

1 PRINCIPAL ACCOUNTING POLICIES**(a) Basis of preparation**

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 28 February. 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.

Subsidiaries are companies in which the Company, directly or indirectly, controls more than half of their voting power or issued share capital or controls the composition of their board of directors.

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 goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(c) Associated companies (continued)**

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

(d) Goodwill

Goodwill, which represents the excess of purchase consideration over the fair value ascribed to the separable net assets of associated companies acquired, is recognised as an asset and amortised by equal annual instalments over its estimated useful economic life of 15 years.

(e) Investment properties

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

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

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

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.

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(f) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

Leasehold land is depreciated over the period of the lease which will expire in 2047. Leasehold buildings/improvements are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. Other tangible fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2 ¹ / ₁₀ % – 5%
Leasehold improvements	25% – 100%
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.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset 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.

(g) Investments in securities

Investment securities are stated at cost less any provision for diminution in value.

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

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

(i) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value.

Cost is determined on the weighted average basis and is arrived at as follows:

- (i) Raw materials and goods purchased for resale – invoiced cost plus procurement costs.
- (ii) Work in progress and finished goods – cost of direct 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.

(j) 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.

(k) Deferred taxation

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

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(l) 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 accounts of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(m) Revenue recognition

Revenue from the sale of goods is recognised on the basis of goods sold and delivered to customers and title has passed and is stated at invoiced value net of sales taxes, discounts and returns.

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

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

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

(n) Retirement benefit costs

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

(o) Borrowing costs

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

Notes to the Accounts

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2 TURNOVER AND REVENUES

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

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Sales of goods	556,923	529,924
Other revenues		
Royalty income	2,463	413
Interest income	4,265	4,095
Rental income	215	–
Other income	1,649	1,317
	8,592	5,825
Total revenues	565,515	535,749

An analysis of the Group's turnover and contribution to operating profit for the year by principal markets is as follows:

	Turnover		Operating profit	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal markets				
Hong Kong and Macau	482,543	456,877	41,566	42,056
Mainland China	74,380	73,047	4,785	2,190
	556,923	529,924	46,351	44,246

No analysis by principal activities has been prepared as the sales of footwear through retailing, wholesaling and manufacturing of footwear is the only principal activities of the Group.

3 OPERATING PROFIT

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting and charging the following:		
Crediting		
Gain on disposal of property, plant and equipment	<u>563</u>	<u>80</u>
Charging		
Depreciation of owned property, plant and equipment	13,380	9,543
Staff costs	87,380	76,188
Cost of inventories sold	231,331	230,624
Operating lease rentals in respect of land and buildings	121,260	112,219
Auditors' remuneration	745	644
Loss on disposal of property, plant and equipment	–	618
Amortisation of goodwill	1,156	1,156
Net exchange loss	99	480
Retirement benefit costs	<u>846</u>	<u>–</u>

4 FINANCE COSTS

	<u>2001</u>	<u>2000</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	<u>842</u>	<u>906</u>

5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 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 associated company operate.

5 TAXATION (continued)

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

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	5,005	5,268
Overseas taxation	–	4
Over provision in prior year	(490)	(543)
Deferred taxation (<i>note 21</i>)	(332)	–
	4,183	4,729
Share of taxation attributable to an associated company	868	414
	<u>5,051</u>	<u>5,143</u>

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in profit attributable to shareholders is a profit of HK\$14,804,000 (2000: HK\$18,723,000) including dividend income from a subsidiary of approximately HK\$15,272,000 (2000: HK\$19,157,784), which is dealt with in the accounts of the Company.

7 DIVIDENDS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim, paid, of HK2.8 cents (2000: HK2.8 cents) per ordinary share	7,127	6,683
Final, proposed, of HK3.2 cents (2000: HK5.0 cents) per ordinary share	8,145	12,748
	<u>15,272</u>	<u>19,431</u>

8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$49,760,000 (2000: HK\$42,018,000) and the weighted average of 252,966,153 (2000: 239,341,365) ordinary shares in issue during the year.

There is no diluted earnings per share since the company has no dilutive ordinary share for the year (2000: HK16.9 cents).

