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 Institute of Certified Public Accountants ("HKICPA"). 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.

(b) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 28 February 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(c) Group accounting

(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.

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(c) Group accounting (continued)

(i) Consolidation (continued)

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

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.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Group accounting (continued)

(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.

(d) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) 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.

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.

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(e) **Fixed assets (continued)**

(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.

(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

As 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.

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(e) Fixed assets (continued)

(v) Impairment and gain or loss on sale (continued)

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.

(f) 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.

(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 overhead 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 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) 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.

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.

(m) 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.

(n) 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

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

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

(o) 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.

(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. 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 geographical area in which the customer is located and total assets and capital expenditure are where the assets are located.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**747,839**	645,617
Other revenue		
Rental income	**1,375**	2,417
Royalty income	**3,402**	2,429
Interest income	**402**	489
Others	**3**	3
	5,182	5,338
Total revenue	**753,021**	650,955

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Geographical segment analysis

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

	Hong Kong and Macau 2005	Mainland China 2005	Total 2005
	HK$'000	*HK$'000*	*HK$'000*
Turnover	553,192	194,647	747,839
Segment results	36,543	28,795	65,338
Finance costs			(1,221)
Share of profit of an associated company	–	23,762	23,762
Profit before taxation			87,879
Taxation			(11,484)
Profit attributable to shareholders			76,395
Segment assets	293,812	193,680	487,492
Interest in an associated company	–	93,339	93,339
Taxation recoverable			1,029
Deferred tax assets			2,486
Total assets			584,346
Segment liabilities	90,400	51,282	141,682
Taxation payable			4,576
Deferred tax liabilities			2,198
Total liabilities			148,456
Capital expenditure	9,885	6,637	16,522
Depreciation	8,842	5,332	14,174
Amortisation charge	2,000	–	2,000

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Geographical segment analysis (continued)

	Hong Kong and Macau 2004	Mainland China 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

3. OPERATING PROFIT

	Note	**2005**	2004
		HK$'000	*HK$'000*
Operating profit is stated after charging/ (crediting) the following:			
Depreciation of fixed assets		**14,174**	12,560
Loss on disposal of fixed assets		**99**	1,105
Staff costs (including directors' emoluments)		**112,486**	102,483
Pension costs		**3,660**	3,178
Cost of inventories		**302,366**	268,761
Operating leases rental in respect of land and buildings			
– Fixed rent		**124,221**	138,618
– Contingent rent		**44,822**	14,555
Outgoings in respect of investment properties		**158**	124
Auditors' remuneration		**930**	774
Amortisation of intangible assets (included in administrative expenses)		**2,000**	2,000
Gain on disposal of an investment property		**–**	(320)
Gain on liquidation of a subsidiary		**–**	(727)
Net exchange gains		**(117)**	(685)
Revaluation surplus on other properties		**(1,063)**	(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 was completed on 3 March 2003.

4. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,221**	1,200

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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 operates.

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

	2005	2004
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**5,029**	3,749
– Overseas taxation	**3,862**	526
– Overprovisions in prior years	**(2,260)**	(349)
Deferred taxation relating to the origination and reversal of temporary differences	**1,248**	(550)
Deferred taxation resulting from an increase in tax rate	**–**	(250)
	7,879	3,126
Share of taxation attributable to an associated company	**3,605**	1,986
Taxation charge	**11,484**	5,112

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:

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	**87,879**	71,202
Calculated at a taxation rate of 17.5% (2004: 17.5%)	**15,379**	12,460
Effect of different taxation rates in other countries	**177**	(597)
Effect of the overseas tax exemption	**(1,151)**	(1,669)
Income not subject to tax	**(8,243)**	(4,612)
Expenses not deductible for taxation purposes	**7,818**	1,408
Unrecognised deferred tax assets	**827**	1,137
Utilisation of previously unrecognised tax losses	**(1,063)**	(3,003)
Increase in opening net deferred tax assets resulting from an increase in tax rate	**–**	(250)
Overprovisions in prior years	**(2,260)**	(345)
Others	**–**	583
Taxation charge	**11,484**	5,112

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$21,795,000 (2004: HK$14,273,000).

7. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim, paid, of HK2.5 cents (2004: HK1.5 cents) per ordinary share	**6,363**	3,818
Final, proposed, of HK6.6 cents (2004: HK6.3 cents) per ordinary share	**16,799**	16,035
	23,162	19,853

7. DIVIDENDS (continued)

At a meeting held on 21 June 2005, the directors proposed a final dividend of HK6.6 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 2006.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$76,395,000 (2004: HK$66,090,000) and the weighted average number of 254,530,000 (2004: 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 paid/payable to directors of the Company during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Fees	**200**	150
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	**4,490**	3,585
Discretionary bonuses	**4,584**	3,965
Contributions to pension scheme for directors	**48**	48
	9,322	7,748

Directors' fees disclosed above include HK$150,000 (2004: 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$	**2005**	2004
Nil – 1,000,000	**5***	4*
2,000,001 – 2,500,000	**1**	3
2,500,001 – 3,000,000	**1**	–
3,000,001 – 3,500,000	**1**	–

* Included three (2004: two) independent non-executive directors

No directors have waived emoluments during the year (2004: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2004: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2004: two) individuals during the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,948**	1,649
Discretionary bonuses	**500**	959
Pensions	**24**	24
	2,472	2,632

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$	**2005**	2004
Nil – 1,000,000	**–**	–
1,000,001 – 1,500,000	**2**	1
1,500,001 – 2,000,000	**–**	1

10. INTANGIBLE ASSETS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Patents and licenses		
As at 1 March	**4,000**	–
Addition during the year	**–**	6,000
Amortisation charge *(Note 3)*	**(2,000)**	(2,000)
As at 28 February/29 February	**2,000**	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 2004	59,748	46,732	44,313	18,717	3,822	1,867	175,199
Additions	–	–	14,132	1,993	–	397	16,522
Revaluation	1,700	5,620	–	–	–	–	7,320
Disposals	–	–	(6,122)	(47)	–	–	(6,169)
Exchange adjustment	–	–	85	22	1	15	123
As at 28 February 2005	**61,448**	**52,352**	**52,408**	**20,685**	**3,823**	**2,279**	**192,995**
Accumulated depreciation:							
As at 1 March 2004	–	–	36,532	15,013	3,327	1,489	56,361
Charge for the year	–	1,937	10,374	1,432	252	179	14,174
Revaluation	–	(1,937)	–	–	–	–	(1,937)
Disposals	–	–	(6,026)	(44)	–	–	(6,070)
Exchange adjustment	–	–	75	16	2	12	105
As at 28 February 2005	**–**	**–**	**40,955**	**16,417**	**3,581**	**1,680**	**62,633**
Net book value:							
As at 28 February 2005	**61,448**	**52,352**	**11,453**	**4,268**	**242**	**599**	**130,362**
As at 29 February 2004	59,748	46,732	7,781	3,704	495	378	118,838

The analysis of the cost or valuation as at 28 February 2005 of the above assets is as follows:

At cost	**–**	**–**	**52,408**	**20,685**	**3,823**	**2,279**	**79,195**
At 2005 valuation	**61,448**	**52,352**	**–**	**–**	**–**	**–**	**113,800**
	61,448	**52,352**	**52,408**	**20,685**	**3,823**	**2,279**	**192,995**

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

11. FIXED ASSETS (continued)

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**26,600**	22,780
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**76,200**	75,800
– Leases of less than 10 years	**11,000**	7,900
	113,800	106,480

Investment properties were revalued at 28 February 2005 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 Mainland China 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 People's Republic of China	Commercial

Other properties were revalued at 28 February 2005 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$40,301,000 (2004: HK$41,366,000) had they been stated at cost less accumulated depreciation.

11. FIXED ASSETS (continued)

As at 28 February 2005, the net book values of fixed assets pledged as security for the Group's banking facilities amounted to approximately HK$11,800,000 (2004: HK$11,100,000).

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Investments at cost:		
Unlisted shares	**69,254**	69,254
Amounts due from subsidiaries	**96,646**	97,195
	165,900	166,449

The amount due from subsidiaries are unsecured, interest free and will not be repaid in the coming twelve months. Details of the Company's principal subsidiaries as at 28 February 2005 are set out on pages 66 to 68.

13. INTEREST IN AN ASSOCIATED COMPANY

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**82,939**	61,916
Amount due from an associated company	**–**	2,931
Goodwill on acquisition of an associated company	**17,335**	17,335
Less: Amortisation of goodwill	**(6,935)**	(5,780)
	93,339	76,402
Investment at cost:		
Unlisted shares	**28,800**	28,800

13. INTEREST IN AN ASSOCIATED COMPANY (continued)

Amortisation of goodwill for the year of approximately HK$1,155,000 (2004: 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 28 February 2005 are set out on page 68.

