

The directors submit their report together with the audited accounts for the year ended 28 February 2005.

**Principal activities**

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

The Group has only one single business segment which is the sales of footwear through retailing, wholesaling and manufacturing. Accordingly, the segment information for this sole business segment is equivalent to the consolidated figures. A geographical analysis of the Group's performance for the year is set out in note 2 to the accounts.

**Results and appropriations**

The results of the Group for the year are set out in the consolidated profit and loss account on page 29.

The board of directors has declared an interim dividend of HK2.5 cents per ordinary share, totalling HK\$6,363,250 which was paid on 16 December 2004.

The board of directors has recommended a final dividend of HK6.6 cents per ordinary share, totalling HK\$16,798,980.

**Reserves**

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

**Distributable reserves**

As at 28 February 2005, the distributable reserves of the Company available for distribution, net of dividends proposed, amounted to HK\$122,928,000 (2004: HK\$124,295,000) as computed in accordance with the Companies Law of the Cayman Islands.

**Fixed assets**

The Company did not own any fixed assets during the year.

Details of the movements in fixed assets of the Group and particulars of investment properties are set out in note 11 to the accounts.

**Principal subsidiaries**

Details of the principal subsidiaries of the Company as at 28 February 2005 are set out on pages 66 to 68.

**Share capital**

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

**Retirement scheme**

The Group operates a defined contribution retirement scheme, namely the Mandatory Provident Fund Scheme (the “Scheme”) which is available to all eligible 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 approximately HK\$880,000 (2004: HK\$778,000) 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 Articles of Association of the Company and there are no restrictions against such rights under the laws of the Cayman Islands.

**Five-year financial summary**

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 69.

**Directors**

The directors during the year were:

**Executive directors**

Mr Tang Wai Lam  
Mr Tang Keung Lam  
Mr Ng Man Kit, Lawrence  
Mr Chung Chun Wah

**Non-executive directors**

Mr Lee Kwan Hung  
Mr Lee Kin Sang\*  
Mr Chan Ka Sing, Tommy\*  
Mr Ng Chun Chuen, David\* (appointed on 25 September 2004)

\* *Independent non-executive directors*

In accordance with Article 116 of the Articles of Association of the Company, Mr Chung Chun Wah and Mr Chan Ka Sing, Tommy will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and still considers all of the independent non-executive directors to be independent.

**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 51, 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 31 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. Mr Tang serves as the Permanent Honorary Chairman of Hong Kong Leather Shoe and Shoe Material Merchants Association Limited. He is a brother of Mr Tang Keung Lam.

**Mr Tang Keung Lam**, aged 53, 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 31 years of experience in footwear manufacturing and wholesaling. Mr Tang is responsible for the overall management and strategic planning of the Group. He is a brother of Mr Tang Wai Lam.

**Mr Ng Man Kit, Lawrence**, aged 49, is the Deputy Managing Director of the Company. Mr Ng is responsible for the overall strategic planning, retail operation as well as business development of the Group. Before re-joining the board in 2002, he was an executive director of two listed fashion groups and the vice president of a listed trading company in Hong Kong. Mr Ng holds a distinction Diploma in History from the Hong Kong Baptist University and has over 23 years of experience in the retail services industry in Hong Kong.

**Mr Chung Chun Wah**, aged 55, 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 29 years of experience in the footwear business.

**Biographical details of directors and senior management (continued)****Non-executive directors**

**Mr Lee Kwan Hung**, aged 39, 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 Messrs Woo, Kwan, Lee & Lo.

**Mr Lee Kin Sang**, aged 52, 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 29 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 director of Hong Kong Jewellery Manufacturers' Association, the Committee Member of Chinese People's Political Consultative Conference (Panyu, Guangzhou) and the chairman of Guangzhou Panyu Jewellers Manufacturing Association.

**Mr Chan Ka Sing, Tommy**, aged 44, 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 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.

