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, 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 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 15 (revised):	Cash flow statements
SSAP 34:	Employee benefits

Except for certain presentational changes which have been made upon the adoption of SSAP 1 (revised) and SSAP 15 (revised), the adoption of the above new/revised SSAPs has no material effect on the accounts. The 2002 comparative figures presented herein have incorporated the effect on the adoption of the new/revised SSAPs.

(b) Consolidation

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to the end of February. Subsidiaries are those entities in which the company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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) Consolidation (continued)

(ii) Associated company

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 company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company and 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) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associated company at the date of acquisition. Goodwill is amortised using the straight-line method over its estimated useful life of 15 years. Any impairment arising on such goodwill is accounted for in the profit and loss account.

(d) Fixed assets

(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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Fixed assets (continued)

(i) Investment properties (continued)

Investment properties are valued by independent valuers annually. 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 the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

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 based on independent valuations performed on a regular basis. The valuations are on an open market value 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 the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

(iii) Other fixed assets

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Fixed assets (continued)

(iv) Depreciation

Leasehold land of other properties is depreciated over the period of the leases expiring 2046 to 2047 while 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%–60%
Furniture, fixtures and office equipment	20%–33 1/3%
Motor vehicles	25%–33 1/3%
Plant and machinery	20%

Major costs incurred in restoring 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)

(e) 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.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises raw 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.

(g) 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.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(i) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Employee benefits (continued)

(ii) Pension obligations

The Group operates a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(j) 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.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(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 is recognised on an accrual basis.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Revenue recognition (continued)

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.

Operating lease rental income is recognised on a straight-line basis.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

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

(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 company 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.

(o) 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. No business segment analysis is presented as the Group has only one single business segment which is the sales of footwear through retailing, wholesaling and manufacturing.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Segment reporting (continued)

Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in retailing, wholesaling and manufacturing of footwear. Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**625,616**	637,583
Other revenues		
Interest income	**779**	1,291
Royalty income	**6,924**	5,008
Rental income	**2,600**	990
Others	**3**	2
	10,306	7,291
Total revenues	**635,922**	644,874

2. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

Geographical segment analysis

The Group's business operates in two main geographical areas, namely Hong Kong and Macau market, and the People's Republic of China ("PRC") market.

	Hong Kong and Macau 2003	The PRC 2003	Total 2003
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**504,187**	**121,429**	**625,616**
Segment results	**30,631**	**10,439**	**41,070**
Finance costs	**(781)**	**(685)**	**(1,466)**
Share of profit of an associated company	**–**	**16,304**	**16,304**
Profit before taxation			**55,908**
Taxation			**(7,223)**
Profit attributable to shareholders			**48,685**
Segment assets	**239,090**	**134,164**	**373,254**
Investment in an associated company	**–**	**57,435**	**57,435**
Total assets			**430,689**
Segment liabilities	**67,261**	**38,746**	**106,007**
Taxation payable			**4,061**
Total liabilities			**110,068**
Capital expenditure	**5,996**	**1,600**	**7,596**
Depreciation	**9,622**	**2,894**	**12,516**

2. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

Geographical segment analysis (continued)

	Hong Kong and Macau 2002	The PRC 2002	Total 2002
	HK$'000	*HK$'000*	*HK$'000*
Turnover	529,347	108,236	637,583
Segment results	33,750	2,012	35,762
Finance costs	(727)	(654)	(1,381)
Share of profit of an associated company	–	13,852	13,852
Profit before taxation			48,233
Taxation			(5,714)
Profit attributable to shareholders			42,519
Segment assets	216,305	143,742	360,047
Investment in an associated company	–	45,744	45,744
Total assets			405,791
Segment liabilities	69,253	46,294	115,547
Taxation payable			4,530
Total liabilities			120,077
Capital expenditure	7,873	58,307	66,180
Depreciation	11,488	4,253	15,741

3. OPERATING PROFIT

	2003	2002
	HK$'000	*HK$'000*
Operating profit is stated after charging/(crediting) the following:		
Depreciation of owned fixed assets	**12,516**	15,741
Loss on disposal of fixed assets	**441**	701
Staff costs (including directors' emoluments)	**96,461**	103,148
Pension costs	**3,290**	3,750
Cost of inventories sold	**276,713**	268,593
Operating lease rentals in respect of land and buildings	**154,941**	147,152
Outgoings in respect of investment properties	**161**	–
Net exchange gain	**(147)**	(310)
Auditors' remuneration	**645**	605
Revaluation deficit on investment properties	**800**	300
Revaluation deficit on other properties	**–**	2,102
Provision for bad and doubtful debts	**–**	392

4. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,466**	1,381

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year. Taxation on overseas profits 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 the associated company operate.

