1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

The principal activity of the Company is investment holding. During the year, the Group was involved in the manufacture and trading of footwear as well as the trading and distribution of sportswear and sports shoes.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 36, 37, 40, HKFRS 3, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements. The impact of adopting other HKFRSs is summarised as follows:

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 March 2005 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land to prepaid land lease payments.

The effect of the above changes is summarised in note 2.4 to the financial statements.

(b) HKAS 32 and HKAS 39 – Financial Instruments

Equity securities

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at cost less impairment. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$970,000 were designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly, are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

The effect of the above changes is summarised in note 2.4 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(c) HKAS 38 – Intangible Assets

In prior years, the Group's investments in club memberships were stated at cost less impairment. Upon the adoption of HKAS 38, investments in club memberships with finite lives are stated at cost less any impairment losses and are amortised over the useful economic life, whereas, investments in club memberships with indefinite useful lives are stated at cost less any impairment and are not amortised.

In accordance with HKAS 38, this change in accounting policy shall apply prospectively and the effect of the above changes is summarised in note 2.4 to the financial statements.

(d) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium account were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the Group did not have any employee share options which were granted during the period from 7 November 2002 to 31 December 2004 but had not yet vested as at 1 April 2005, the adoption of HKFRS 2 has had no impact on the retained profits as at 31 March 2004 and at 31 March 2005.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for accounting period beginning on 1 April 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRS 7	Financial Instruments: Disclosures

The HKAS 1 Amendment shall be applied for accounting period beginning on 1 April 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for accounting period beginning on 1 April 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The adoption of the amendments to HKAS 39 regarding financial guarantee contracts is expected to result in the recognition of a financial liability in the Company's balance sheet in respect of corporate guarantees given by the Company in connection with banking facilities granted to its subsidiaries in the year of initial application.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

At 1 April 2005	Effect of adopting		
Effect of new policies (Increase/(decrease))	HKAS 17# Prepaid land lease payments *HK$'000*	HKAS 39* Change in classification of equity investments *HK$'000*	Total *HK$'000*
Assets			
Property, plant and equipment	(84,676)	–	(84,676)
Prepaid land lease payments	82,752	–	82,752
Available-for-sale equity investments	–	970	970
Long term investments	–	(970)	(970)
Prepayments, deposits and other receivables	1,924	–	1,924
			–

* Adjustments taken effect prospectively from 1 April 2005.

\# Adjustments/presentation taken effect retrospectively.

At 31 March 2006	Effect of adopting		
Effect of new policies (Increase/(decrease))	HKAS 17 Prepaid land lease payments ***HK$'000***	HKAS 39 Change in classification of equity investments ***HK$'000***	Total ***HK$'000***
Assets			
Property, plant and equipment	**(77,988)**	**–**	**(77,988)**
Prepaid land lease payments	**76,064**	**–**	**76,064**
Available-for-sale equity investments	**–**	**1,369**	**1,369**
Long term investments	**–**	**(970)**	**(970)**
Prepayments, deposits and other receivables	**1,924**	**–**	**1,924**
			399
Liabilities and equity			
Available-for-sale investments revaluation reserve	**–**	**399**	**399**

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) There is no effect on the balances of equity on 1 April 2004 and 1 April 2005.

(c) Effect on the consolidated income statement

Effect of new policy	Effect of adopting HKAS 38 Amortisation of a club membership *HK$'000*
Year ended 31 March 2006	
Increase in amortisation of a club membership	**15**
Total decrease in profit	**(15)**

There is no significant impact on the basic and diluted earnings per share of the Group as a result of the above adoption.

There is no effect on the consolidated income statement for the year ended 31 March 2005.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets, and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery, furniture, equipment, leasehold improvements and motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs incurred during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investments in club memberships

The useful lives of club memberships are assessed to be either finite or indefinite. Club memberships with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the club memberships may be impaired. The amortisation period and the amortisation method for club membership with a finite useful life are reviewed at least at each balance sheet date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in club memberships *(continued)*

Club memberships with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level and are not amortised. The useful life of club memberships with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Investments and other financial assets

Applicable to the year ended 31 March 2005:

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis. Long term investments are stated at cost less any provision for impairment losses.

When impairments in values have occurred, the carrying value amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the income statement in the year in which they arise.