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:

	2001	2000
	HK\$'000	HK\$'000
Fees	150	150
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	2,926	2,786
Discretionary bonuses	3,147	2,680
	6,223	5,616

Directors' fees disclosed above include HK\$100,000 (2000: HK\$100,000) payable to the independent non-executive directors.

In addition to the above, during the year, 12,000,000 shares were issued pursuant to the exercise by certain directors of options granted under the option scheme. The exercise and closing market price per share at the date of exercise were HK\$0.3 and HK\$0.78 respectively.

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	
<i>HK\$</i>	2001	2000
Nil – 1,000,000	4*	4*
2,000,001 – 2,500,000	–	2
2,500,001 – 3,000,000	2	–
	<u>2</u>	<u>–</u>

* Included two independent non-executive directors

No director waived the emoluments in respect of the years ended 28 February 2001 and 29 February 2000.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2000: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2000: three) individuals during the year are as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances,		
other allowances and benefits in kind	1,413	2,393
Discretionary bonuses	3,911	759
	<u>5,324</u>	<u>3,152</u>

9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**(b) Five highest paid individuals (continued)**

In addition to the above, during the year, 6,000,000 shares were issued pursuant to the exercise by senior management of options granted under the option scheme. The exercise and closing market price per share at the date of exercise were HK\$0.3 and HK\$0.78 respectively.

The emoluments fell within the following bands:

Emolument bands <i>HK\$</i>	Number of individuals	
	2001	2000
Nil – 1,000,000	–	1
1,000,001 – 1,500,000	–	2
1,500,001 – 2,000,000	3	–

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10 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Investment properties	Leasehold land and buildings	Leasehold improvements	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/valuation:							
At 1 March 2000	–	17,443	30,898	14,310	1,499	1,301	65,451
Additions	11,200	5,460	13,313	2,649	1,414	46	34,082
Disposals	–	(3,363)	(5,262)	(354)	–	–	(8,979)
At 28 February 2001	11,200	19,540	38,949	16,605	2,913	1,347	90,554
Accumulated depreciation:							
At 1 March 2000	–	1,110	17,325	10,549	1,410	662	31,056
Charge for the year	–	706	10,714	1,430	268	262	13,380
Disposals	–	(849)	(4,654)	(213)	–	–	(5,716)
At 28 February 2001	–	967	23,385	11,766	1,678	924	38,720
Net book value							
At 28 February 2001	11,200	18,573	15,564	4,839	1,235	423	51,834
At 29 February 2000	–	16,333	13,573	3,761	89	639	34,395
The analysis of the cost or valuation at 28 February 2001 of the above assets is as follows:							
At cost	–	19,540	38,949	16,605	2,913	1,347	79,354
At valuation	11,200	–	–	–	–	–	11,200
	11,200	19,540	38,949	16,605	2,913	1,347	90,554

The Group's interests in investment properties and leasehold land and buildings are situated in Hong Kong and held under medium leases.

10 PROPERTY, PLANT AND EQUIPMENT (continued)

Investment properties, situated at 2/F and 3/F, Excelsior Building, 68 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, are revalued at 28 February 2001 on an open market value basis by DTZ Debenham Tie Leung Limited, an independent Chartered Surveyors. The investment properties are currently used for industrial purposes.

At 28 February 2001, the net book values of fixed assets pledged as security for the Group's bank loans amounted to HK\$28,159,000 (2000: HK\$16,333,000).

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Investments at cost:		
Unlisted shares	69,254	69,254
Amounts due from subsidiaries	90,454	86,156
	159,708	155,410

Details of the Company's principal subsidiaries at 28 February 2001 are set out on pages 51 and 52.

12 INVESTMENT IN AN ASSOCIATED COMPANY

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	20,769	14,884
Goodwill on acquisition of an associated company	17,335	17,335
Less: Amortisation of goodwill	(2,312)	(1,156)
	35,792	31,063
Investment at cost:		
Unlisted shares	28,800	28,800

12 INVESTMENT IN AN ASSOCIATED COMPANY (continued)

Details of the Group's associated company at 28 February 2001 are set out on page 52.

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

13 INVESTMENT SECURITIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Listed securities in Hong Kong, at cost	76	–
Market value of listed securities	115	–

14 INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	638	846
Work in progress	55	62
Finished goods	89,692	57,632
	90,385	58,540

At 28 February 2001, the carrying amount of inventories that are carried at net realisable value amounted to HK\$825,000 (2000: HK\$3,456,000).

