

The directors submit their report together with the audited accounts for the year ended 29 February 2004.

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 33.

The board of directors has declared an interim dividend of HK1.5 cents per ordinary share, totalling HK\$3,818,000 which was paid on 18 December 2003.

The board of directors has recommended a final dividend of HK6.3 cents per ordinary share, totalling HK\$16,035,000.

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

As at 29 February 2004, the distributable reserves of the Company available for distribution, net of dividends proposed, amounted to HK\$124,295,000 (2003: HK\$129,875,000) 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 29 February 2004 are set out on pages 72 to 74.

Share capital

Details of the movements in share capital of the Company are set out in note 19 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\$778,000 (2003: HK\$560,000) 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 75.

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*

* *Independent non-executive directors*

In accordance with Article 116 of the Company's Articles of Association, Messrs Ng Man Kit, Lawrence and Lee Kwan Hung will retire by rotation at the forthcoming annual general meeting 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 50, 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 30 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 52, 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 30 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 48, 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 22 years of experience in the retail services industry in Hong Kong.

Mr Chung Chun Wah, aged 54, 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 28 years of experience in the footwear business.

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

Mr Lee Kwan Hung, aged 38, 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 51, 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 28 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 43, 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 37, 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 13 years of experience in accounting, finance, taxation, company and commercial law.

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

As at 29 February 2004, 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 "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, 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 (<i>note (i)</i>)	14,175,000
Mr Tang Keung Lam	6,000,000	8,175,000 (<i>note (ii)</i>)	14,175,000
Mr Ng Man Kit, Lawrence	12,094,000	–	12,094,000
Mr Chung Chun Wah	2,976,000	–	2,976,000

Notes:

- (i) As at 29 February 2004, the shares were held by Rich Land Property Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Wai Lam and certain of his family members.
- (ii) As at 29 February 2004, the shares were held by Kinlington Agents Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Keung Lam and certain of his family members.

(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

Directors' interests and short positions in shares, underlying shares and debentures (continued)

Save as disclosed above:

- (i) As at 29 February 2004, 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.

Substantial shareholders

As at 29 February 2004, the following shareholders 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.

<u>Name of shareholders</u>	<u>Number of ordinary shares of HK\$0.1 each beneficially held</u>
Tang's Enterprises Limited	122,400,000 (note (i))
Mr Tang Wai Lam	14,175,000 (note (ii))
Mr Tang Keung Lam	14,175,000 (note (iii))
Madam Tso Lai Kuen	14,175,000 (note (iv))
Value Partners Limited	13,362,000 (note (v))
Mr Cheah Cheng Hye	13,362,000 (note (v))

Notes:

- (i) As at 29 February 2004, 122,400,000 ordinary shares of the Company were held by Tang's Enterprises Limited, and the four issued shares of Tang's Enterprises Limited were held by Rich Land Property Limited, Kinlington Agents Limited, Mosman Associates Limited and Simple Message Limited, respectively.
- (ii) As at 29 February 2004, 6,000,000 ordinary shares of the Company were held by Mr Tang Wai Lam. In addition, 8,175,000 ordinary shares of the Company were held by Rich Land Property Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Wai Lam and certain of his family members.
- (iii) As at 29 February 2004, 6,000,000 ordinary shares of the Company were held by Mr Tang Keung Lam. In addition, 8,175,000 ordinary shares of the Company were held by Kinlington Agents Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Mr Tang Keung Lam and certain of his family members.

Substantial shareholders (continued)

- (iv) *As at 29 February 2004, 6,000,000 ordinary shares of the Company were held by Madam Tso Lai Kuen. In addition, 8,175,000 ordinary shares of the Company were held by Mosman Associates Limited which was wholly owned by a discretionary trust, the beneficiaries of which were, inter alia, Madam Tso Lai Kuen and certain of her family members.*
- (v) *As at 29 February 2004, 13,362,000 ordinary shares of the Company were held by Value Partners Limited, and the interest of Value Partners Limited was controlled by Mr Cheah Cheng Hye.*

Save as disclosed above, as at 29 February 2004, 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

The Group did not have any outstanding option at the beginning and at the 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 29 February 2004, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Exchange, 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>2004</u>	<u>2003</u>
	%	%
Purchases		
– the largest supplier	9.1	9.3
– five largest suppliers combined	26.0	31.1

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 Articles of Association of the Company.

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

CWCC (formerly known as Chan, Wong, Chung & Co.) acted as auditors of the Company for the year ended 28 February 2002. PricewaterhouseCoopers were auditors of the Company for the two financial years ended 28 February 2003 and 29 February 2004, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Tang Wai Lam

Chairman

Hong Kong, 17 June 2004