Applicable to the year ended 31 March 2006:

Financial assets in the Scope of HKAS 39 are classified as either loans and receivables or available-for-sale financial assets as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Applicable to the year ended 31 March 2006: *(continued)*

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (applicable to the year ended 31 March 2006) *(continued)*

Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset of part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement,; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and reward of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authorities.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholder's right to receive payment has been established.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

NOTES TO FINANCIAL STATEMENTS

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheets, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for obsolete inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of accounts and bills receivables. Allowances are applied to accounts and bills receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and doubtful debt expenses/write-back in the period in which such estimate has been changed.

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4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the rugged footwear segment represents the manufacture and trading of rugged footwear;

(b) the casual footwear segment represents the manufacture and trading of casual footwear;

(c) the baby and children's footwear segment represents the manufacture and trading of baby and children's footwear; and

(d) the sportswear and sports shoes segment represents the trading and distribution of sportswear and sports shoes.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The Group's geographical segments include the United States of America, Europe and others. Europe mainly includes the United Kingdom and the Netherlands.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Sportswear and sports shoes		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**197,466**	348,469	**394,268**	401,689	**682,629**	674,798	**4,125**	7,432	**1,278,488**	1,432,388
Segment results	**13,592**	31,281	**25,612**	29,748	**34,382**	43,948	**(6,434)**	(8,945)	**67,152**	96,032
Unallocated income									**11,176**	7,266
Unallocated expenses									**(7,379)**	(10,367)
Finance costs									**(589)**	(135)
Profit before tax									**70,360**	92,796
Tax									**(10,225)**	(4,896)
Profit for the year									**60,135**	87,900

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4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Sportswear and sports shoes		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**126,694**	136,764	**205,610**	202,363	**197,903**	195,421	**1,402**	7,929	**531,609**	542,477
Unallocated assets									**415,678**	377,943
Total assets									**947,287**	920,420
Unallocated liabilities									**261,154**	239,137

Group

	Rugged footwear		Casual footwear		Baby and children's footwear		Sportswear and sports shoes		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Other segment information:										
Depreciation:										
Segment	**8,249**	7,900	**14,697**	13,397	**15,366**	13,689	**148**	289	**38,460**	35,275
Unallocated									**1,760**	1,821
									40,220	37,096
Amortisation of prepaid land lease payments:										
Segment	**206**	206	**651**	641	**559**	549	**–**	–	**1,416**	1,396
Unallocated									**508**	198
									1,924	1,594
Capital expenditure:										
Segment	**1,176**	4,172	**11,757**	28,935	**12,101**	22,578	**–**	–	**25,034**	55,685
Unallocated									**226**	89
									25,260	55,774

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

Group

	United States of America		**Europe**		**Others**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**780,640**	826,909	**423,131**	472,926	**74,717**	132,553	**1,278,488**	1,432,388
Other segment information:								
Segment assets	**55,061**	41,136	**32,007**	27,050	**617,285**	643,337	**704,353**	711,523
Unallocated assets							**242,934**	208,897
Total assets							**947,287**	920,420
Capital expenditure	**–**	–	**–**	–	**25,260**	55,774	**25,260**	55,774

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and after eliminations of intra-Group transactions.

An analysis of revenue, other income and gains is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**1,278,488**	1,432,388

	Group	
	2006	2005
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**6,059**	2,049
Interest income for accounts receivable	**1,831**	1,336
Gains on disposal of items of property, plant and equipment and prepaid land lease payments	**1,471**	–
Fair value gain on revaluation of investment properties	**278**	–
Gross rental income	**123**	–
Others	**2,145**	3,881
	11,907	7,266

6. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**589**	135

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**859,010**	926,635
Depreciation	**40,220**	37,096
Amortisation of prepaid land lease payments	**1,924**	1,594
Allowance for doubtful debts	**692**	800
Provision/(write-back of provision) against inventories	**(3,928)**	2,526
Minimum lease payments under operating leases for land and buildings	**1,516**	2,071
Auditors' remuneration	**1,114**	1,150
Loss/(gain) on disposal of items of property, plant and equipment and prepaid land lease payments	**(1,471)**	871
Employee benefits expense (excluding directors' remuneration *(note 8)*)		
Wages and salaries	**199,810**	225,697
Pension scheme contributions	**91**	160
	199,901	225,857
Amortisation of a club membership	**15**	–
Reversal of impairment of long term investments	**–**	(318)
Fair value gain on revaluation of investment properties	**(278)**	–
Bank interest income	**(6,059)**	(2,049)
Interest income for accounts receivable	**(1,831)**	(1,336)
Foreign exchange differences, net	**(749)**	582
Gross rental income	**(123)**	–