**Mr Ng Chun Chuen, David**, aged 40, is an independent non-executive director of the Company and joined the board in 2004. He is the Executive Director and Company Secretary of Landune International Limited. Mr Ng is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants, U.K. Mr Ng has extensive experience in auditing, financial management, corporate development, investment and corporate finance. He had been an executive director and chief financial officer of various listed entities in Hong Kong and overseas.

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

**Senior management**

**Mr Leung Yiu Fai, Kelvin**, aged 38, is the Financial Controller and Company Secretary of the Company. Mr Leung holds a Master degree in Finance and Commercial Law from the University of Sydney, Australia, a Master degree in Business Administration from Monash University, Australia and a Bachelor degree in Law from University of Wolverhampton, U.K. Besides, he is a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Association of Chartered Certified Accountants, U.K., a Certified Management Accountant of the Institute of Certified Management Accountants, U.S.A., a Certified Practising Accountant of CPA Australia and a Solicitor of the High Court of Australia. He has over 14 years of experience in accounting, finance, taxation, company and commercial law.

**Directors' interests and short positions in shares, underlying shares and debentures**

As at 28 February 2005, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

**(a) Shares in the Company**

Name of Director	Number of ordinary shares of HK\$0.1 each beneficially held		
	Personal interests	Other interests	Total
Mr Tang Wai Lam	6,000,000	130,575,000 (note (i))	136,575,000
Mr Tang Keung Lam	6,000,000	130,575,000 (note (ii))	136,575,000
Mr Ng Man Kit, Lawrence	12,150,000	–	12,150,000
Mr Chung Chun Wah	2,976,000	–	2,976,000

*Notes:*

- (i) *Of these 130,575,000 shares, 8,175,000 shares were held by Rich Land Property Limited, which was wholly owned by a discretionary trust, the founder of which was Mr Tang Wai Lam. The other 122,400,000 shares were held by Tang's Enterprises Limited, which was owned by Rich Land Property Limited, Kinlington Agents Limited and Mosman Associates Limited as to one-third each.*
- (ii) *Of these 130,575,000 shares, 8,175,000 shares were held by Kinlington Agents Limited, which was wholly owned by a discretionary trust, the founder of which was Mr Tang Keung Lam. The other 122,400,000 shares represented the same block of shares held by Tang's Enterprises Limited referred to in note (i) above.*

**Directors' interests and short positions in shares, underlying shares and debentures  
(continued)****(b) Shares in Mirabell Footwear Limited**

<u>Name of Director</u>	<u>Number of non-voting deferred shares of HK\$100 each in a subsidiary of the Company, Mirabell Footwear Limited, beneficially held personally</u>
Mr Tang Wai Lam	6,561
Mr Tang Keung Lam	6,561
Mr Chung Chun Wah	477

Save as disclosed above:

- (i) As at 28 February 2005, none of the directors or chief executives (including their spouses and children under 18 years of age) of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO).
- (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.

## Report of the Directors

### Substantial shareholders

As at 28 February 2005, the following persons (other than the directors of the Company) had 5% or more interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name	Number of ordinary shares of HK\$0.1 each beneficially held			Total
	Beneficial interests	Interest of controlled corporation	Other interests	
Tang's Enterprises Limited <i>(note (vi))</i>	122,400,000	–	–	122,400,000
Rich Land Property Limited <i>(note (vi))</i>	8,175,000	122,400,000 <i>(note (i))</i>	–	130,575,000
Kinlington Agents Limited <i>(note (vi))</i>	8,175,000	122,400,000 <i>(note (i))</i>	–	130,575,000
Mosman Associates Limited	8,175,000	122,400,000 <i>(note (i))</i>	–	130,575,000
Madam Tso Lai Kuen	6,000,000	–	130,575,000 <i>(note (ii))</i>	136,575,000
Strath Fiduciaries Limited	–	155,100,000 <i>(note (iii))</i>	–	155,100,000
Value Partners Limited	–	–	15,290,000 <i>(note (iv))</i>	15,290,000
Mr Cheah Cheng Hye	–	15,290,000 <i>(note (v))</i>	–	15,290,000

