new ordinary shares at the subscription price of HK\$1.04 per share. Such price represents a discount of approximately 9.57% to the closing price of HK\$1.15 per share as quoted on the Stock Exchange on 10 December 2004, being the date of conditional subscription agreement.

The shares were allotted and issued to not less than six allottees, who are independent of and not connected with the Directors, chief executives or substantial shareholders of the Company or its subsidiaries and their respective associates (as defined in Listing Rules).

Net proceeds from the placement of the new shares, after deducting the professional fees and all related expenses, amount to approximately HK\$51.9 million and will be used by the Company for investment purpose (including the expansion and development of the shoe markets in Southeast Asia, especially in Malaysia and Singapore) and as general working capital of the Group.

CODE OF BEST PRACTICE

With the exception that the 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 to the Listing Rules throughout the year ended 28 February 2005. The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (as amended on 31 March 2004). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards and set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the audited accounts for the year ended 28 February 2005.

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, 17 June 2005