Cost of sales includes HK$192,580,000 (2005: HK$208,360,000) relating to direct staff costs and depreciation of manufacturing facilities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Fees		
– Independent non-executive directors	**480**	320
– Non-executive director	**120**	85
	600	405
Other emoluments:		
Salaries, allowances and benefits in kind	**5,662**	5,657
Bonuses	**639**	647
Pension scheme contributions	**12**	12
	6,313	6,316
	6,913	6,721

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2006	2005
	HK$'000	*HK$'000*
Mr. Tam King-ching, Kenny	**180**	180
Mr. Chan Mo-po, Paul	**150**	70
Ms. Choy Hok-man, Constance	**150**	70
	480	320

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Executive directors:					
Mr. Chen Ming-hsiung, Mickey	**–**	**2,520**	**210**	**–**	**2,730**
Mdm. Hung Hsiu-duan, Helen	**–**	**900**	**75**	**–**	**975**
Mr. Lee Kung, Bobby	**–**	**566**	**214**	**–**	**780**
Mr. Chan Ho-man, Daniel	**–**	**600**	**50**	**12**	**662**
Mr. Kimmel, Phillip Brian	**–**	**1,076**	**90**	**–**	**1,166**
	–	**5,662**	**639**	**12**	**6,313**
Non-executive director:					
Mr. Chow Wing-kin, Anthony	**120**	**–**	**–**	**–**	**120**
	120	**5,662**	**639**	**12**	**6,433**
2005					
Executive directors:					
Mr. Chen Ming-hsiung, Mickey	–	2,520	210	–	2,730
Mdm. Hung Hsiu-duan, Helen	–	900	75	–	975
Mr. Lee Kung, Bobby	–	561	222	–	783
Mr. Chan Ho-man, Daniel	–	600	50	12	662
Mr. Kimmel, Phillip Brian	–	1,076	90	–	1,166
	–	5,657	647	12	6,316
Non-executive director:					
Mr. Chow Wing-kin, Anthony	85	–	–	–	85
	85	5,657	647	12	6,401

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2005: five) directors, details of whose remuneration are set out in note 8 above.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 **HK$'000**	2005 *HK$'000*
Group:		
Current – Hong Kong	**684**	512
Current – Elsewhere		
Charge for the year	**10,879**	8,793
Overprovision in prior years	**(1,338)**	(4,409)
Total tax charge for the year	**10,225**	4,896

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group

	2006 **HK$'000**	2005 *HK$'000*
Profit before tax	**70,360**	92,796
Tax at the applicable tax rate	**11,748**	6,290
Lower tax rate for specific provinces or local authorities	**1,140**	7,966
Adjustments in respect of current tax of prior years	**(1,338)**	(4,409)
Tax losses utilised from prior years	**(105)**	(136)
Income not subject to tax	**(15,177)**	(15,253)
Expenses not deductible for tax	**13,957**	10,438
Tax charge at the Group's effective rate	**10,225**	4,896

The applicable tax rate is calculated based on the Hong Kong profits tax rate of 17.5% (2005: 17.5%), the Vietnam Corporate Tax rate of 10.0% (2005: 10.0%), the Taiwan Corporate Tax rate of 25.0% (2005: 25.0%), the preferential tax rates in Mainland China ranging from 10% to 24% (2005: 15.0%) and tax holidays granted to a subsidiary of the Group in Mainland China.

In general, the Group's subsidiaries in Mainland China are subject to the People's Republic of China's corporate income tax at rate of 33%, except for certain subsidiaries which are entitled to tax holidays and preferential tax rates.

The Group has estimated deferred tax assets of approximately HK$6,803,000 (2005: HK$7,255,000) calculated on tax losses arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

11. PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit from ordinary activities attributable to equity holders of the Company for the year ended 31 March 2006 dealt with in the financial statements of the Company, was HK$76,327,000 (2005: HK$74,598,000) (note 26b)).

12. DIVIDENDS

	2006 ***HK$'000***	2005 *HK$'000*
Interim – HK3.5 cents (2005: HK3.5 cents) per ordinary share	**22,927**	22,919
Proposed final and special – HK4.5 cents (2005: HK7.0 cents) and HK2.5 cents (2005: Nil), respectively, per ordinary share	**45,853**	45,838
	68,780	68,757

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the year of HK$60,135,000 (2005: HK$87,900,000) and the weighted average of 654,931,498 (2005: 654,825,625) ordinary shares in issue during the year.