15 ACCOUNTS RECEIVABLE

At 28 February 2001, the ageing analysis of the accounts receivable is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	12,659	13,913
31 – 60 days	1,822	1,043
61 – 90 days	176	1,619
Over 90 days	1,578	45
	16,235	16,620

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

16 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables, deposits and prepayments are deposits of HK\$30,000,000 made by the Group to an independent third party for the acquisition of certain properties in Mainland China at a total consideration of approximately HK\$53,720,000. Details of the acquisition have been disclosed in a circular issued by the Group dated 16 January 2001.

17 ACCOUNTS PAYABLE

At 28 February 2001, the ageing analysis of the accounts payable is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
0 – 30 days	44,834	22,986
31 – 60 days	465	491
61 – 90 days	364	256
Over 90 days	158	55
	45,821	23,788

18 SHARE CAPITAL

	Ordinary shares of HK\$0.1 each	
	No. of shares	HK\$'000
Authorised:		
At 29 February 2000 and 28 February 2001	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 March 1999	240,000,000	24,000
Exercise of options	330,000	33
Repurchase of shares	<u>(3,174,000)</u>	<u>(317)</u>
At 29 February 2000	<u>237,156,000</u>	<u>23,716</u>
At 1 March 2000	237,156,000	23,716
Exercise of options	18,000,000	1,800
Repurchase of shares	<u>(626,000)</u>	<u>(63)</u>
At 28 February 2001	<u>254,530,000</u>	<u>25,453</u>

During the year, the Company repurchased a total of 626,000 of its own shares of HK\$0.1 each listed on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$457,300 before expenses. All of the shares were cancelled subsequent to the repurchase.

18 SHARE CAPITAL (continued)

Pursuant to a share option scheme approved by the shareholders of the Company on 19 November 1996, the directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the year, 18,000,000 number of options were exercised at a subscription price of HK\$0.3 per share which resulted in the issue of 18,000,000 ordinary shares with an aggregate proceeds of HK\$5,400,000. At 28 February 2001, there was no outstanding share option.

<u>Date of grant</u>	<u>Exercise price</u>	<u>Options granted</u>	<u>Options exercised</u>	Outstanding options as at 28 February 2001
	<i>HK\$</i>			
22 January 1998	0.3	12,000,000	(12,000,000)	—
5 February 1998	0.3	6,000,000	(6,000,000)	—
		<u>18,000,000</u>	<u>(18,000,000)</u>	<u>—</u>

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19 RESERVES

(a) Group

	Share premium	Capital redemption reserve	Capital reserve	Exchange difference	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 March 1999	109,298	–	–	47	34,933	144,278
Repurchase of shares, net of expenses	(1,917)	–	–	–	–	(1,917)
Transfer to capital redemption reserve	–	317	–	–	(317)	–
Premium on issue of shares upon the exercise of options	66	–	–	–	–	66
Purchase of shares in an existing subsidiary	–	–	91	–	–	91
Profit for the year	–	–	–	–	42,018	42,018
Dividends	–	–	–	–	(19,431)	(19,431)
At 29 February 2000	107,447	317	91	47	57,203	165,105
Company and subsidiaries	107,447	317	91	47	53,784	161,686
Associated company	–	–	–	–	3,419	3,419
At 29 February 2000	107,447	317	91	47	57,203	165,105
At 1 March 2000	107,447	317	91	47	57,203	165,105
Repurchase of shares, net of expenses	(397)	–	–	–	–	(397)
Transfer to capital redemption reserve	–	63	–	–	(63)	–
Premium on issue of shares upon the exercise of options	3,600	–	–	–	–	3,600
Exchange difference	–	–	–	28	–	28
Profit for the year	–	–	–	–	49,760	49,760
Dividends	–	–	–	–	(15,272)	(15,272)
At 28 February 2001	110,650	380	91	75	91,628	202,824
Company and subsidiaries	110,650	380	91	75	83,194	194,390
Associated company	–	–	–	–	8,434	8,434
At 28 February 2001	110,650	380	91	75	91,628	202,824

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19 RESERVES (continued)