5. TAXATION (continued)

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

	2003	2002
	HK$'000	*HK$'000*
Hong Kong profits tax	**5,508**	4,615
Over-provision in prior years	**(43)**	(199)
Deferred taxation *(note 21)*	**(305)**	–
	5,160	4,416
Share of taxation attributable to an associated company	**2,063**	1,298
	7,223	5,714

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders is a profit of HK$11,248,000 (2002: HK$12,630,000), including dividend from a subsidiary of HK$11,963,000 (2002: HK$12,981,000), which is dealt with in the accounts of the Company.

7. DIVIDENDS

	2003	2002
	HK$'000	*HK$'000*
Interim, paid, of HK1.5 cents (2002: HK1.5 cents) per ordinary share	**3,818**	3,818
Final, proposed, of HK4.3 cents (2002: HK3.6 cents) per ordinary share	**10,945**	9,163
	14,763	12,981

At a meeting held on 18 June 2003, the board of directors proposed a final dividend of HK4.3 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 29 February 2004.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$48,685,000 (2002: HK$42,519,000) and the weighted average of 254,530,000 (2002: 254,530,000) ordinary shares in issue during the year.

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

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2003	2002
	HK$'000	*HK$'000*
Fees	**150**	150
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	**3,247**	2,697
Discretionary bonuses	**2,921**	2,551
Contributions to pension scheme for directors	**48**	38
	6,366	5,436

Directors' fees disclosed above include HK$100,000 (2002: HK$100,000) payable to the independent non-executive directors.

The emoluments of the directors fell within the following bands:

Emolument bands	**Number of directors**	
HK$	**2003**	2002
Nil – 1,000,000	**4***	5*
1,000,001 – 1,500,001	**1**	–
2,000,001 – 2,500,000	**2**	2

* *Included two independent non-executive directors*

No director waived the emoluments in respect of the year ended 28 February 2003.

9. 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 three (2002: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2002: three) individuals during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,398**	1,840
Discretionary bonuses	**60**	867
Pensions	**24**	36
	1,482	2,743

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2003**	2002
Nil – 1,000,000	**2**	2
1,000,001 – 1,500,000	**–**	1

10. FIXED ASSETS

	Group						
	Investment properties	Leasehold land and buildings	Leasehold improve-ments	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:							
At 1 March 2002	65,101	34,199	47,081	17,576	3,378	1,479	168,814
Additions	–	–	5,266	1,910	137	283	7,596
Disposals	–	–	(8,954)	(1,663)	–	–	(10,617)
Revaluation	(1,553)	–	–	–	–	–	(1,553)
At 28 February 2003	**63,548**	**34,199**	**43,393**	**17,823**	**3,515**	**1,762**	**164,240**
Accumulated deprecation:							
At 1 March 2002	–	–	34,211	13,294	2,166	1,186	50,857
Charge for the year	–	1,019	9,032	1,707	601	157	12,516
Disposals	–	–	(8,526)	(1,515)	–	–	(10,041)
At 28 February 2003	**–**	**1,019**	**34,717**	**13,486**	**2,767**	**1,343**	**53,332**
Net book value							
At 28 February 2003	**63,548**	**33,180**	**8,676**	**4,337**	**748**	**419**	**110,908**
At 28 February 2002	65,101	34,199	12,870	4,282	1,212	293	117,957

The analysis of the cost or valuation at 28 February 2003 of the above assets is as follows:

At cost	**–**	**–**	**43,393**	**17,823**	**3,515**	**1,762**	**66,493**
At 2003 valuation	**63,548**	**34,199**	**–**	**–**	**–**	**–**	**97,747**
	63,548	**34,199**	**43,393**	**17,823**	**3,515**	**1,762**	**164,240**

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

10. FIXED ASSETS (continued)

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
In Hong Kong, held on leases of between 10 to 50 years	**25,984**	27,300
Outside Hong Kong, held on leases of between 10 to 50 years	**70,744**	72,000
	96,728	99,300

Investment properties were revalued at 28 February 2003 on the basis of their open market value by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors.

Details of investment properties are as follows:	**Usage**
Held in Hong Kong under medium term leases: 2nd and 3rd Floor, Excelsior Industrial Building, 68-76 Sha Tsui Road, Tsuen Wan, New Territories	Industrial
Held in the PRC under medium term leases: Unit Nos. 101, 102 and 103, 1st level, East Block, International Commercial Building, Jiabin Road/Renmin South Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Commercial

Other properties were revalued at 28 February 2003 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 approximately HK$30,322,000 (2002: HK$31,274,000) had they been stated at cost less accumulated depreciation.

