

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, the investment properties and other properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The accounting policies below have adopted these new standards.

(b) Group accounting*(i) Consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 28 February. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(b) Group accounting (continued)***(ii) Associated companies*

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year adjusted by the amortisation and impairment losses of goodwill (if any), and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(c) Fixed Assets and depreciation*(i) Investment properties*

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued each year by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case, depreciation is provided on the carrying value over the remaining term of the lease.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(c) Fixed Assets and depreciation (continued)***(i) Investment properties (continued)*

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Other properties

Other properties are interests in land and buildings other than investment properties and are stated at fair value which is determined by the directors based on independent valuations which are performed every three years. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the directors review the carrying value of the other properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

(iii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, furniture, fixtures and office equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(c) Fixed Assets and depreciation (continued)***(iv) Depreciation*

No depreciation is provided for investment properties. Leasehold land is depreciated over the period of the lease. Leasehold buildings/improvements are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	3%–5%
Leasehold improvements	25%–100%
Furniture, fixtures and office equipment	20%–33 $\frac{1}{3}$ %
Motor vehicles	25%–33 $\frac{1}{3}$ %
Plant and machinery	20%

Major costs incurred in restoring the fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(d) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentive received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Note 25(b) to the accounts has disclosed lease commitments as defined under SSAP 14 (revised). The revised SSAP 14 requires the aggregate future minimum lease payments, under non-cancellable leases, analysed into the following periods:

- (i) within one year
- (ii) after one year but within five years
- (iii) after five years

This is a change from the previous SSAP 14 which only required disclosure of the minimum lease payments payable in the next twelve months, analysed into the periods in which the lease expires within that year, in the second to fifth year inclusive and over five years from the balance sheet date.

(e) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair value ascribed to the separable net assets of associated companies acquired, is included within associated company at cost less accumulated amortisation and impairment losses. Goodwill is amortised by equal annual instalments over its estimated useful economic life of 15 years. Any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

(f) Investments in securities

Investment securities are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(g) Inventories**

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overheads expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(j) Provisions and contingencies

A provision is recognised when there is present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate.

Contingent liabilities are not recognised in the accounts. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the accounts but disclosed when an inflow of economic benefits is probable.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(l) Revenue recognition**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Royalty income and rental income are recognised on an accrual basis in accordance with the terms of the relevant agreements.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

(m) Retirement benefit costs

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(n) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(o) Borrowing costs**

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure represents addition to fixed assets (note 12).

(q) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy.

As detailed in note 20, this change has resulted in an increase in opening retained earnings at 1 March 2001 by HK\$8,145,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 28 February 2001 although not declared until after the balance sheet date. The comparatives have been affected in a similar way.

2 TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in retailing, wholesaling and manufacturing of footwear. Turnover represents sales of goods at invoiced value to customer less sales taxes, discounts and returns.

2 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format – geographical segments

The Group's business operates in two main geographic areas, namely Hong Kong and Macau market, and Mainland China market.

	Hong Kong and Macau 2002	Mainland China 2002	Total 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	529,347	108,236	<u>637,583</u>
Segment results	32,594	2,012	34,606
Finance costs	(727)	(654)	(1,381)
Share of profit of an associated company	–	15,008	<u>15,008</u>
Profit before taxation			48,233
Taxation			<u>(5,714)</u>
Profit attributable to shareholders			<u>42,519</u>
Segment assets	284,926	75,121	360,047
Investment in an associated company			<u>45,744</u>
			<u>405,791</u>
Segment liabilities	69,253	46,294	<u>115,547</u>
Capital expenditure	7,873	58,307	<u>66,180</u>
Depreciation	11,488	4,253	<u>15,741</u>
Amortisation charges	1,156	–	<u>1,156</u>
Impairment charges	2,402	–	<u>2,402</u>

2 TURNOVER AND SEGMENT INFORMATION (continued)

(i) Primary reporting format – geographical segments (continued)

