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, certain investment properties and other properties are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting the new policy is set out below.

(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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

(i) Consolidation (continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

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.

(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.

(iii) 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 account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Intangibles

(i) 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 consolidated profit and loss account.

(ii) Patents and licenses

Expenditure on acquired patents and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years. Patents and licenses are not revalued as there is no active market for these assets.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(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 operating profit. Any subsequent increases are credited to operating profit 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 which are performed on a regular basis. 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 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 2007 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 risks and rewards 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 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.

(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) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) 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.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) 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.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Deferred taxation (continued)

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and an associated company, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 20(a) to the accounts, the opening retained earnings as at 1 March 2002 and 2003 have increased by HK$2,051,000 and HK$2,365,000, respectively, the opening investment properties revaluation reserve as at 1 March 2002 and 2003 have decreased by HK$1,307,000 and HK$1,252,000, respectively, and the opening other properties revaluation reserve as at 1 March 2002 and 2003 have decreased by HK$430,000 and HK$412,000, respectively, which represent the unprovided net deferred tax assets/liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities as at 28 February 2003 by HK$2,366,000 and HK$1,665,000, respectively. The profit and amount charged to equity for the year ended 28 February 2003 have increased by HK$314,000 and HK$73,000, respectively.

(l) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Revenue recognition

Revenue from the sales 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.

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.

(n) 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.

(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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and 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, manufacturing of footwear. Revenues recognised during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**645,617**	625,616
Other revenue		
Rental income	**2,417**	2,600
Royalty income	**2,429**	6,924
Interest income	**489**	779
Others	**3**	3
	5,338	10,306
Total revenue	**650,955**	635,922

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 (the "PRC") market.

	Hong Kong and Macau 2004	The PRC 2004	Total 2004
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**512,260**	**133,357**	**645,617**
Segment results	**24,561**	**27,755**	**52,316**
Finance costs			**(1,200)**
Share of profit of an associated company	**–**	**20,086**	**20,086**
Profit before taxation			**71,202**
Taxation			**(5,112)**
Profit attributable to shareholders			**66,090**
Segment assets	**252,836**	**164,652**	**417,488**
Interest in an associated company	**–**	**76,402**	**76,402**
Deferred tax assets			**3,521**
Total assets			**497,411**
Segment liabilities	**70,711**	**47,498**	**118,209**
Taxation payable			**3,294**
Deferred tax liabilities			**1,742**
Total liabilities			**123,245**
Capital expenditure	**14,634**	**8,690**	**23,324**
Depreciation	**10,370**	**2,190**	**12,560**
Amortisation charge	**2,000**	**–**	**2,000**

2. TURNOVER, REVENUES AND SEGMENT INFORMATION (continued)

Geographical segment analysis (continued)

	As restated		
	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			(1,466)
Share of profit of an associated company	–	16,304	16,304
Profit before taxation			55,908
Taxation			(6,909)
Profit attributable to shareholders			48,999
Segment assets	238,785	134,164	372,949
Interest in an associated company	–	57,435	57,435
Deferred tax assets			2,671
Total assets			433,055
Segment liabilities	67,261	38,746	106,007
Taxation payable			4,061
Deferred tax liabilities			1,665
Total liabilities			111,733
Capital expenditure	5,996	1,600	7,596
Depreciation	9,622	2,894	12,516

3. OPERATING PROFIT

	Note	2004	2003
		HK$'000	*HK$'000*
Operating profit is stated after charging/ (crediting) the following:			
Depreciation of fixed assets		**12,560**	12,516
Loss on disposal of fixed assets		**1,105**	441
Staff costs (including directors' emoluments)		**102,483**	96,461
Pension costs		**3,178**	3,290
Cost of inventories		**268,761**	276,713
Operating leases rental in respect of land and buildings		**153,173**	154,941
Outgoings in respect of investment properties		**124**	161
Auditors' remuneration		**774**	645
Revaluation deficit on investment properties		**–**	800
Amortisation of intangible assets (included in administrative expenses)		**2,000**	–
Gain on disposal of an investment property		**(320)**	–
Gain on liquidation of a subsidiary		**(727)**	–
Net exchange gains		**(685)**	(147)
Revaluation surplus on other properties		**(940)**	–
Gain on disposal of trademark	*(i)*	**(8,241)**	–

(i) On 1 March 2003, Hornet Agents Limited, a wholly-owned subsidiary of the Company, entered into a disposal agreement to dispose of its "teenmix" trademark, which is developed by the Group, to an independent third party at a consideration of HK$8,241,000. The disposal completed on 3 March 2003.

4. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,200**	1,466

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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.

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

	2004	As restated 2003
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**3,749**	5,508
– Overseas taxation	**526**	–
– Over-provision in prior years	**(349)**	(43)
Deferred taxation relating to the origination and reversal of temporary differences	**(550)**	(619)
Deferred taxation resulting from an increase in tax rate	**(250)**	–
	3,126	4,846
Share of taxation attributable to an associated company	**1,986**	2,063
Taxation charge	**5,112**	6,909

5. TAXATION (continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	**71,202**	55,908
Calculated at a taxation rate of 17.5% (2003: 16%)	**12,460**	8,945
Effect of different taxation rates in other countries	**(597)**	(165)
Effect of the PRC tax exemption	**(1,669)**	(467)
Income not subject to tax	**(4,612)**	(2,005)
Expenses not deductible for taxation purposes	**1,408**	1,108
Unrecognised deferred tax assets	**1,137**	969
Utilisation of previously unrecognised tax losses	**(3,003)**	(1,384)
Increase in opening net deferred tax assets resulting from an increase in tax rate	**(250)**	–
Over-provision in prior years	**(345)**	(226)
Others	**583**	134
Taxation charge	**5,112**	6,909

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$14,273,000 (2003: HK$11,248,000).

7. DIVIDENDS

	2004	2003
	HK$'000	*HK$'000*
Interim, paid, of HK1.5 cents (2003: HK1.5 cents) per ordinary share	**3,818**	3,818
Final, proposed, of HK6.3 cents (2003: HK4.3 cents) per ordinary share	**16,035**	10,945
	19,853	14,763

7. DIVIDENDS (continued)

At a meeting held on 17 June 2004, the directors proposed a final dividend of HK6.3 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 28 February 2005.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$66,090,000 (2003 (as restated): HK$48,999,000) and the weighted average number of 254,530,000 (2003: 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 emoluments payable to directors of the Company during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Fees	**150**	150
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	**3,585**	3,247
Discretionary bonuses	**3,965**	2,921
Contributions to pension scheme for directors	**48**	48
	7,748	6,366

Directors' fees disclosed above include HK$100,000 (2003: HK$100,000) payable to independent non-executive directors.

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
HK$	**2004**	2003
Nil – 1,000,000	**4***	4*
1,000,001 – 1,500,000	**–**	1
2,000,001 – 2,500,000	**3**	2

* Included two independent non-executive directors

No directors have waived emoluments during the year (2003: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2003: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2003: two) individuals during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,649**	1,398
Discretionary bonuses	**959**	60
Pensions	**24**	24
	2,632	1,482

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals (continued)

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
HK$	**2004**	2003
Nil – 1,000,000	**–**	2
1,000,001 – 1,500,000	**1**	–
1,500,001 – 2,000,000	**1**	–

10. INTANGIBLE ASSETS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Patents and licenses		
Addition during the year	**6,000**	–
Amortisation charge *(Note 3)*	**(2,000)**	–
As at 29 February/28 February	**4,000**	–

11. 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:							
As at 1 March 2003	63,548	34,199	43,393	17,823	3,515	1,762	164,240
Additions	–	13,108	8,726	1,078	307	105	23,324
Revaluation	300	(575)	–	–	–	–	(275)
Disposals	(4,100)	–	(7,806)	(184)	–	–	(12,090)
As at 29 February 2004	**59,748**	**46,732**	**44,313**	**18,717**	**3,822**	**1,867**	**175,199**
Accumulated depreciation:							
As at 1 March 2003	–	1,019	34,717	13,486	2,767	1,343	53,332
Charge for the year	–	1,631	8,529	1,694	560	146	12,560
Revaluation	–	(2,650)	–	–	–	–	(2,650)
Disposals	–	–	(6,714)	(167)	–	–	(6,881)
As at 29 February 2004	**–**	**–**	**36,532**	**15,013**	**3,327**	**1,489**	**56,361**
Net book value:							
As at 29 February 2004	**59,748**	**46,732**	**7,781**	**3,704**	**495**	**378**	**118,838**
As at 28 February 2003	63,548	33,180	8,676	4,337	748	419	110,908

