

The directors submit their report together with the audited accounts for the year ended 28 February 2001.

Principal activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the retailing, wholesaling and manufacturing of footwear. There were no changes in the Group's activities during the year.

Results and appropriations

The results for the year are set out in the consolidated profit and loss account on page 22.

The directors have declared an interim dividend of HK2.8 cents per ordinary share, totalling HK\$7,126,840 which was paid on 19 December 2000.

The directors recommend the payment of a final dividend of HK3.2 cents per ordinary share, totalling HK\$8,144,960.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

Distributable reserves

At 28 February 2001, the distributable reserves of the Company available for distribution, net of dividends proposed, amounted to HK\$133,741,000 as computed in accordance with the Companies Law of the Cayman Islands.

Property, plant and equipment

The Company did not own any property, plant and equipment during the year.

Details of the movements in property, plant and equipment of the Group are set out in note 10 to the accounts.

Share capital and share options

Details of the movements in share capital and share options of the Company are set out in note 18 to the accounts.

Five years 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 page 53.

Purchase, sale or redemption of shares

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 626,000 shares of HK\$0.1 each of the Company at an aggregate consideration of HK\$457,300 before expenses. All of the shares were cancelled subsequent to the repurchase. Details of the shares repurchased during the year are set out below:

Month of repurchase	Number of shares	Price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	
April 2000	200,000	0.79	0.78	157,000
August 2000	120,000	0.78	0.77	93,400
September 2000	200,000	0.68	0.68	136,000
October 2000	106,000	0.67	0.65	70,900
	<u>626,000</u>			<u>457,300</u>

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

The directors during the year were:

Executive directors

Mr Tang Wai Lam
Mr Tang Keung Lam
Mr Chung Chun Wah

Non-executive directors

Mr Lee Kwan Hung, Eddie
Mr Lee Kin Sang *
Mr Chan Ka Sing, Tommy *

* *Independent non-executive directors*

In accordance with Article 116 of the Company's Articles of Association, Messrs Lee Kwan Hung, Eddie and Lee Kin Sang, retire and, being eligible, offer themselves for re-election.

Directors' service contracts

None of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out as follows:

Executive directors

Mr Tang Wai Lam, aged 47, is one of the two co-founders of the Group and the Chairman and Managing Director of the Company. Appointed as a director of the Company in 1996, Mr Tang has over 27 years of experience in the footwear retailing business and has established strong and extensive connections with footwear suppliers in Europe, Hong Kong and mainland China. He is primarily responsible for the overall direction of the business and formulation of corporate policies of the Group.

Biographical details of directors and senior management (continued)**Executive directors (continued)**

Mr Tang Keung Lam, aged 49, is another co-founder of the Group and the Vice-Chairman and Deputy Managing Director of the Company. Appointed as a director of the Company in 1996, Mr Tang has over 27 years of experience in footwear manufacturing and wholesaling. Mr Tang is responsible for the overall management and strategic planning of the Group. He is an elder brother of Mr Tang Wai Lam.

Mr Chung Chun Wah, aged 51, was appointed as a director of the Company in 1996. He joined the Group in 1990 and is responsible for the merchandising management and product development of the Group. He has over 25 years of experience in the footwear business.

Non-executive directors

Mr Lee Kwan Hung, Eddie, aged 35, was appointed as a non-executive director of the Company in 2000. Mr Lee graduated from the University of Hong Kong in 1988 and obtained a Postgraduate Certificate in Laws in 1989. He was qualified as a solicitor in Hong Kong in 1991 and in England and Wales in 1997. He was a senior manager of The Stock Exchange of Hong Kong Limited and is a partner of Messer. Woo, Kwan, Lee & Lo. Mr Lee is also a director of SmarTech Digital Manufacturing Holdings Limited.

Mr Lee Kin Sang, aged 48, is an independent non-executive director of the Company and joined the board in 1996. He has been involved in the jewellery industry for over 25 years and has substantial experience in manufacturing and trading of jewellery. He is a director of several private companies engaged in jewellery manufacturing and trading. Mr Lee presently serves as a committee member of Hong Kong Jewellery Manufacturers' Association and the chairman of Guangzhou Panyu Jewellers Manufacturing Association.

Mr Chan Ka Sing, Tommy, aged 40, is an independent non-executive director of the Company and joined the board in 1996. He is a practising solicitor admitted by the Supreme Court of Hong Kong and the Supreme Court of England and Wales. He is currently a partner of the solicitors' firm Kwok, Ng & Chan. He has extensive experience in law practising and accountancy. Mr Chan currently holds a bachelor degree in law from Wolverhampton Polytechnic, England and a diploma of accountancy from Hong Kong Polytechnic. Prior to joining Kwok, Ng & Chan, he worked in various solicitors' firms and held accounting positions in an international accounting firm and an international trading company.

Senior management

Mr Leung Kam Kwan, aged 37, joined the Group in 1996. He is the Senior Vice President – Finance and the Company Secretary of the Company. Mr Leung has over 13 years of experience in finance and accounting.