	Hong Kong and Macau 2001 <u>HK\$'000</u>	Mainland China 2001 <u>HK\$'000</u>	Total 2001 <u>HK\$'000</u>
Turnover	482,543	74,380	<u>556,923</u>
Segment results	41,566	4,785	46,351
Finance costs	(742)	(100)	(842)
Share of profit of an associated company	–	9,302	<u>9,302</u>
Profit before taxation			54,811
Taxation			<u>(5,051)</u>
Profit attributable to shareholders			<u>49,760</u>
Segment assets	233,609	77,291	310,900
Investment in an associated company			<u>35,792</u>
			<u>346,692</u>
Segment liabilities	40,415	65,149	<u>105,564</u>
Capital expenditure	29,198	4,884	<u>34,082</u>
Depreciation	10,954	2,426	<u>13,380</u>
Amortisation charges	1,156	–	<u>1,156</u>

(ii) Secondary reporting format – business segments

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.

3 OTHER INCOMES

	2002	2001
	<u>HK\$'000</u>	<u>HK\$'000</u>
Dividend income	2	–
Royalty income	5,008	2,463
Interest income	1,291	4,265
Rental income	990	215
Net exchange gains	310	–
Compensation from suppliers	3,930	1,170
Sundry incomes	722	479
	<u>12,253</u>	<u>8,592</u>

4 OPERATING PROFIT

	2002	2001
	<u>HK\$'000</u>	<u>HK\$'000</u>

Operating profit is stated after crediting and charging the following:

Crediting

Gains on disposal of fixed assets	–	563
	<u>–</u>	<u>563</u>

Charging

Amortisation of goodwill	1,156	1,156
Auditors' remuneration	605	745
Cost of inventories sold	268,593	231,331
Depreciation of owned fixed assets	15,741	13,380
Impairment of other properties*	2,102	–
Fixed assets written off	701	–
Net exchange losses	–	99
Operating lease rentals in respect of land and buildings	147,152	121,260
Provision for bad and doubtful debts	392	–
Retirement benefit costs	3,750	846
Revaluation deficit on investment properties*	300	–
Staff costs (excluding directors' emoluments)	97,750	87,380
	<u>97,750</u>	<u>87,380</u>

* Included in other operating expenses

5 FINANCE COSTS

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	<u>1,381</u>	<u>842</u>

6 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits, if any, has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group and associated company operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	4,615	5,005
Over provision in prior years	(199)	(490)
Deferred taxation (<i>note 22</i>)	–	(332)
	<u>4,416</u>	<u>4,183</u>
Share of taxation attributable to an associated company	<u>1,298</u>	<u>868</u>
	<u>5,714</u>	<u>5,051</u>

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$12,630,000. (2001: HK\$14,804,000)

8 DIVIDENDS

	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK1.5 cents (2001: HK2.8 cents) per ordinary share	3,818	7,127
Final, proposed, of HK3.6 cents (2001: HK3.2 cents) per ordinary share	<u>9,163</u>	<u>8,145</u>
	<u>12,981</u>	<u>15,272</u>

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 29 February 2000 and 28 February 2001 were HK\$12,748,000 and HK\$8,145,000 respectively. Under the Group's new accounting policy as described in note 1(q), these have been written back against opening reserves as at 1 March 2000 and 2001 in note 20 and are now charged in the years in which they were proposed.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$42,519,000 (2001: HK\$49,760,000) and the weighted average of 254,530,000 (2001: 252,966,153) ordinary shares in issue during the year.

There is no diluted earnings per share since the Company has no dilutive ordinary share for the year.

10 RETIREMENT BENEFIT COSTS

Contributions totalling HK\$335,000 (2001: HK\$305,000) were payable to the Scheme at the year-end and are included in accrued charges.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	150	150
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	2,697	2,926
Discretionary bonuses	2,551	3,147
	5,398	6,223

Directors' fees disclosed above include HK\$100,000 (2001: HK\$100,000) payable to the independent non-executive directors.