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:

	2004	2003
	HK$'000	*HK$'000*
Operating results		
Turnover	**872,793**	692,896
Profit before taxation	**83,060**	70,804
Group's share of profit before taxation	**24,917**	21,242
Financial position		
Non-current assets	**133,413**	86,263
Current assets	**470,436**	296,362
Current liabilities	**(324,104)**	(172,329)
Non-current liabilities	**(3,284)**	(3,908)
Shareholders' funds	**276,461**	206,388

14. NON-CURRENT DEPOSITS

Non-current deposits represent deposits paid for the acquisition of properties.

15. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**3,183**	2,565
Work in progress	**668**	405
Finished goods	**131,171**	101,906
	135,022	104,876

As at 28 February 2005, no inventories were carried at net realisable value (2004: Nil).

16. TRADE RECEIVABLES

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 28 February 2005, the ageing analysis of the trade receivables was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**68,137**	40,064
31 – 60 days	**1,594**	623
61 – 90 days	**803**	428
Over 90 days	**1,694**	332
	72,228	41,447

17. BANK BALANCES AND CASH

As at 28 February 2005, bank balances and cash of approximately HK$7,892,000 (2004: HK$21,568,000) were denominated in Renminbi which is not a freely convertible currency in the international market and of which the exchange rate is determined by the People's Bank of China.

18. TRADE PAYABLES

As at 28 February 2005, the ageing analysis of the trade payables was as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**44,397**	27,669
31 – 60 days	**987**	681
61 – 90 days	**1,210**	886
Over 90 days	**5,679**	6,347
	52,273	35,583

19. PENSIONS – DEFINED CONTRIBUTION PLAN

Contributions totalling approximately HK$880,000 (2004: HK$778,000) were payable to the fund at the year-end.

20. SHARE CAPITAL

	Ordinary shares of HK$0.1 each	
	No. of shares	*HK$'000*
Authorised:		
As at 29 February 2004 and 28 February 2005	1,000,000,000	100,000
Issued and fully paid:		
As at 29 February 2004 and 28 February 2005	254,530,000	25,453

21. 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 2004	110,650	380	91	12,072	5,706	89	219,725	348,713
Surplus on revaluation of properties	–	–	–	1,700	6,494	–	–	8,194
Deferred taxation effect on revaluation	–	–	–	(90)	(153)	–	–	(243)
Translation differences arising on translation of the accounts of foreign subsidiaries and an associated company	–	–	–	–	–	(224)	–	(224)
Profit for the year	–	–	–	–	–	–	76,395	76,395
2004 Final dividend paid	–	–	–	–	–	–	(16,035)	(16,035)
2005 Interim dividend paid	–	–	–	–	–	–	(6,363)	(6,363)
As at 28 February 2005	**110,650**	**380**	**91**	**13,682**	**12,047**	**(135)**	**273,722**	**410,437**
Representing:								
2005 Final dividend proposed								16,799
Reserves								393,638
As at 28 February 2005								**410,437**
Company and subsidiaries	110,650	380	91	13,682	12,047	(282)	209,489	346,057
Associated company	–	–	–	–	–	147	64,233	64,380
As at 28 February 2005	**110,650**	**380**	**91**	**13,682**	**12,047**	**(135)**	**273,722**	**410,437**

21. 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 2003	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

21. RESERVES (continued)

(b) Company

	Share premium	Capital redemption reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 March 2004	110,650	380	29,680	140,710
Profit for the year	–	–	21,795	21,795
2004 Final dividend paid	–	–	(16,035)	(16,035)
2005 Interim dividend paid	–	–	(6,363)	(6,363)
As at 28 February 2005	**110,650**	**380**	**29,077**	**140,107**
Representing:				
2005 Final dividend proposed				16,799
Reserves				123,308
As at 28 February 2005				**140,107**
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

22. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
As at 1 March	**1,779**	1,006
Deferred taxation (charged)/credited to profit and loss account *(Note 5)*	**(1,248)**	800
Taxation charged to equity *(Note 21(a))*	**(243)**	(27)
As at 28 February/29 February	**288**	1,779

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$7,655,000 (2004: HK$16,692,000) to carry forward against future taxable income. Tax losses of HK$853,000 (2004: HK$10,276,000) will expire in year 2009 (2004: year 2008) and tax losses of HK$6,802,000 (2004: HK$6,416,000) has no expiry date.

