

The directors submit their report together with the audited accounts for the year ended 28 February 2002.

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.

An analysis of the Group's performance for the year by geographical and business segments 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 18.

The directors have declared an interim dividend of HK1.5 cents per ordinary share, totalling HK\$3,817,950 which was paid on 19 December 2001.

The directors recommend the payment of a final dividend of HK3.6 cents per ordinary share, totalling HK\$9,163,080.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the accounts.

Distributable reserves

At 28 February 2002, the distributable reserves of the Company available for distribution, net of dividends proposed, amounted to HK\$133,390,000 (2001: HK\$133,741,000) 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 are set out in note 12 to the accounts.

Share capital

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

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 of the Cayman Islands.

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 55.

Directors

The directors during the year were:

Executive directors

Mr Tang Wai Lam

Mr Tang Keung Lam

Mr Ng Man Kit, Lawrence (appointed on 18 January 2002)

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 Chung Chun Wah and Chan Ka Sing, Tommy 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 48, 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 28 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.

Mr Tang Keung Lam, aged 50, 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 28 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 Ng Man Kit, Lawrence aged 46, 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 20 years of experience in the retail services industry in Hong Kong

Mr Chung Chun Wah, aged 52, 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 26 years of experience in the footwear business.

Non-executive directors

Mr Lee Kwan Hung, Eddie, aged 36, 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.

Biographical details of directors and senior management (continued)

Non-executive directors (continued)

Mr Lee Kin Sang, aged 49, 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 26 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 41, 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.

Senior management

Mr Leung Yiu Chun, aged 32, joined the Group in 1998. He is the Assistant Vice President - Finance and the Company Secretary of the Company. Mr Leung holds a bachelor degree in Accountancy from the Hong Kong Polytechnic University and is the fellow member of the Association of Chartered Certified Accountants. He has 10 years of experience in finance and accounting field.

Directors' interests in equity or debt securities

At 28 February 2002, 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 Ng Man Kit, Lawrence	12,094,000	–	12,094,000
Mr Chung Chun Wah	3,330,000	–	3,330,000

Report of the Directors

Directors' interests in equity or debt securities (continued)**(a) Shares in the Company (continued)**

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.*

(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

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).

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

At 28 February 2002, 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 (note (i))
Rich Land Property Limited	41,250,000 (note (ii) & (vi))
Kinlington Agents Limited	41,250,000 (note (iii) & (vi))
Simple Message Limited	41,250,000 (note (iv) & (vi))
Mosman Associates Limited	31,350,000 (note (v) & (vii))
Mr Tang Wai Lam	47,250,000 (note (viii))
Mr Tang Keung Lam	47,250,000 (note (viii))
Mr Tang Yiu	41,250,000 (note (viii))
Ms Tso Lai Kuen	37,350,000 (note (viii))

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 and Simple Message Limited holds 41,250,000 shares directly and indirectly through its interest in Tang's Enterprises Limited.*
- (vii) *Mosman Associates Limited holds 31,350,000 shares directly and indirectly through its interest in Tang's Enterprises Limited.*
- (viii) *The shares disclosed under the name of Mr Tang Wai Lam, Mr Tang Keung Lam, Mr Tang Yiu and Madam Tso Lai Kuen include their deemed interest in the shares held by Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited respectively.*

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.

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.

Connected transactions

Significant related party transactions entered by the Group during the year ended 28 February 2002, 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 26 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>2002</u>	<u>2001</u>
	%	%
Purchases		
– the largest supplier	10.1	9.3
– five largest suppliers combined	34.7	33.6

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.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Corporate Governance

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

In compliance with the requirements of The Stock Exchange of Hong Kong Limited, 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 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 Chan, Wong, Chung & Co. who retire as auditors of the Company and a resolution to appoint PricewaterhouseCoopers as auditors of the Company will be proposed in the forthcoming Annual General Meeting.

PricewaterhouseCoopers and Chan, Wong, Chung & Co. were the joint auditors of the Company for the three financial years ended 28 February 2001.

On behalf of the Board

Tang Wai Lam*Chairman*

Hong Kong, 17 June 2002