The emoluments of the directors fall within the following bands:

Emolument bands	Number of directors	
<i>HK\$</i>	2002	2001
Nil – 1,000,000	4*	4*
2,000,001 – 2,500,000	2	–
2,500,001 – 3,000,000	–	2
	–	2

* Included two independent non-executive directors

No director waived the emoluments in respect of the years ended 28 February 2001 and 28 February 2002.

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2001: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2001: three) individuals during the year are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	1,840	1,413
Discretionary bonuses	867	3,911
	2,707	5,324

The emoluments fall within the following bands:

Emolument bands	Number of individuals	
<i>HK\$</i>	2002	2001
Nil – 1,000,000	2	–
1,000,001 – 1,500,000	1	–
1,500,001 – 2,000,000	–	3
	–	3

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12 FIXED ASSETS

	Group						Total
	Investment properties	Other properties	Leasehold improve- ments	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Cost/valuation:							
At 1 March 2001	11,200	19,540	38,949	16,605	2,913	1,347	90,554
Additions	40,441	13,280	10,858	1,004	465	132	66,180
Revaluation	13,460	1,379	-	-	-	-	14,839
Transfers	-	-	-	(2)	-	-	(2)
Written off	-	-	(2,726)	(31)	-	-	(2,757)
At 28 February 2002	65,101	34,199	47,081	17,576	3,378	1,479	168,814
Accumulated depreciation:							
At 1 March 2001	-	967	23,385	11,766	1,678	924	38,720
Charge for the year	-	579	12,851	1,561	488	262	15,741
Revaluation	-	(1,546)	-	-	-	-	(1,546)
Transfers	-	-	-	(2)	-	-	(2)
Written off	-	-	(2,025)	(31)	-	-	(2,056)
At 28 February 2002	-	-	34,211	13,294	2,166	1,186	50,857
Net book value							
At 28 February 2002	65,101	34,199	12,870	4,282	1,212	293	117,957
At 28 February 2001	11,200	18,573	15,564	4,839	1,235	423	51,834

The analysis of the cost or valuation at 28 February 2002 of the above assets is as follows:

At cost	-	-	47,081	17,576	3,378	1,479	69,514
At 2002 valuation	65,101	34,199	-	-	-	-	99,300
	65,101	34,199	47,081	17,576	3,378	1,479	168,814

The analysis of the cost or valuation at 28 February 2001 of the above assets is as follows:

At cost	-	19,540	38,949	16,605	2,913	1,347	79,354
At 2001 valuation	11,200	-	-	-	-	-	11,200
	11,200	19,540	38,949	16,605	2,913	1,347	90,554

12 FIXED ASSETS (continued)

The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
In Hong Kong, held on leases of between 10 to 50 years	27,300	29,773
Outside Hong Kong, held on leases of between 10 to 50 years	72,000	–
	99,300	29,773

Investment properties were revalued at 28 February 2002 on the basis of their open market value by DTZ Debenham Tie Leung Limited, an independent firm of Chartered Surveyors.

Other properties were revalued at 28 February 2002 on the basis of their open market value by DTZ Debenham Tie Leung Limited, an independent firm of Chartered Surveyors.

The carrying amount of the other properties would have been HK\$31,274,000 (2001: HK\$18,573,000) had they been stated at cost less accumulated depreciation.

At 28 February 2002, the net book values of fixed assets pledged as security for the Group's long-term bank loans amounted to HK\$25,500,000. (2001: HK\$28,159,000)

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments at cost:		
Unlisted shares	69,254	69,254
Amounts due from subsidiaries	98,842	98,599
	168,096	167,853

Details of the Company's principal subsidiaries at 28 February 2002 are set out on pages 53 and 54.