At 28 February 2003, the net book values of fixed assets pledged as security for the Group's long-term bank loan amounted to approximately HK$24,238,000 (2002: HK$25,500,000).

10. FIXED ASSETS (continued)

At 28 February 2003, all the Group's properties with carrying amount of approximately HK$96,728,000 (2002: HK$99,300,000) were subject to a negative pledge against certain general bank facilities granted to the Group.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**69,254**	69,254
Amounts due from subsidiaries	**97,687**	98,842
	166,941	168,096

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

12. INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	**44,724**	31,877
Goodwill on acquisition of an associated company	**17,335**	17,335
Less: Amortisation of goodwill	**(4,624)**	(3,468)
	57,435	45,744
Investment at cost:		
Unlisted shares	**28,800**	28,800

Amortisation of goodwill for the year of approximately HK$1,156,000 (2002: HK$1,156,000) has been included in the share of profit of an associated company in the consolidated profit and loss account.

Details of the Group's associated company at 28 February 2003 are set out on page 52.

12. INVESTMENT IN AN ASSOCIATED COMPANY (continued)

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

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

	Group	
	2002	2001
	HK$'000	*HK$'000*
Operating results		
Turnover	480,667	438,732
Profit before taxation	58,201	50,026
Group's share of profit before taxation	17,460	15,008
Financial position		
Non-current assets	55,575	43,501
Current assets	193,480	122,962
Current liabilities	(99,974)	(60,206)
Shareholders' funds	149,081	106,257

13. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**1,239**	951
Work in progress	**146**	120
Finished goods	**82,805**	87,589
	84,190	88,660

At 28 February 2003, no inventories were carried at net realisable value (2002: Nil).

14. TRADE RECEIVABLE

The majority of the Group's credit sales is on a credit term of 30 days. At 28 February 2003, the ageing analysis of the trade receivable is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**30,980**	21,036
31 – 60 days	**889**	568
61 – 90 days	**226**	1,794
Over 90 days	**345**	2,927
	32,440	26,325

15. TRADE PAYABLE

At 28 February 2003, the ageing analysis of the trade payable is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
0 – 30 days	**30,696**	25,131
31 – 60 days	**856**	505
61 – 90 days	**601**	378
Over 90 days	**716**	50
	32,869	26,064

16. LONG-TERM BANK LOANS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank loans – secured		
Wholly repayable within five years	**13,334**	21,640
Not wholly repayable within five years	**–**	9,000
	13,334	30,640
Current portion of long-term bank loans	**(6,667)**	(9,807)
	6,667	20,833

At 28 February 2003, the Group's bank loans were repayable as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**6,667**	9,807
In the second year	**6,667**	8,167
In the third to fifth year	**–**	11,166
After the fifth year	**–**	1,500
	13,334	30,640

17. PENSIONS – DEFINED CONTRIBUTION PLAN

Contributions totalling approximately HK$560,000 (2002: HK$667,000) were payable to the fund at the year end.

18. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
Authorised:		
At 28 February 2002 and 28 February 2003	1,000,000,000	100,000
Issued and fully paid:		
At 28 February 2002 and 28 February 2003	254,530,000	25,453

19. RESERVES

(a) Group

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Investment properties revaluation reserve	Other properties revaluation reserve	Cumulative translation reserve	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 March 2002	25,453	110,650	380	91	13,760	5,027	24	130,329	285,714
Deficit on revaluation of properties	–	–	–	–	(753)	–	–	–	(753)
Translation differences	–	–	–	–	–	–	(44)	–	(44)
Profit for the year	–	–	–	–	–	–	–	48,685	48,685
2002 Final dividend paid	–	–	–	–	–	–	–	(9,163)	(9,163)
2003 Interim dividend paid	–	–	–	–	–	–	–	(3,818)	(3,818)
At 28 February 2003	**25,453**	**110,650**	**380**	**91**	**13,007**	**5,027**	**(20)**	**166,033**	**320,621**
Representing:									
2003 Final dividend proposed								10,945	
Others								155,088	
Retained earnings as at 28 February 2003								**166,033**	
Company and Subsidiaries	25,453	110,650	380	91	13,007	5,027	31	132,883	287,522
Associated company	–	–	–	–	–	–	(51)	33,150	33,099
At 28 February 2003	**25,453**	**110,650**	**380**	**91**	**13,007**	**5,027**	**(20)**	**166,033**	**320,621**

19. RESERVES (continued)

(a) Group (continued)