*Notes:*

- (i) *These represented the same block of 122,400,000 shares held by Tang's Enterprises Limited, which was owned by Rich Land Property Limited, Kinlington Agents Limited and Mosman Associates Limited as to one-third each.*
- (ii) *Of these 130,575,000 shares, 8,175,000 shares were held by Mosman Associates Limited, which was wholly owned by a discretionary trust, the founder of which was Madam Tso Lai Kuen. The other 122,400,000 shares represented the same block of shares held by Tang's Enterprises Limited.*
- (iii) *These represented the same block of 122,400,000 shares held by Tang's Enterprises Limited and the three blocks of shares of 8,175,000 each beneficially held by Rich Land Property Limited, Kinlington Agents Limited and Mosman Associates Limited respectively plus 8,175,000 shares beneficially held by Simple Message Limited. Since Rich Land Property Limited, Kinlington Agents Limited, Mosman Associates Limited and Simple Message Limited were wholly owned on trust by Strath Fiduciaries Limited, Strath Fiduciaries Limited was deemed to be interested in the shares in which those companies were interested or deemed to be interested under the SFO.*

**Substantial shareholders (continued)**

- (iv) *These shares were held by Value Partners Limited in the capacity of investment manager.*
- (v) *These represented the same block of shares held by Value Partners Limited, which was controlled by Mr Cheah Cheng Hye.*
- (vi) *Mr Tang Wai Lam and Mr Tang Keung Lam are directors of Tang's Enterprises Limited, Rich Land Property Limited and Kinlington Agents Limited.*

Save as disclosed above, as at 28 February 2005, no other person was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having 5% or more interests and short positions in the shares and underlying shares of the Company.

**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.

**Share option scheme**

At the extraordinary general meeting of the Company held on 29 December 2004, the shareholders of the Company terminated the share option scheme of the Company which was conditionally adopted by the Company at a general meeting held on 19 November 1996 (the "Old Scheme") and approved to adopt a new share option scheme of the Company (the "New Scheme") in compliance with Chapter 17 of the Listing Rules.

*The Old Scheme*

The purpose of the Old Scheme was to provide the Company with a flexible means of giving incentive to, rewarding, remunerating and compensating employees of any member of the Group, including any executive directors of any member of the Group.

The maximum number of shares of the Company ("Shares") in respect of which options might be granted (together with options exercised and options then outstanding) under the Old Scheme (when aggregated with Shares subject to any other share option scheme) should not exceed such number of Shares as should represent 10% of the nominal amount of the issued share capital of the Company from time to time, excluding for this purpose any Shares issued on exercise of options granted under the Old Scheme.

No option might be granted to any one employee which, if exercised in full, would result in the total number of Shares already issued and issuable to him under the Old Scheme exceeding 25% of the aggregate number of Shares for the time being issued and issuable under the Old Scheme.

**Share option scheme (continued)***The Old Scheme (continued)*

An option might be exercised in accordance with the terms of the Old Scheme at any time during the five year period commencing one month after the date on which the option was accepted and expiring on the last day of the five year period or the last day of the period beginning on 19 November 1996 and expiring on the tenth anniversary thereof (both dates inclusive), whichever was the earlier.

An option might only be accepted within 28 days from the date upon which the offer is made, and the grantee should pay HK\$1.00 to the Company as consideration for the grant upon acceptance of the option.

The subscription price for Shares under the Old Scheme should be a price determined at the discretion of the directors of the Company and notified to an employee and should not be less than 80% of the average closing price of Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer of the option or the nominal value of Shares, whichever was the higher.

The Old Scheme was terminated by shareholders of the Company at the extraordinary general meeting of the Company held on 29 December 2004, and no options might be issued thereunder since then.

No options under the Old Scheme were outstanding at the beginning or at the end of the financial year, and no options under the Old Scheme were granted, exercised, cancelled or lapsed during the financial year.