14 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	31,877	20,769
Goodwill on acquisition of an associated company	17,335	17,335
<i>Less: Amortisation of goodwill</i>	(3,468)	(2,312)
	45,744	35,792
Investment at cost:		
Unlisted shares	28,800	28,800

Details of the Group's associated company at 28 February 2002 are set out on page 54.

The Group's associated company has a financial accounting period of 31 December which is not coterminous with the Group.

14 INVESTMENT IN AN ASSOCIATED COMPANY (continued)

Extract of the operating results and financial position of an associated company is as follows:

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating results		
Turnover	<u>438,732</u>	<u>274,693</u>
Profit before taxation	<u>50,026</u>	<u>31,005</u>
Group's share of profit before taxation	<u>15,008</u>	<u>9,302</u>
Financial position		
Non-current assets	43,501	27,964
Current assets	122,962	104,737
Current liabilities	<u>(60,206)</u>	<u>(63,473)</u>
Shareholders' funds	<u>106,257</u>	<u>69,228</u>

15 INVESTMENT SECURITIES

	<u>Group</u>	
	<u>2002</u>	<u>2001</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed securities in Hong Kong, at cost	<u>76</u>	<u>76</u>
Market value of listed securities	<u>81</u>	<u>115</u>

16 INVENTORIES

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	951	638
Work in progress	120	55
Finished goods	87,589	89,692
	88,660	90,385

At 28 February 2002, the carrying amount of inventories that are carried at net realisable value amounted to zero. (2001: HK\$825,000)

17 TRADE RECEIVABLE

At 28 February 2002, the ageing analysis of the trade receivable is as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	21,036	12,659
31 – 60 days	568	1,822
61 – 90 days	1,794	176
Over 90 days	2,927	1,578
	26,325	16,235

The majority of the Group's credit sales is on a credit term of 30 days.

18 TRADE PAYABLE

At 28 February 2002, the ageing analysis of the accounts payable is as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	25,131	44,834
31 – 60 days	505	465
61 – 90 days	378	364
Over 90 days	50	158
	<u>26,064</u>	<u>45,821</u>

19 SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
Authorised:		
At 28 February 2001 and 28 February 2002	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 March 2000	237,156,000	23,716
Exercise of options	18,000,000	1,800
Repurchase of shares	(626,000)	(63)
	<u>254,530,000</u>	<u>25,453</u>
At 28 February 2001	<u>254,530,000</u>	<u>25,453</u>
	<u>254,530,000</u>	<u>25,453</u>
At 1 March 2001 and 28 February 2002	<u>254,530,000</u>	<u>25,453</u>

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20 RESERVES

(a) Group

	Share premium	Capital redemption reserve	Capital reserve	Investment properties revaluation reserve	Other properties revaluation reserve	Exchange difference reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2000, as previously reported	107,447	317	91	-	-	47	57,203	165,105
Effect of adopting SSAP 9 (Revised) (Note 1(q))	-	-	-	-	-	-	12,748	12,748
At 1 March 2000, as restated	107,447	317	91	-	-	47	69,951	177,853
Repurchase of shares, net of expenses	(397)	-	-	-	-	-	-	(397)
Transfer to capital redemption reserve	-	63	-	-	-	-	(63)	-
Premium on issue of shares upon the exercise of options	3,600	-	-	-	-	-	-	3,600
Exchange difference	-	-	-	-	-	28	-	28
Profit for the year	-	-	-	-	-	-	49,760	49,760
2000 Final dividend paid	-	-	-	-	-	-	(12,748)	(12,748)
2001 Interim dividend paid	-	-	-	-	-	-	(7,127)	(7,127)
At 28 February 2001	<u>110,650</u>	<u>380</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>99,773</u>	<u>210,969</u>
Representing:								
Others	110,650	380	91	-	-	75	91,628	202,824
2001 Final dividend proposed	-	-	-	-	-	-	8,145	8,145
At 28 February 2001	<u>110,650</u>	<u>380</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>99,773</u>	<u>210,969</u>
Company and subsidiaries	110,650	380	91	-	-	75	87,920	199,116
Associated company	-	-	-	-	-	-	11,853	11,853
At 28 February 2001	<u>110,650</u>	<u>380</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>99,773</u>	<u>210,969</u>