The analysis of the cost or valuation as at 29 February 2004 of the above assets is as follows:

At cost	**–**	**–**	**44,313**	**18,717**	**3,822**	**1,867**	**68,719**
At 2004 valuation	**59,748**	**46,732**	**–**	**–**	**–**	**–**	**106,480**
	59,748	**46,732**	**44,313**	**18,717**	**3,822**	**1,867**	**175,199**

The analysis of the cost or valuation as 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

11. FIXED ASSETS (continued)

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**22,780**	25,984
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**75,800**	70,744
– Leases of less than 10 years	**7,900**	–
	106,480	96,728

Investment properties were revalued at 29 February 2004 on the basis of their open market value by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors, employed by the Group.

Details of investment properties are as follows:	**Usage**
Held in Hong Kong under medium term leases: 2nd Floor, Excelsior Industrial Building, 68-76 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong	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 29 February 2004 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$41,366,000 (2003: HK$30,322,000) had they been stated at cost less accumulated depreciation.

11. FIXED ASSETS (continued)

As at 29 February 2004, the net book values of fixed assets pledged as security for the Group's long-term bank loans amounted to approximately HK$11,100,000 (2003: HK$24,238,000).

As at 28 February 2003, certain properties of the Group with a net book value of approximately HK$96,728,000 were subject to a negative pledge against certain general bank facilities granted to the Group. As at 29 February 2004, such negative pledge has been released.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**69,254**	69,254
Amounts due from subsidiaries	**97,195**	97,687
	166,449	166,941

The amount due from subsidiaries are unsecured, interest free and has no fixed terms of repayment. Details of the Company's principal subsidiaries as at 29 February 2004 are set out on pages 72 to 74.

13. INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2004	2003
	HK$'000	*HK$'000*
Share of net assets	**61,916**	44,724
Amount due from an associated company	**2,931**	–
Goodwill on acquisition of an associated company	**17,335**	17,335
Less: Amortisation of goodwill	**(5,780)**	(4,624)
	76,402	57,435
Investment at cost:		
Unlisted shares	**28,800**	28,800

13. INTEREST IN AN ASSOCIATED COMPANY (continued)

The amount due from an associated company is unsecured, interest free and has no fixed terms of repayment.

Amortisation of goodwill for the year of approximately HK$1,156,000 (2003: 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 as at 29 February 2004 are set out on page 74.

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

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

	2003	2002
	HK$'000	*HK$'000*
Operating results		
Turnover	**692,896**	480,667
Profit before taxation	**70,804**	58,201
Group's share of profit before taxation	**21,242**	17,460
Financial position		
Non-current assets	**86,263**	55,575
Current assets	**296,362**	193,480
Current liabilities	**(172,329)**	(99,974)
Non-current liabilities	**(3,908)**	–
Shareholders' funds	**206,388**	149,081

14. INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**2,565**	1,239
Work in progress	**405**	146
Finished goods	**101,906**	82,805
	104,876	84,190

As at 29 February 2004, no inventories were carried at net realisable value (2003: Nil).

15. TRADE RECEIVABLE

Other than cash and credit card sales, the majority of the Group's credit sales is on a credit term of 30 – 60 days. As at 29 February 2004, the ageing analysis of the trade receivable is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
0 – 30 days	**40,064**	30,980
31 – 60 days	**623**	889
61 – 90 days	**428**	226
Over 90 days	**332**	345
	41,447	32,440

16. TRADE PAYABLE

As at 29 February 2004, the ageing analysis of the trade payable is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
0 – 30 days	**27,669**	30,696
31 – 60 days	**681**	856
61 – 90 days	**886**	601
Over 90 days	**6,347**	716
	35,583	32,869

17. LONG-TERM BANK LOANS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Bank loans – secured		
Wholly repayable within five years	**6,667**	13,334
Current portion of long-term bank loans	**(6,667)**	(6,667)
	–	6,667

As at 29 February 2004, the Group's bank loans are repayable as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**6,667**	6,667
In the second year	**–**	6,667
	6,667	13,334

18. PENSIONS – DEFINED CONTRIBUTION PLAN

Contributions totalling approximately HK$778,000 (2003: HK$560,000) were payable to the fund at the year-end.

19. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
Authorised:		
As at 28 February 2003 and 29 February 2004	1,000,000,000	100,000
Issued and fully paid:		
As at 28 February 2003 and 29 February 2004	254,530,000	25,453

20. RESERVES

(a) Group

	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*
As at 1 March 2003, as previously reported	110,650	380	91	13,007	5,027	(20)	166,033	295,168
Effect of adopting SSAP 12	–	–	–	(1,252)	(412)	–	2,365	701
As at 1 March 2003, as restated	110,650	380	91	11,755	4,615	(20)	168,398	295,869
Surplus on revaluation of properties	–	–	–	300	1,135	–	–	1,435
Deferred taxation effect on revaluation	–	–	–	17	(44)	–	–	(27)
Translation differences arising on translation of the accounts of foreign subsidiaries and an associated company	–	–	–	–	–	109	–	109
Profit for the year	–	–	–	–	–	–	66,090	66,090
2003 Final dividend paid	–	–	–	–	–	–	(10,945)	(10,945)
2004 Interim dividend paid	–	–	–	–	–	–	(3,818)	(3,818)
As at 29 February 2004	**110,650**	**380**	**91**	**12,072**	**5,706**	**89**	**219,725**	**348,713**
Representing:								
2004 Final dividend proposed								16,035
Reserves								332,678
As at 29 February 2004								**348,713**
Company and subsidiaries	110,650	380	91	12,072	5,706	(347)	175,649	304,201
Associated company	–	–	–	–	–	436	44,076	44,512
As at 29 February 2004	**110,650**	**380**	**91**	**12,072**	**5,706**	**89**	**219,725**	**348,713**

20. RESERVES (continued)

(a) Group (continued)

	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*
As at 1 March 2002, as previously reported	110,650	380	91	13,760	5,027	24	130,329	260,261
Effect of adopting SSAP 12	–	–	–	(1,307)	(430)	–	2,051	314
As at 1 March 2002, as restated	110,650	380	91	12,453	4,597	24	132,380	260,575
Deficit on revaluation on properties	–	–	–	(753)	–	–	–	(753)
Deferred taxation effect on revaluation	–	–	–	55	18	–	–	73
Translation differences arising on translation of the accounts of foreign subsidiaries and an associated company	–	–	–	–	–	(44)	–	(44)
Profit for the year	–	–	–	–	–	–	48,999	48,999
2002 Final dividend paid	–	–	–	–	–	–	(9,163)	(9,163)
2003 Interim dividend paid	–	–	–	–	–	–	(3,818)	(3,818)
As at 28 February 2003	110,650	380	91	11,755	4,615	(20)	168,398	295,869
Representing:								
2003 Final dividend proposed								10,945
Reserves								284,924
As at 28 February 2003								295,869
Company and subsidiaries	110,650	380	91	11,755	4,615	31	139,872	267,394
Associated company	–	–	–	–	–	(51)	28,526	28,475
As at 28 February 2003	110,650	380	91	11,755	4,615	(20)	168,398	295,869

20. RESERVES (continued)

(b) Company

	Share premium	Capital redemption reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 March 2003	110,650	380	30,170	141,200
Profit for the year	–	–	14,273	14,273
2003 Final dividend paid	–	–	(10,945)	(10,945)
2004 Interim dividend paid	–	–	(3,818)	(3,818)
As at 29 February 2004	**110,650**	**380**	**29,680**	**140,710**
Representing:				
2004 Final dividend proposed				16,035
Reserves				124,675
As at 29 February 2004				**140,710**
As at 1 March 2002	110,650	380	31,903	142,933
Profit for the year	–	–	11,248	11,248
2002 Final dividend paid	–	–	(9,163)	(9,163)
2003 Interim dividend paid	–	–	(3,818)	(3,818)
As at 28 February 2003	110,650	380	30,170	141,200
Representing:				
2003 Final dividend proposed				10,945
Reserves				130,255
As at 28 February 2003				141,200

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

The movement on the net deferred tax assets account is as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
As at 1 March	**1,006**	314
Deferred taxation credited to profit and loss account *(Note 5)*	**800**	619
Taxation (charged)/credited to equity *(Note 20(a))*	**(27)**	73
As at 29 February/28 February	**1,779**	1,006

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$16,692,000 (2003: HK$23,443,000) to carry forward against future taxable income. Tax losses of HK$10,276,000 (2003: HK$18,594,000) will expire in 2008 (2003: Year 2007) and tax losses of HK$6,416,000 (2003: HK$4,849,000) has no expiry date.