The movement in deferred tax assets and liabilities (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		Others		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
As at 1 March	**(197)**	(425)	**999**	305	**767**	781	**210**	345	**1,779**	1,006
(Charged)/credited to profit and loss account	**(53)**	255	**(999)**	694	**(302)**	(14)	**106**	(135)	**(1,248)**	800
Charged to equity	**(243)**	(27)	**–**	–	**–**	–	**–**	–	**(243)**	(27)
As at 28 February/ 29 February	**(493)**	(197)	**–**	999	**465**	767	**316**	210	**288**	1,779

22. DEFERRED TAXATION (continued)

	2005	2004
	HK$'000	*HK$'000*
Deferred tax assets	**2,486**	3,521
Deferred tax liabilities	**(2,198)**	(1,742)
	288	1,779

23. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of changes in financing during the year

	Bank loans	
	2005	2004
	HK$'000	*HK$'000*
As at 1 March	**32,772**	31,068
New bank loans raised	**74,000**	72,224
Repayment of bank loans	**(75,688)**	(70,520)
As at 28 February/29 February	**31,084**	32,772

24. CONTINGENT LIABILITIES

		Group		**Company**	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees for banking facilities of subsidiaries	*(i)*	**–**	–	**346,475**	154,857
Guarantees for general banking facilities of subsidiaries of an associated company	*(ii)*	**61,800**	15,300	**61,800**	15,300
		61,800	15,300	**408,275**	170,157

(i) As at 28 February 2005, HK$74,722,000 (2004: HK$43,982,000) of the above banking facilities were utilised.

24. CONTINGENT LIABILITIES (continued)

(ii) This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company. As at 28 February 2005, HK$8,212,000 (2004: HK$11,375,000) of these banking facilities were utilised.

25. COMMITMENTS

(a) Capital commitments

As at 28 February 2005, the Group had capital commitment contracted but not provided for in respect of leasehold improvements amounting to approximately HK$727,988 (2004: HK$242,000).

As at 28 February 2005, the Group's share of capital commitments of an associated company in respect of capital contributions to a subsidiary of the associated company and purchases of fixed assets, which were contracted but not provided for, amounted to approximately HK$28,080,000 (2004: Nil) and HK$3,693,000 (2004: HK$1,235,000), respectively.

(b) Foreign exchange contracts

As at 28 February 2005, the Group has commitment in respect of outstanding foreign exchange contracts to buy RMB29,874,650 (2004: RMB29,874,650) at various rates totalling approximately US$3,800,000 (2004: US$3,800,000).

(c) Commitments under operating leases

As at 28 February 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Not later than one year	**132,896**	102,990
Later than one year and not later than five years	**132,706**	77,294
	265,602	180,284

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 28 February 2005 (2004: Nil).

25. COMMITMENTS (continued)

(d) Commitments on royalty payments

As at 28 February 2005, the Group had future aggregate minimum royalty payments under non-cancellable royalty agreement as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Not later than one year	**11,340**	8,483
Later than one year and not later than five years	**16,058**	14,360
	27,398	22,843

26. FUTURE OPERATING LEASE ARRANGEMENTS

As at 28 February 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Not later than one year	**–**	3,747
Later than one year and not later than five years	**–**	4,995
	–	8,742

27. 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	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Sales to related companies	*(i)*	**–**	2,931
Purchases from related companies	*(ii)*	**2,278**	1,408

27. RELATED PARTY TRANSACTIONS (continued)

(a) (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.

(b) Amounts due to related companies, included in trade payables, are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Lai Wah Footwear Trading Limited	**163**	–
Lai Kong Footwear (Shenzhen) Company Limited	**107**	–
	270	–

The outstanding balances with related companies are unsecured, interest free and have no fixed terms of repayment.

(c) As mentioned in note 24 to the accounts, as at 28 February 2005, the Group had given guarantees in relation to the general banking facilities granted to LWL and Staccato Footwear Company Limited, subsidiaries of BQL, amounting to HK$61,800,000 (2004: HK$15,300,000). As at 28 February 2005, HK$8,212,000 (2004: HK$11,375,000) of these banking facilities were utilised.

28. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 21 June 2005.