20 RESERVES (continued)

(a) Group (continued)

	Share premium	Capital redemption reserve	Capital reserve	Investment properties revaluation reserve	Other properties revaluation reserve	Exchange difference reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 2001, as previously reported	110,650	380	91	-	-	75	91,628	202,824
Effect of adopting SSAP 9 (Revised) (Note 1(q))	-	-	-	-	-	-	8,145	8,145
At 1 March 2001, as restated	110,650	380	91	-	-	75	99,773	210,969
Surplus on revaluation	-	-	-	13,760	5,027	-	-	18,787
Share of reserve of an associated company	-	-	-	-	-	(51)	-	(51)
Profit for the year	-	-	-	-	-	-	42,519	42,519
2001 Final dividend paid	-	-	-	-	-	-	(8,145)	(8,145)
2002 Interim dividend paid	-	-	-	-	-	-	(3,818)	(3,818)
At 28 February 2002	110,650	380	91	13,760	5,027	24	130,329	260,261
Representing:								
Others	110,650	380	91	13,760	5,027	24	121,166	251,098
2002 Final dividend proposed	-	-	-	-	-	-	9,163	9,163
At 28 February 2002	110,650	380	91	13,760	5,027	24	130,329	260,261
Company and subsidiaries	110,650	380	91	13,760	5,027	75	104,766	234,749
Associated company	-	-	-	-	-	(51)	25,563	25,512
At 28 February 2002	110,650	380	91	13,760	5,027	24	130,329	260,261

Notes to the Accounts

28 February 2002

20 RESERVES (continued)

(b) Company

	Share premium	Capital redemption reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March 2000, as previously restated	107,447	317	23,622	131,386
Effect of adopting SSAP 9 (Revised) (Note 1(q))	—	—	12,748	12,748
At 1 March 2000, as restated	107,447	317	36,370	144,134
Repurchase of shares, net of expenses	(397)	—	—	(397)
Transfer to capital redemption reserve	—	63	(63)	—
Premium on issue of shares upon the exercise of options	3,600	—	—	3,600
Profit for the year	—	—	14,804	14,804
2000 Final dividend paid	—	—	(12,748)	(12,748)
2001 Interim dividend paid	—	—	(7,127)	(7,127)
At 28 February 2001	<u>110,650</u>	<u>380</u>	<u>31,236</u>	<u>142,266</u>
Representing:				
Others	110,650	380	23,091	134,121
2001 Final dividend proposed	—	—	8,145	8,145
At 28 February 2001	<u>110,650</u>	<u>380</u>	<u>31,236</u>	<u>142,266</u>

20 RESERVES (continued)

(b) Company (continued)

	Share premium	Capital redemption reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March 2001, as previously restated	110,650	380	23,091	134,121
Effect of adopting SSAP 9 (Revised) (Note 1(q))	—	—	8,145	8,145
At 1 March 2001, as restated	110,650	380	31,236	142,266
Profit for the year	—	—	12,630	12,630
2001 Final dividend paid	—	—	(8,145)	(8,145)
2002 Interim dividend paid	—	—	(3,818)	(3,818)
At 28 February 2002	<u>110,650</u>	<u>380</u>	<u>31,903</u>	<u>142,933</u>
Representing:				
Others	110,650	380	22,740	133,770
2002 Final dividend proposed	—	—	9,163	9,163
At 28 February 2002	<u>110,650</u>	<u>380</u>	<u>31,903</u>	<u>142,933</u>

21 LONG-TERM LIABILITIES

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans – secured		
Wholly repayable within five years	21,640	4,920
Not wholly repayable within five years	9,000	10,500
	30,640	15,420
Current portion of long-term liabilities	(9,807)	(4,780)
	20,833	10,640

At 28 February 2002, the Group's bank loans were repayable as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,807	4,780
In the second year	8,167	3,140
In the third to fifth year	11,166	4,500
After the fifth year	1,500	3,000
	30,640	15,420

22 DEFERRED TAXATION

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March	–	332
Transfer to profit and loss account (<i>note 6</i>)	–	(332)
	–	–
At 28 February	–	–

At 28 February 2002 and 2001, there was no material unprovided deferred taxation.

