

The directors have pleasure in presenting their report and the audited financial statements of the Company and the Group for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 12 to the financial statements. There were no significant changes in the nature of the principal activities of the Group during the year.

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31 March 2001 is as follows:

	Turnover	
	2001	2000
	HK\$'000	HK\$'000
By principal activity:		
Manufacturing, trading and distribution of:		
Rugged footwear	420,274	390,017
Casual footwear	275,316	272,972
Baby and children's footwear	347,273	312,624
Trading and distribution of:		
Sportswear and sport shoes	14,736	–
Total	<u>1,057,599</u>	<u>975,613</u>
By geographical area:		
United States of America	735,032	684,394
Europe	227,384	205,879
Others	95,183	85,340
Total	<u>1,057,599</u>	<u>975,613</u>

PRINCIPAL ACTIVITIES *(continued)*

	Contribution to profit before tax	
	2001	2000
	HK\$'000	HK\$'000
By principal activity:		
Manufacturing, trading and distribution of:		
Rugged footwear	66,546	55,611
Casual footwear	43,572	36,850
Baby and children's footwear	60,140	48,460
Trading and distribution of:		
Sportswear and sport shoes	(7,336)	–
Total	162,922	140,921
By geographical area:		
United States of America	117,467	102,317
Europe	37,472	30,964
Others	7,983	7,640
Total	162,922	140,921

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2001 and the state of affairs of the Company and the Group at 31 March 2001 are set out in the financial statements on pages 26 to 52.

An interim dividend of HK3.5 cents per share was paid to shareholders on 15 February 2001. The directors recommend the payment of a final dividend of HK7 cents per share in respect of the year to shareholders on the register of members on 15 August 2001. This recommendation has been incorporated in the financial statements.

BONUS ISSUE OF SHARES

The directors propose a bonus issue of new shares (the "Proposed Bonus Share Issue") to shareholders whose names appear on the register of members on 15 August 2001.

The Proposed Bonus Share Issue will be made on the basis of 1 bonus share for every 10 existing ordinary shares. The bonus shares will be credited as fully paid at par and will rank pari passu with the existing ordinary shares in all respects, except that they will not rank for the Proposed Final Dividend and the Proposed Bonus Share Issue.

BONUS ISSUE OF SHARES (continued)

The proposal is subject to (i) the approval of the Company's shareholders at the forthcoming 2001 Annual General Meeting; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the bonus shares on the Stock Exchange.

SUMMARY FINANCIAL INFORMATION

The consolidated results, and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, are summarised below.

RESULTS

	2001 HK\$'000	Year ended 31 March			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
TURNOVER	1,057,599	975,613	949,426	947,657	840,441
PROFIT BEFORE TAX	162,922	140,921	112,970	91,734	72,951
TAX	(14,077)	(12,446)	(13,005)	(11,777)	(8,581)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	148,845	128,475	99,965	79,957	64,370

ASSETS AND LIABILITIES

	2001 HK\$'000	31 March			
		2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
FIXED ASSETS	232,608	162,764	153,699	158,697	144,252
LONG TERM INVESTMENTS	388	776	556	1,248	-
DEPOSITS PAID	-	14,321	-	-	-
CURRENT ASSETS	599,842	621,002	501,550	357,089	309,770
TOTAL ASSETS	832,838	798,863	655,805	517,034	454,022
CURRENT LIABILITIES	327,473	399,753	344,617	246,194	223,408
LONG TERM BANK LOAN	19,500	-	2,112	1,992	2,147
TOTAL LIABILITIES	346,973	399,753	346,729	248,186	225,555
NET ASSETS	485,865	399,110	309,076	268,848	228,467

FIXED ASSETS

Details of movements in the fixed assets of the Group are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 12 to the financial statements.

BORROWINGS

Details of the Group's borrowings at 31 March 2001 are set out in notes 19 and 20 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 note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

At 31 March 2001, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$89,199,000, as computed in accordance with the Companies Act 1981 of Bermuda. In addition, the balance in the share premium account of HK\$60,636,000 at 31 March 2001 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for 87% of the total sales for the year and sales to the largest customer included therein amounted to 28%.