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Investment properties revaluation reserve	Other properties revaluation reserve	Cumulative translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2001	25,453	110,650	380	91	–	–	75	99,773	236,422
Surplus on revaluation	–	–	–	–	13,760	5,027	–	–	18,787
Translation differences	–	–	–	–	–	–	(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	25,453	110,650	380	91	13,760	5,027	24	130,329	285,714
Representing:									
2002 Final dividend proposed								9,163	
Others								121,166	
Retained earnings as at 28 February 2002								130,329	
Company and Subsidiaries	25,453	110,650	380	91	13,760	5,027	75	110,026	265,462
Associated company	–	–	–	–	–	–	(51)	20,303	20,252
At 28 February 2002	25,453	110,650	380	91	13,760	5,027	24	130,329	285,714

19. RESERVES (continued)

(b) Company

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 March 2002	25,453	110,650	380	31,903	168,386
Profit for the year	–	–	–	11,248	11,248
2002 Final dividend paid	–	–	–	(9,163)	(9,163)
2003 Interim dividend paid	–	–	–	(3,818)	(3,818)
At 28 February 2003	**25,453**	**110,650**	**380**	**30,170**	**166,653**
Representing:					
2003 Final dividend proposed				10,945	
Others				19,225	
Retained earnings at 28 February 2003				**30,170**	
At 1 March 2001	25,453	110,650	380	31,236	167,719
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	25,453	110,650	380	31,903	168,386
Representing:					
2002 Final dividend proposed				9,163	
Others				22,740	
Retained earnings at 28 February 2002				31,903	

20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of changes in financing during the year

	Bank loans	
	2003	2002
	HK$'000	*HK$'000*
At 1 March	**43,257**	21,962
New bank loans raised	**5,117**	26,075
Repayment of bank loans	**(17,306)**	(4,780)
At 28 February	**31,068**	43,257

21. DEFERRED TAX ASSETS

	Group	
	2003	2002
	HK$'000	*HK$'000*
At 1 March	**–**	–
Credited to consolidated profit and loss account *(note 5)*	**305**	–
At 28 February	**305**	–

At 28 February 2003, there was no material unprovided deferred taxation.

22. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees for banking facilities of subsidiaries	**–**	–	**147,106**	132,800
Guarantees for general banking facilities of subsidiaries of an associated company	**12,900**	14,400	**12,900**	14,400
	12,900	14,400	**160,006**	147,200

22. CONTINGENT LIABILITIES (continued)

At 28 February 2003, HK$50,673,000 (2002: HK$36,035,000) of the above banking facilities were utilised.

23. COMMITMENTS

(a) Capital commitments

At 28 February 2003, the Group had capital commitment contracted but not provided for in respect of leasehold improvements amounting to approximately HK$720,000 (2002: HK$142,000).

(b) Commitments under operating leases

At 28 February 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**123,434**	104,104
Later than one year and not later than five years	**86,801**	84,489
Later than five years	**304**	260
	210,539	188,853

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.

The Company did not have any commitments at 28 February 2003 (2002: Nil).

24. FUTURE OPERATING LEASE ARRANGEMENTS

At 28 February 2003, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**4,462**	4,462
Later than one year and not later than five years	**10,412**	14,874
	14,874	19,336

25. RELATED PARTY TRANSACTIONS

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

		Group	
		2003	2002
	Note	***HK$'000***	*HK$'000*
Purchases from related companies	*(i)*	**4,005**	3,484
Royalty income received from a related company	*(ii)*	**6,924**	5,008

(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.

(ii) Mirabell Footwear Limited and Hornet Agents Limited, subsidiaries of the Company, have entered into two franchise agreements with Bestfull International Limited ("BIL"), subsidiary of BQL, to grant sole licences to BIL. These agreements were terminated in March 2003.

(b) As mentioned in note 22 to the accounts, at 28 February 2003, 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$12,900,000 (2002: HK$14,400,000). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.

26. PRIOR YEAR COMPARATIVE FIGURES

The accounts of the Group and the Company as at and for the year ended 28 February 2002, which are presented for comparative purposes, were audited by certified public accountants, other than PricewaterhouseCoopers, whose report dated 17 June 2002 expressed an unqualified opinion on those accounts. Certain comparative figures have been reclassified to conform with the current year's presentation.

27. SUBSEQUENT EVENT

On 1 March 2003, Hornet Agents Limited entered into a disposal agreement to dispose of its "teenmix" trademarks, which are developed by the Group, to an independent third party at a consideration of HK$8,241,000. The disposal completed on 3 March 2003.

In March 2003, Mirabell Footwear Limited and Hornet Agents Limited entered into two franchise termination agreements with BIL to terminate the sole licences previously granted to BIL (note 25(a)(ii)).

28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 18 June 2003.