

The directors submit their report together with the audited accounts for the year ended 28 February 2003.

**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 19.

The board of directors has declared an interim dividend of HK1.5 cents per ordinary share, totalling HK\$3,817,950 which was paid on 18 December 2002.

The board of directors has recommended a final dividend of HK4.3 cents per ordinary share, totalling HK\$10,944,790.

**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**

As at 28 February 2003, the distributable reserves of the Company available for distribution, net of dividends proposed, amounted to HK\$129,875,000 (2002: HK\$133,390,000) 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 10 to the accounts.

**Principal subsidiaries**

Details of the principal subsidiaries of the Company as at 28 February 2003 are set out on pages 51 and 52.

**Share capital**

Details of the movements in share capital of the Company are set out in note 18 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\$560,000 (2002: HK\$667,000) 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 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 latest five financial years is set out on page 53.

**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, 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 Tang Keung Lam 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 49, 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 29 years of experience in the footwear retailing business and has established strong and extensive connections with footwear suppliers in Europe, Hong Kong and the PRC. 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 51, 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 29 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 47, 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 21 years of experience in the retail services industry in Hong Kong.

**Mr Chung Chun Wah**, aged 53, was appointed as a director of the Company in 1996. He joined the Group in 1990 and is responsible for the merchandizing management and product development of the Group. He has over 27 years of experience in the footwear business.

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

**Mr Lee Kwan Hung, Eddie**, aged 37, 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 50, 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 27 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 and the chairman of Guangzhou Panyu Jewellers Manufacturing Association.

**Mr Chan Ka Sing, Tommy**, aged 42, 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 Fai, Kelvin**, aged 36, 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, United Kingdom. Besides, he is a fellow member of the Hong Kong Society of Accountants, a Certified Practising Accountant of CPA Australia and a Solicitor of the High Court of Australia. He has over 12 years of experience in accounting, finance, taxation, company and commercial law.

## Report of the Directors

### Directors' interests in equity or debt securities

As at 28 February 2003, the interests of the directors and chief executive in the shares of the Company and its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "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	8,175,000 (note (i))	14,175,000 (note (iii))
Mr Tang Keung Lam	6,000,000	8,175,000 (note (ii))	14,175,000 (note (iii))
Mr Ng Man Kit, Lawrence	12,094,000	–	12,094,000
Mr Chung Chun Wah	3,330,000	–	3,330,000

Notes:

- (i) The shares were held by Rich Land Property Limited which is wholly owned by a discretionary trust, the beneficiaries of which are, inter alia, Mr Tang Wai Lam and certain of his family members.
- (ii) The shares were held by Kinlington Agents Limited which is wholly owned by a discretionary trust, the beneficiaries of which are, inter alia, Mr Tang Keung Lam and certain of his family members.
- (iii) Regarding the rectification of the records, please refer to note (i) of Substantial shareholders below.

#### (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

Save as disclosed below, the directors are not aware of any party who was directly or indirectly interested in 10% or more of the issued share capital of the Company as at 28 February 2003 as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance (*note (i)*).

<u>Name of shareholder</u>	<u>Number of ordinary shares</u>
Tang's Enterprises Limited	122,400,000 ( <i>note (ii)</i> )

Notes:

- (i) *The records in the register of the Company as at 28 February 2003 showed the following parties were directly or indirectly interested in 10% or more of the issued share capital of the Company:–*

<u>Name of shareholder</u>	<u>Number of ordinary shares</u>
<i>Tang's Enterprises Limited</i>	<i>122,400,000</i>
<i>Rich Land Property Limited</i>	<i>38,775,000</i>
<i>Kinlington Agents Limited</i>	<i>38,775,000</i>
<i>Simple Message Limited</i>	<i>38,775,000</i>
<i>Mosman Associates Limited</i>	<i>38,775,000</i>
<i>Mr Tang Wai Lam</i>	<i>44,775,000</i>
<i>Mr Tang Keung Lam</i>	<i>44,775,000</i>
<i>Mr Tang Yiu</i>	<i>38,775,000</i>
<i>Madam Tso Lai Kuen</i>	<i>44,775,000</i>

*However, the records in the register of the Company as at 28 February 2003 have been rectified after receiving the following forms under the Securities and Futures Ordinance on 14 April 2003:–*

- 1. Corporate Substantial Shareholder Notice forms from Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited;*
  - 2. Director's/Chief Executive's Notice forms from Mr Tang Wai Lam and Mr Tang Keung Lam; and*
  - 3. Individual Substantial Shareholder Notice forms from Mr Tang Yiu and Madam Tso Lai Kuen.*
- (ii) *122,400,000 Shares of Mirabell International Holdings Limited are held by Tang's Enterprises Limited, the four shares of which are held by Rich Land Property Limited, Kinlington Agents Limited, Simple Message Limited and Mosman Associates Limited, respectively.*

*The only issued share of Rich Land Property Limited is owned by a discretionary trust, the beneficiaries of which are, inter alia, Mr Tang Wai Lam and certain of his family members.*

*The only issued share of Kinlington Agents Limited is owned by a discretionary trust, the beneficiaries of which are, inter alia, Mr Tang Keung Lam and certain of his family members.*

*The only issued share of Simple Message Limited is owned by a discretionary trust, the beneficiaries of which are, inter alia, Mr Tang Yiu and certain of his family members.*

*The only issued share of Mosman Associates Limited is owned by a discretionary trust, the beneficiaries of which are, inter alia, Madam Tso Lai Kuen and certain of her family members.*

**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**

The Group did not have any outstanding option at the beginning and at the year end of the financial year. No new share option scheme was issued during the year.

**Connected transactions**

Significant related party transactions entered by the Group during the year ended 28 February 2003, which do not constitute connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange"), are disclosed in note 25 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>2003</u>	<u>2002</u>
	%	%
Purchases		
– the largest supplier	<b>9.3</b>	10.1
– five largest suppliers combined	<b>31.1</b>	34.7

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**

Throughout the year, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Exchange, 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 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 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**

PricewaterhouseCoopers and Chan, Wong, Chung & Co., acted as joint auditors of the Company for the two years ended 28 February 2001, while Chan, Wong, Chung & Co. acted as auditors of the Company for the year ended 28 February 2002.

The accounts as at and for the year ended 28 February 2003 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Tang Wai Lam**

*Chairman*

Hong Kong, 18 June 2003