(b) Company

	Share premium	Capital redemption reserve	Retained earnings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March 1999	109,298	–	24,647	133,945
Repurchase of shares, net of expenses	(1,917)	–	–	(1,917)
Transfer to capital redemption reserve	–	317	(317)	–
Premium on issue of shares upon the exercise of options	66	–	–	66
Profit for the year	–	–	18,723	18,723
Dividends	–	–	(19,431)	(19,431)
At 29 February 2000	<u>107,447</u>	<u>317</u>	<u>23,622</u>	<u>131,386</u>
At 1 March 2000	107,447	317	23,622	131,386
Repurchase of shares, net of expenses	(397)	–	–	(397)
Transfer to capital redemption reserve	–	63	(63)	–
Premium on issue of shares upon the exercise of options	3,600	–	–	3,600
Profit for the year	–	–	14,804	14,804
Dividends	–	–	(15,272)	(15,272)
At 28 February 2001	<u>110,650</u>	<u>380</u>	<u>23,091</u>	<u>134,121</u>

20 LONG-TERM LIABILITIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans – secured	21,962	10,048
Current portion of long-term liabilities	(11,322)	(3,704)
	10,640	6,344

As at 28 February 2001, the Group's bank loans were repayable as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	11,322	3,704
In the second year	3,140	3,751
In the third to fifth year	7,500	2,593
Wholly repayable within five years	21,962	10,048

21 DEFERRED TAXATION

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March	332	332
Transfer to profit and loss account (<i>note 5</i>)	(332)	–
At 28/29 February	–	332

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

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22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	46,351	44,246
Depreciation	13,380	9,543
Amortisation of goodwill	1,156	1,156
(Gain)/loss on disposal of fixed assets	(217)	618
Gain on disposal of leasehold land and buildings	(346)	(80)
(Increase)/Decrease in inventories	(31,845)	22,717
(Increase)/Decrease in accounts receivable, other receivables, deposits and prepayments	(10,809)	6,583
Increase in accounts payable and accrued charges	27,726	5,339
Interest income	(4,265)	(4,095)
Net cash inflow from operating activities	<u>41,131</u>	<u>86,027</u>

(b) Analysis of changes in financing during the year

	Share capital including premium		Bank loans		Minority interests	
	2001	2000	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 March	131,163	133,298	10,048	6,374	–	82
Issue of shares upon the exercise of options	5,400	99	–	–	–	–
Repurchase of shares, net of expenses	(460)	(2,234)	–	–	–	–
Bank loans raised	–	–	17,042	9,840	–	–
Repayment of bank loans	–	–	(5,128)	(6,166)	–	–
Purchase of shares in an existing subsidiary	–	–	–	–	–	(82)
At 28/29 February	<u>136,103</u>	<u>131,163</u>	<u>21,962</u>	<u>10,048</u>	<u>–</u>	<u>–</u>

23 CONTINGENT LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for general banking facilities of subsidiaries	—	—	105,800	85,140
Guarantees for general banking facilities of subsidiaries of an associated company	11,100	—	11,100	—
	<u>11,100</u>	<u>—</u>	<u>116,900</u>	<u>85,140</u>

As at 28 February 2001, HK\$35,724,000 (2000: HK\$8,200,000) of the above banking facilities were utilised.

24 COMMITMENTS

(a) Capital commitments

As at 28 February 2001, the Group had capital commitment contracted but not provided for in respect of purchase of properties and equipment amounting to HK\$23,908,000 (2000: HK\$436,000).

24 COMMITMENTS (continued)

(b) Commitments under operating leases

At 28 February 2001, the Group had commitments to make payments in the next twelve months under operating leases in respect of land and buildings which expire as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	28,192	12,901
In the second to fifth year inclusive	96,650	84,518
	124,842	97,419

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.

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	
	<i>Notes</i>	2001	2000
		HK\$'000	HK\$'000
Purchases from related companies	(i)	2,050	1,909
Royalty income received from a related company	(ii)	2,463	413

- (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 a sole licence to BIL for a period of 2 years commencing 1 October 1999.

25 RELATED PARTY TRANSACTIONS (continued)

- (b) As mentioned in note 23 to the accounts, as at 28 February 2001, 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\$11,100,000 (2000: Nil). This represents the Group's pro-rated share of the guarantees granted in accordance with its interest in the associated company.

26 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 11 June 2001.