Connected transactions

Significant related party transactions entered by the Group during the year ended 28 February 2001, which do not constitute as connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, are disclosed in note 25 to the accounts.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or any of 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 in equity or debt securities

At 28 February 2001, the interests of the directors and chief executive in the shares and options of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(a) Shares in the Company

	Number of ordinary shares of HK\$0.1 each beneficially held		
	Personal interests	Other interests	Total
Mr Tang Wai Lam	6,000,000	41,250,000 (note (i))	47,250,000
Mr Tang Keung Lam	6,000,000	41,250,000 (note (ii))	47,250,000
Mr Chung Chun Wah	3,330,000	—	3,330,000

Notes:

- (i) *Rich Land Property Limited is wholly owned by a discretionary trust, and inter alia, Mr Tang Wai Lam and certain of his family members are objects of such discretionary trust. The 41,250,000 shares owned by Rich Land Property Limited represent 10,650,000 shares held directly by Rich Land Property Limited and 30,600,000 shares held through Tang's Enterprises Limited. Tang's Enterprises Limited is an investment holding company which is 25% owned by Rich Land Property Limited.*
- (ii) *Kinlington Agents Limited is wholly owned by a discretionary trust, and inter alia, Mr Tang Keung Lam and certain of his family members are objects of such discretionary trust. The 41,250,000 shares owned by Kinlington Agents Limited represent 10,650,000 shares held directly by Kinlington Agents Limited and 30,600,000 shares held through Tang's Enterprises Limited. Tang's Enterprises Limited is an investment holding company which is 25% owned by Kinlington Agents Limited.*

Directors' interests in equity or debt securities (continued)

(b) Shares in Mirabell Footwear Limited

**Number of non-voting deferred shares of HK\$100 each
in a subsidiary of the Company,
Mirabell Footwear Limited, beneficially held**

Personal interests

Mr Tang Wai Lam	6,561
Mr Tang Keung Lam	6,561
Mr Chung Chun Wah	477

(c) Share options in the Company

On 19 November 1996, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the year, 12,000,000 number of options were exercised. At 28 February 2001, there was no outstanding share option.

<u>Name</u>	<u>Date of grant</u>	<u>Options granted</u>	<u>Options exercised</u>	<u>Outstanding options as at 28 February 2001</u>
Mr Tang Wai Lam	22 January 1998	4,000,000	(4,000,000)	—
	5 February 1998	2,000,000	(2,000,000)	—
Mr Tang Keung Lam	22 January 1998	4,000,000	(4,000,000)	—
	5 February 1998	2,000,000	(2,000,000)	—
		12,000,000	(12,000,000)	—

Report of the Directors

Directors' interests in equity or debt securities (continued)

(c) Share options in the Company (continued)

Saved as disclosed above:

- (i) none of the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporation (within the meaning of the SDI Ordinance).
- (ii) at no time during the year was the Company or its subsidiaries 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.

Substantial shareholders

At 28 February 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

<u>Name of shareholders</u>	<u>Number of ordinary shares</u>
Tang's Enterprises Limited	122,400,000 (<i>note (i)</i>)
Rich Land Property Limited	41,250,000 (<i>note (ii) & (iv)</i>)
Kinlington Agents Limited	41,250,000 (<i>note (iii) & (iv)</i>)
Simple Message Limited	41,250,000 (<i>note (iv) & (iv)</i>)
Mosman Associates Limited	41,250,000 (<i>note (v) & (iv)</i>)

Note:

- (i) *Tang's Enterprises Limited is the legal and beneficial owner of 122,400,000 shares and is wholly owned by Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited.*
- (ii) *Rich Land Property Limited is a company wholly owned by a discretionary trust the beneficiaries of which include, inter alia, Mr Tang Wai Lam and certain of his family members.*
- (iii) *Kinlington Agents Limited is a company wholly owned by a discretionary trust the beneficiaries of which include, inter alia, Mr Tang Keung Lam and certain of his family members.*
- (iv) *Simple Message Limited is a company wholly owned by a discretionary trust the beneficiaries of which include, inter alia, Mr Tang Yiu and certain of his family members.*
- (v) *Mosman Associates Limited is a company wholly owned by a discretionary trust the beneficiaries of which include, inter alia, Madam Tso Lai Kuen and certain of her family members.*
- (vi) *Each of Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited holds 41,250,000 shares directly and indirectly through its interest in Tang's Enterprises Limited.*

Substantial shareholders (continued)

Save as disclosed above, no other person is recorded in the register as having an interest in 10% or more of the issued share capital of the Company.

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

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

	2001	2000
	<u>%</u>	<u>%</u>
Purchases		
– the largest supplier	9.3	11.7
– five largest suppliers combined	33.6	38.3

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 noted above.

The percentage of sales for the year attributable to the Group's five largest customers are less than 30% of the total sales for the year and therefore no additional disclosure with regard to major customers is made.

Retirement Scheme

The Group operates a defined contribution retirement scheme, namely the Mandatory Provident Fund Schemes (the "Scheme") which is available to all employees. Contributions to the Scheme by the Group and employees are calculated as a percentage of the employees' salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the Scheme.

Contributions totalling HK\$305,234 (2000: Nil) were payable to the Scheme at the year-end and are included in accrued charges. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws in the Cayman Islands.

Compliance with the Code of Best Practice of the Listing Rules

Throughout the year, the Company has complied fully with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save that independent non-executive directors of the Company are not appointed for a fixed term but are subject to the retirement by rotation provisions of the Company's Articles of Association.

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 Board and the Company's auditors in matters coming within the scope of the group audit. 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 Lee Kin Sang and Mr Chan Ka Sing, Tommy. Two meetings were held during the current financial year.

Auditors

The accounts have been audited by the joint auditors, PriceWaterhouseCoopers and Chan, Wong, Chung & Co. who retire and being eligible, offer themselves for re-appointment. A resolution to appoint Chan, Wong, Chung & Co. as the sole auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tang Wai Lam

Chairman

Hong Kong, 11 June 2001