MAJOR CUSTOMERS AND SUPPLIERS *(continued)*

Purchases from the five largest suppliers accounted for 27% of the total purchases for the year and purchases from the largest supplier included therein amounted to 12%.

As far as the directors are aware, neither the directors, their respective spouse, or children under 18 years of age, nor any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers and five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Chen Ming-hsiung, Mickey

Chen Cheng-hsiung

Huang Hsiu-duan, Helen

Lee Kung

Chan Ho-man, Daniel

Kimmel, Phillip Brian

Independent non-executive directors:

Chow Wing-kin, Anthony

Tam King-ching, Kenny

In accordance with article 87 of the Company's bye-laws, Chan Ho-man, Daniel and Kimmel, Phillip Brian, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 other than statutory compensation.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the directors' remuneration and that of the five highest paid employees during the year ended 31 March 2001 are set out in note 5 to the financial statements.

PENSION SCHEMES

Details of the pension schemes of the Group are set out in notes 1, 4, and 5 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme dated 3 September 1994, the board of directors may, at their discretion, invite full-time employees and executive directors of the Company to take up share options to subscribe for shares in the Company. Further details of the share option scheme are set out in note 21 to the financial statements.

Details of movements in the share options held by the directors during the year and the balances that remained outstanding at the balance sheet date were as follows:

Name of director	Number of share options				Exercise period of share options	Exercise price of share options* HK\$
	At beginning of year*	Granted during the year	Exercised during the year	Outstanding at end of year		
Chen Ming-hsiung, Mickey	1,687,500	-	-	1,687,500	22 March 2000 to 2 September 2004	0.816
	-	2,000,000	-	2,000,000	2 January 2001 to 2 September 2004	1.01
Chen Cheng-hsiung	1,625,000	-	-	1,625,000	22 March 2000 to 2 September 2004	0.816
	-	1,200,000	-	1,200,000	2 January 2001 to 2 September 2004	1.01
Huang Hsiu-duan, Helen	1,237,500	-	-	1,237,500	22 March 2000 to 2 September 2004	0.816
	-	1,000,000	-	1,000,000	2 January 2001 to 2 September 2004	1.01
Lee Kung	506,250	-	-	506,250	22 March 2000 to 2 September 2004	0.816
	-	350,000	-	350,000	2 January 2001 to 2 September 2004	1.01
Chan Ho-man, Daniel	562,500	-	-	562,500	22 March 2000 to 2 September 2004	0.816
	-	550,000	-	550,000	2 January 2001 to 2 September 2004	1.01
Kimmel, Phillip Brian	500,000	-	-	500,000	22 March 2000 to 2 September 2004	0.816
	-	400,000	-	400,000	2 January 2001 to 2 September 2004	1.01
	<u>6,118,750</u>	<u>5,500,000</u>	<u>-</u>	<u>11,618,750</u>		

* The number of share options and the exercise price were adjusted on 28 August 2000 pursuant to the one for four bonus issue of shares. Further details are set out in note 21 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES *(continued)*

Apart from the foregoing, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARE CAPITAL

At the balance sheet date, the interests of the directors in the shares of the Company and the shares of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as set out below:

Directors	Personal interest Number of shares	Corporate interest Number of shares*
Chen Ming-hsiung, Mickey	3,500,000	324,620,863
Chen Cheng-hsiung	3,250,000	324,620,863
Huang Hsiu-duan, Helen	10,095,000	324,620,863
Lee Kung	–	324,620,863
Chan Ho-man, Daniel	3,000,000	–
Kimmel, Phillip Brian	1,262,500	–

* These shares represent a 56.5% 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 57.25%, Chen Cheng-hsiung as to 24.47%, Huang Hsiu-duan, Helen as to 16.67% and Lee Kung as to 1.61%.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the shares of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those contracts disclosed in note 2 to the financial statements, no director had a beneficial interest in any contract of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF

Name	Age	Position Held	Number of years of service	Business Experience
Chen Ming-hsiung, Mickey	48	Chairman and Managing Director	20	<p>Mr. Chen is a co-founder of the Group. Mr. Chen has more than 24 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.</p> <p>He is a brother of Chen Cheng-hsiung and the husband of Huang Hsiu-duan, Helen.</p>
Chen Cheng-hsiung	56	Director	20	<p>Chen Cheng-hsiung is the elder brother of Mr. Chen Ming-hsiung, Mickey and is a co-founder of the Group. He is responsible for handling relations with government authorities in the People's Republic of China excluding Hong Kong and Macau (the "PRC") and Taiwan, and for the regulatory aspects of the Group's operations in the PRC and Taiwan. He is also responsible for the business development and overall administration of the Group's PRC operations. He has more than 20 years' experience in the footwear industry in Taiwan and the PRC.</p>
Huang Hsiu-duan, Helen	44	Director	20	<p>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 25 years' experience in the footwear industry.</p>

**BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS
AND SENIOR MANAGEMENT STAFF** *(continued)*

Name	Age	Position Held	Number of years of service	Business Experience
Lee Kung	46	Director	20	Lee Kung is a co-founder of the Group and is responsible for the Group's overall production in the PRC. He is also responsible for formulating and controlling the Group's quality control policy and procedures. Mr. Lee has more than 23 years' experience in the footwear industry.
Chan Ho-man, Daniel	46	Director	5	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 23 years' accounting and finance experience in Hong Kong.
Kimmel, Phillip Brian	49	Director	7	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 26 years' experience in the footwear industry in Taiwan, the USA, Canada and the PRC.
Chow Wing-kin, Anthony J.P.	51	Director	7	Mr. Chow has been practising as a solicitor in Hong Kong for the past 21 years and is a partner in the law firm, Peter C. Wong, Chow & Chow. Mr. Chow is a council member of the Law Society of Hong Kong, having just completed his three terms in office as President of the Society. He is also a director of the Hong Kong Solicitors' Indemnity Fund Limited.

**BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS
AND SENIOR MANAGEMENT STAFF** *(continued)*

Name	Age	Position Held	Number of years of service	Business Experience
Tam King-ching, Kenny	52	Director	7	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 in Hong Kong and practises under the name of Kenny Tam & Co.
Cho Chin-fu, George	48	Senior Production Manager	11	Mr. Cho holds a bachelor's degree in industrial management from the Tam Kang University. He has more than 22 years' experience in footwear production management and is responsible for the Group's production in the PRC.
Chen Chun-hong, Steve	48	Senior Sales Manager	1	Mr. Chen holds a master's degree in marketing from the United States International University, San Diego and is responsible for the Group's Taiwan operations in respect of customer relations. He has more than 13 years' experience in the footwear industry.
Lai Chi-hang, David	34	Assistant Financial Controller	8	Mr. Lai is responsible for the Group's accounting and financial management. He has 13 years' experience in the fields of auditing, accounting and financial management.
MacGregor, Wayne Lyndon	31	Customer Relations Manager	2	Mr. MacGregor holds a master's degree in international relations focused on Greater China, a bachelor's degree in international relations and a bachelor's degree in law from the University of the Witwatersrand, Johannesburg. He is responsible for the Group's marketing and customer relations.

BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS AND SENIOR MANAGEMENT STAFF *(continued)*

Name	Age	Position Held	Number of years of service	Business Experience
Liao Mei-yueh, Linda	39	Senior Account Manager	2	Ms. Liao holds a diploma in Commercial from Soochow University, Taiwan. She has more than 15 years' experience in the footwear industry.

SUBSTANTIAL SHAREHOLDERS

Apart from the interest of King Strike Limited in the issued share capital of the Company, as disclosed in the "Directors' interests in share capital" section above, no person had registered an interest amounting to 10% or more of the issued share capital of the Company at the date of this report, pursuant to Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its own shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The details of these transactions are as follows:

Month of repurchase	Number of ordinary shares repurchased '000	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2001	964	1.35	1.28	1,272
February 2001	380	1.50	1.35	533
	<u>1,344</u>			<u>1,805</u>

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\$1,670,000 has been charged to the retained profits. 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.

**BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS
AND SENIOR MANAGEMENT STAFF** *(continued)*

Further details of these transactions are set out in note 21 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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, throughout the accounting period covered by the annual report except that the independent non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the by-laws of the Company.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Stock Exchange, the Company set up an Audit Committee (the "Committee") since 1998, with written terms of reference for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors. The Group's financial statements for the year ended 31 March 2001 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange 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
6 July 2001