21. DEFERRED TAXATION (continued)

The movement in net deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Net deferred tax assets	Tax depreciation allowance		Tax losses		Provision for long services payments		Unrealised profit on consolidation		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 March	**(425)**	(781)	**305**	–	**781**	816	**345**	279	**1,006**	314
Credited/(charged) to profit and loss account	**255**	283	**694**	305	**(14)**	(35)	**(135)**	66	**800**	619
(Charged)/credited to equity	**(27)**	73	**–**	–	**–**	–	**–**	–	**(27)**	73
As at 29 February/ 28 February	**(197)**	(425)	**999**	305	**767**	781	**210**	345	**1,779**	1,006

	2004	As restated 2003
	HK$'000	*HK$'000*
Deferred tax assets	**3,521**	2,671
Deferred tax liabilities	**(1,742)**	(1,665)
	1,779	1,006

22. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Analysis of changes in financing during the year

	Bank loans		Bank deposits pledged	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 March	**31,068**	43,257	**–**	–
New bank loans raised	**72,224**	5,117	**–**	–
Repayment of bank loans	**(70,520)**	(17,306)	**–**	–
New bank deposits pledged	**–**	–	**(10,068)**	–
As at 29 February/ 28 February	**32,772**	31,068	**(10,068)**	–

(b) Major non-cash transaction

During the year, the Group acquired certain patents and licenses at a consideration of HK$6 million. This consideration was prepaid in the prior year and was included in other receivables, deposits and prepayments as at 28 February 2003 in the consolidated balance sheet.

23. CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees for banking facilities of subsidiaries	**–**	–	**154,857**	147,106
Guarantees for general banking facilities of subsidiaries of an associated company	**15,300**	12,900	**15,300**	12,900
	15,300	12,900	**170,157**	160,006

As at 29 February 2004, HK$55,357,000 (2003: HK$50,673,000) of the above banking facilities were utilised.

24. COMMITMENTS

(a) Capital commitments

As at 29 February 2004, the Group had capital commitment contracted but not provided for in respect of leasehold improvements amounting to approximately HK$242,000 (2003: HK$720,000).

(b) Foreign exchange contracts

As at 29 February 2004, the Group has commitment in respect of outstanding foreign exchange contracts to buy RMB29,874,650 (2003: Nil) at various rates totalling approximately US$3,800,000 (2003: Nil).

(c) Commitments under operating leases

As at 29 February 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**102,990**	123,434
Later than one year and not later than five years	**77,294**	86,801
Later than five years	**–**	304
	180,284	210,539

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 as at 29 February 2004 (2003: Nil).

25. FUTURE OPERATING LEASE ARRANGEMENTS

As at 29 February 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Not later than one year	**3,747**	4,462
Later than one year and not later than five years	**4,995**	10,412
	8,742	14,874

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:

		Group	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Sales to related companies	*(i)*	**2,931**	–
Purchases from related companies	*(ii)*	**1,408**	4,005
Royalty income received from a related company	*(iii)*	**–**	6,924

(i) Sales to Lai Wah Footwear Trading Limited ("LWL"), a subsidiary of Best Quality Investments Limited ("BQL") an associated company of the Group, were conducted in the normal course of business at prices and terms in accordance with the terms mutually agreed by the respective parties.

(ii) Purchases from LWL and Lai Kong Footwear (Shenzhen) Company Limited, subsidiaries of BQL, were conducted in the normal course of business at prices and terms in accordance with the terms mutually agreed by the respective parties.

(iii) 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 a sole licence to BIL. These agreements were terminated in March 2003.

26. RELATED PARTY TRANSACTIONS (continued)

(b) As mentioned in note 23 to the accounts, as at 29 February 2004, 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$15,300,000 (2003: HK$12,900,000). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.

27. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17 June 2004.