23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	34,606	46,351
Interest income	(1,291)	(4,265)
Amortisation of goodwill	1,156	1,156
Depreciation	15,741	13,380
Gain on disposal of other properties	–	(346)
Gain on disposal of other fixed assets	–	(217)
Fixed assets written off	701	–
Impairment of other properties	2,102	–
Revaluation deficit on investment properties	300	–
Decrease/(Increase) in inventories	1,725	(31,845)
Increase in trade receivable, other receivables, deposits and prepayments	(12,113)	(10,809)
(Decrease)/Increase in trade payable, other payables and accrued charges	(11,312)	27,726
	31,615	41,131
Net cash inflow from operating activities		

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March	136,103	131,163	21,962	10,048
Issue of shares upon the exercise of options	–	5,400	–	–
Repurchase of shares, net of expenses	–	(460)	–	–
New bank loans raised	–	–	26,075	17,042
Repayment of bank loans	–	–	(4,780)	(5,128)
	136,103	136,103	43,257	21,962
At 28 February				

24 CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for general banking facilities of subsidiaries	–	–	132,800	105,800
Guarantees for general banking facilities of subsidiaries of an associated company	14,400	11,100	14,400	11,100
	14,400	11,100	147,200	116,900

At 28 February 2002, HK\$36,035,000 (2001: HK\$35,724,000) of the above banking facilities were utilised.

25 COMMITMENTS

(a) Capital commitments

At 28 February 2002, the Group had capital commitment contracted but not provided for in respect of purchase of properties and equipment amounting to HK\$142,000. (2001: HK\$23,908,000)

25 COMMITMENTS (continued)

(b) Commitments under operating leases

At 28 February 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	104,104	113,191
After one year but within five years	84,489	85,275
After five years	260	–
	188,853	198,466

The payments of operating lease rentals of certain retail outlets are based on the higher of a minimum guaranteed rental and a sales level based rental. The minimum guaranteed rental has been used to arrive at the above commitments.

26 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

	<i>Notes</i>	Group	
		2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
Purchases from related companies	<i>(i)</i>	3,484	2,050
Royalty income received from a related company	<i>(ii)</i>	5,008	2,463

(i) Purchases from Lai Wah Footwear Trading Limited ("LWL") and Laikong Footwear (Shenzhen) Company Limited, subsidiaries of Best Quality Investments Limited ("BQL"), an associated company of the Group, were conducted in the normal course of business at prices and terms no less than those charged by and contracted with other third party suppliers of the Group.

26 RELATED PARTY TRANSACTIONS (continued)

- (ii) Mirabell Footwear Limited and Hornet Agents Limited, subsidiaries of the Company, entered into two franchise agreements with Bestfull International Limited (“BIL”), subsidiary of BQL, to grant a sole licence to BIL with expiry date on 30 September 2003.

- (b) As mentioned in note 24 to the accounts, as at 28 February 2002, the Group had contingent liabilities in respect of guarantees issued for banking facilities granted to LWL and Staccato Footwear Company Limited, subsidiaries of BQL, amounting to HK\$14,400,000 (2001: HK\$11,100,000). This represents the Group’s pro-rated share of the guarantees granted in accordance with its interest in the associated company.

27 COMPARATIVE FIGURES

Certain comparative figures of last year have been reclassified to conform with the current year’s presentation.

28 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17 June 2002.