*The New Scheme*

The purpose of the New Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contributions and/or potential contributions to the Group and for such other purposes as the Board may approve from time to time.

The participants of the New Scheme are:

- (i) any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Group;
- (ii) any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group;

**Share option scheme (continued)***The New Scheme (continued)*

- (iii) any consultants, professional and other advisers to the Group (or persons, firms or companies proposed to be appointed for providing such services);
- (iv) any chief executives of the Company; and
- (v) any associates of director or chief executive of the Company,

provided that the Board may have absolute discretion to determine whether or not one falls within the above categories.

The total number of Shares which may be issued upon exercise of all options under the New Scheme and any other share option schemes of the Company (excluding, for this purpose, options lapsed in accordance with the terms of the New Scheme and any other share option schemes) must not in aggregate exceed 10% of Shares in issue at 29 December 2004, the date of adoption of the New Scheme, unless a fresh approval of the shareholders is obtained. As at the date of this annual report, the total number of Shares available for issue under the New Scheme is 25,453,000, which represents 10% of the issued share capital of the Company as at the date of this annual report.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of such limit must be separately approved by the shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

The Board shall be entitled at any time within 10 years after 29 December 2004 to make an offer of the grant of an option. The period during which an option may be exercised is determined by the Board, which shall not be longer than 10 years from the date upon which the option is granted unless otherwise determined by the Board and specified in the offer letter at the time of the offer of the grant of the option, there is no minimum period for which an option must be held before it can be exercised.

The amount payable on acceptance of the option is HK\$1.00 to be received by the Company within a period of 28 days from the date upon which the offer is made, provided that no such offer shall be open for acceptance after the 10th anniversary from 29 December 2004. Such remittance shall in no circumstances be refundable. The full amount of the exercise price for the subscription of Shares has to be paid upon exercise of an option.

**Share option scheme (continued)***The New Scheme (continued)*

The subscription price in respect of each Share issued pursuant to the exercise of options granted shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of:

- (a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;
- (b) a price being the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the offer date; and
- (c) the nominal value of a Share.

The New Scheme was approved by the shareholders of the Company on 29 December 2004 and has a life of 10 years until 28 December 2014, but any options then outstanding will continue to be exercisable.

No options under the New Scheme were outstanding at the beginning or at the end of the financial year, and no options under the New Scheme were granted, exercised, cancelled or lapsed during the financial year.

**Connected transactions**

Significant related party transactions entered by the Group during the year ended 28 February 2005, which do not constitute connected transactions under the Listing Rules, are disclosed in note 27 to the accounts.

**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:

	<u>2005</u>	<u>2004</u>
	%	%
Purchases		
– the largest supplier	<b>8.4</b>	9.1
– five largest suppliers combined	<b>24.0</b>	26.0

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 aggregate percentages 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.

**Dealings in the Company's listed shares**

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

**Corporate governance**

The Code on Corporate Governance Practices replaces the Code of Best Practice and becomes effective for accounting periods commencing on or after 1 January 2005. The Company will report on compliance with the Code on Corporate Governance Practices in its interim report for the 6 months ending 31 August 2005.

Throughout the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, 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 Articles of Association of the Company.

**Code of conduct regarding directors' securities transactions**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Following a specific enquiry, each of the directors confirmed that he complied with the code of conduct regarding directors' securities transactions throughout the year ended 28 February 2005.

**Audit committee**

In compliance with the requirements of the Stock Exchange, an audit committee was formed in 2000. 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 Institute of Certified Public 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 control and risk evaluation. The Committee comprises three independent non-executive directors, namely Mr Lee Kin Sang, Mr Chan Ka Sing, Tommy and Mr Ng Chun Chuen, David. Two meetings were held during the current financial year.

**Public float**

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on information that is publicly available to the Company and within the knowledge of the directors.

**Auditors**

PricewaterhouseCoopers were auditors of the Company for the three financial years ended 28 February 2003, 29 February 2004 and 28 February 2005, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Tang Wai Lam**

*Chairman*

Hong Kong, 21 June 2005