No disclosure for diluted earnings per share for the years ended 31 March 2006 and 2005 is shown as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during the year and thus the share options had no diluting effect during these years.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

31 March 2006	**Buildings** *HK$'000*	**Construction in progress** *HK$'000*	**Machinery, furniture, equipment, leasehold improvements and motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:				
At beginning of year	315,517	14,162	238,834	568,513
Additions	417	13,936	10,317	24,670
Disposals	(5,034)	–	(6,956)	(11,990)
Transfers	16,671	(26,935)	10,264	–
Transfer to investment properties *(note 16)*	(1,715)	–	–	(1,715)
Exchange realignment	8,868	370	6,839	16,077
At 31 March 2006	**334,724**	**1,533**	**259,298**	**595,555**
Accumulated depreciation:				
At beginning of year	67,245	–	122,475	189,720
Provided during the year	15,240	–	24,980	40,220
Disposals	(2,074)	–	(4,860)	(6,934)
Transfer to investment properties *(note 16)*	(578)	–	–	(578)
Exchange realignment	1,882	–	3,529	5,411
At 31 March 2006	**81,715**	**–**	**146,124**	**227,839**
Net book value:				
At 31 March 2006	**253,009**	**1,533**	**113,174**	**367,716**
At 31 March 2005	248,272	14,162	116,359	378,793

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

31 March 2005	**Buildings** *HK$'000*	**Construction in progress** *HK$'000*	**Machinery, furniture, equipment, leasehold improvements and motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost:				
At beginning of year (as restated)	297,761	3,870	213,574	515,205
Additions	5,751	23,765	26,258	55,774
Disposals	(1,468)	–	(1,428)	(2,896)
Transfers	13,473	(13,473)	–	–
Exchange realignment	–	–	430	430
At 31 March 2005	315,517	14,162	238,834	568,513
Accumulated depreciation:				
At beginning of year (as restated)	53,292	–	100,699	153,991
Provided during the year (as restated)	14,439	–	22,657	37,096
Disposals	(486)	–	(1,137)	(1,623)
Exchange realignment	–	–	256	256
At 31 March 2005	67,245	–	122,475	189,720
Net book value:				
At 31 March 2005	248,272	14,162	116,359	378,793
At 31 March 2004	244,469	3,870	112,875	361,214

The Group's buildings included above are held under the following lease terms:

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Buildings held in Hong Kong under medium term leases	**20,498**	20,498
Buildings held outside Hong Kong under medium term leases	**314,226**	295,019
	334,724	315,517

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14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 March 2006, the Group had not yet obtained the title certificates for certain of its buildings situated in Zhong Shan, Guangdong Province of Mainland China with an aggregate net book value of approximately HK$84,850,000. In the opinion of the Company's directors after obtaining legal advice that the Group has properly obtained the land use right certificates in respect of the land on which the buildings were located, there is no legal barrier or otherwise for the Group to obtain the relevant title certificates for the buildings from the relevant Mainland China authority.

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at 1 April		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(note 2.2(a))*	**84,676**	86,270
As restated	**84,676**	86,270
Additions	**590**	–
Disposals	**(4,991)**	–
Transfer to investment properties *(note 16)*	**(1,558)**	–
Amortised during the year	**(1,924)**	(1,594)
Exchange realignment	**1,195**	–
Carrying amount at 31 March	**77,988**	84,676
Current portion included in prepayments, deposits and other receivables	**(1,924)**	(1,924)
Non-current portion	**76,064**	82,752

The Group's prepaid land lease payments are held under the following lease terms:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Held in Hong Kong under medium term leases	**17,791**	18,240
Held outside Hong Kong under medium term leases	**60,197**	66,436
	77,988	84,676

16. INVESTMENT PROPERTIES

	Group 2006 HK$'000	Group 2005 HK$'000 (Restated)
Carrying amount at 1 April	**–**	–
Transfer from owner-occupied properties and prepaid land lease payments *(notes 14, 15)*	**2,695**	–
Fair value gain on revaluation	**278**	–
Carrying amount at 31 March	**2,973**	–

The Group's investment properties are situated outside Hong Kong and are held under medium term leases.

The Group's investment properties were revalued on 31 March 2006 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuers, at HK$2,973,000 on an open market, existing use basis. The investment properties are leased to a third party under operating leases, further summary details of which are included in note 28(a) to the financial statements.

17. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares, at cost	**67,190**	67,190
Due from subsidiaries	**722,023**	646,651
Due to subsidiaries	**(505,932)**	(436,471)
	283,281	277,370

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

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17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
MJ Haig Industries Limited*	British Virgin Islands/Taiwan	Ordinary US$10,000	100	Sourcing of raw materials for footwear
Ready Luck Limited	British Virgin Islands	Ordinary US$5,000	100	Investment holding
Indirectly held				
Discovery Star Development Limited	Hong Kong	Ordinary HK$2	100	Property holding
King Maker International (Import and Export) Limited	Macau	Registered MOP100,000	100	Property holding
Kingmaker (Vietnam) Footwear Co., Ltd.	Vietnam	US$15,000,000	100	Subcontracting of footwear
Lightening Star Corporation	British Virgin Islands	Ordinary US$1,000	100	Investment holding
Lightening Star (H.K.) Limited	Hong Kong	Ordinary HK$2	100	Footwear and sportswear trading
Lightening Star Limited	People's Republic of China/ Mainland China	RMB500,000 *(Note (a))*	100	Footwear and sportswear trading
Maystar Footwear Company Limited ("Maystar")	People's Republic of China/ Mainland China	US$35,228,282 *(Note (b))*	100	Footwear manufacturing
Miri Footwear International Inc.	British Virgin Islands/Taiwan	Ordinary US$1	100	Sourcing of raw materials for footwear and footwear trading

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows *(continued)*:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(continued)*				
Miri International Limited	Hong Kong	Ordinary HK$2	100	Provision of administrative services
Profit Success Investment Limited	Hong Kong	Ordinary HK$1,000	100	Investment holding
Kingmaker Footwear (Zhong Shan) Co., Ltd. ("Kingmaker Zhong Shan")	People's Republic of China/ Mainland China	US$22,014,916 *(Note (c))*	100	Footwear manufacturing
Sanford Resources Limited	British Virgin Islands/ Vietnam	Ordinary US$1	100	Trading of footwear products
Transcommerce International Inc.	British Virgin Islands/Taiwan	Ordinary US$1	100	Sourcing and trading of raw materials for footwear

(a) Lightening Star Limited is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Lightening Star Limited amounted to RMB500,000 at 31 March 2006, which has been fully paid up in prior years.

(b) Maystar is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Maystar amounted to US$43,000,000 at 31 March 2006. The remaining unpaid capital contribution of approximately US$7,772,000 (equivalent to HK$60,622,000) is required to be paid up prior to 11 October 2008 (note 29(ii)).

(c) Kingmaker Zhong Shan is registered as a wholly-foreign-owned enterprise under the law of the People's Republic of China. The registered capital of Kingmaker Zhong Shan amounted to US$24,000,000 at 31 March 2006. The remaining unpaid capital contribution of approximately US$1,985,000 (equivalent to HK$15,483,000) is required to be paid up prior to 22 May 2007 (note 29(ii)).

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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18. AVAILABLE-FOR-SALE EQUITY INVESTMENTS/LONG TERM INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong listed investments, at fair value (2005: at cost)	**1,369**	1,621
Provision for impairment	**–**	(651)
	1,369	970

During the year, the fair value gain of the Group's available-for-sale equity investments recognised directly in equity amounted to approximately HK$399,000 (2005: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets upon the adoption of HKAS 39 (note 2.4(a)) on 1 April 2005.

The fair values of listed equity investments are based on quoted market prices.

19. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**102,897**	120,459
Work in progress	**24,904**	30,255
Finished goods	**26,283**	42,995
	154,084	193,709

20. ACCOUNTS AND BILLS RECEIVABLE

The Group's accounts and bills receivable mainly related to a few recognised and creditworthy customers. Payment terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the terms are extended to 180 days. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the Group's senior management. Accounts receivable are non-interest-bearing, except for a balance due from a customer of approximately HK$42,618,000 (2005: HK$17,537,000) which bears interest at a rate of 0.5% for a fixed period of 60 days.

An aged analysis of the accounts and bills receivable as at the balance sheet date, based on the date of goods delivered, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 90 days	**90,307**	68,509
Between 91 and 180 days	**2**	1,722
Between 181 and 365 days	**883**	1,833
Over 365 days	**–**	258
	91,192	72,322

The carrying amounts of the accounts and bills receivable approximate their fair values.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**50,797**	54,005	**39**	28
Time deposits	**189,723**	130,656	**–**	–
	240,520	184,661	**39**	28

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$3,444,890 (2005: HK$6,825,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of cash and cash equivalents approximate their fair values.

22. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable as at the balance sheet date, based on the date of goods received, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within 90 days	**76,250**	81,231
Between 91 and 180 days	**6,101**	782
Between 181 and 365 days	**152**	400
Over 365 days	**513**	471
	83,016	82,884

The accounts payable are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the accounts and bills payable approximate their fair values.

23. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	Group	
	(%)		**2006**	2005
			HK$'000	*HK$'000*
Trust receipt loans, unsecured	6.12	April 2006	**140**	1,691
Bank loans, unsecured	4.93	May 2006	**20,000**	–
			20,140	1,691

Notes:

(a) At 31 March 2006, the Group had available banking facilities amounting to HK$291,400,000 (2005: HK$194,800,000) of which approximately HK$21,680,000 (2005: HK$1,691,000) was utilised. The banking facilities were supported by corporate guarantees executed by the Company and certain of its subsidiaries.

(b) The bank loans are all denominated in Hong Kong dollars.

The carrying amounts of the Group's borrowings approximate to their fair values.

24. SHARE CAPITAL

Shares

	Number of ordinary shares of HK$0.10 each		HK$'000	
	2006	2005	**2006**	2005
Authorised:				
Balance at beginning and end of year	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Issued and fully paid:				
Balance at beginning of year	**654,825,625**	654,825,625	**65,483**	65,483
Issued as 2005 final scrip dividends	**220,820**	–	**22**	–
Balance at end of year	**655,046,445**	654,825,625	**65,505**	65,483

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 25 to the financial statements.

25. SHARE OPTION SCHEMES

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 August 2002, a new share option scheme of the Company (the "New Scheme") was adopted by the Company. The New Scheme replaced the share option scheme adopted on 3 September 1994 (the "Old Scheme"). After the adoption of the New Scheme, no further options can be granted under the Old Scheme. The options granted under the Old Scheme will remain in force and effect. The New Scheme became effective on 28 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the New Scheme included the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group, and any shareholder of the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme may not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

25. SHARE OPTION SCHEMES *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their associates in excess of 0.1% of the shares of the Company in issue on that date or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The period within which the options must be exercised will be determined by the board of directors of the Company at its absolute discretion. This period will expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 21 days from the date of the offer, and the amount payable on acceptance of an offer is HK$1.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share of the Company on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

25. SHARE OPTION SCHEMES *(continued)*

The following share options were outstanding under the New Scheme during the year:

Name or category of participants	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares*** At grant date of options
	At 1 April 2005	Granted during the year	Forfeited during the year	At 31 March 2006			*HK$*	*HK$*
Directors								
Mr. Chen Ming-hsiung, Mickey	550,000	–	–	550,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
Mdm. Huang Hsiu-duan, Helen	100,000	–	–	100,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
Mr. Lee Kung, Bobby	400,000	–	–	400,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
Mr. Chan Ho-man, Daniel	500,000	–	–	500,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
Mr. Kimmel, Phillip Brian	500,000	–	–	500,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	2,050,000	–	–	2,050,000				
Other employees In aggregate	7,900,000	–	–	7,900,000	14 January 2004	1 January 2005 to 27 August 2012	3.225	3.2
	7,200,000	–	–	7,200,000	14 January 2004	14 January 2004 to 27 August 2012	3.225	3.2
	15,100,000	–	–	15,100,000				
	17,150,000	–	–	17,150,000				

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

25. SHARE OPTION SCHEMES *(continued)*

At the balance sheet date, the Company had 17,150,000 share options with an exercise price of HK$3.225 per share, outstanding under the New Scheme, which represented approximately 2.62% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 17,150,000 additional ordinary shares of the Company and additional issued share capital of HK$1,715,000 and share premium of approximately HK$53,593,750 (before issue expenses).

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share premium account	Capital redemption reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	71,132	53	66,982	15,761	153,928
Profit for the year *(note 11)*	–	–	–	74,598	74,598
Interim 2005 dividend *(note 12)*	–	–	–	(22,919)	(22,919)
Proposed final 2005 dividend *(note 12)*	–	–	–	(45,838)	(45,838)
At 31 March 2005 and 1 April 2005	71,132	53	66,982	21,602	159,769
Profit for the year *(note 11)*	–	–	–	76,327	76,327
Issued as 2005 final scrip dividends	365	–	–	–	365
Interim 2006 dividend *(note 12)*	–	–	–	(22,927)	(22,927)
Proposed final and special 2006 dividend *(note 12)*	–	–	–	(45,853)	(45,853)
At 31 March 2006	**71,497**	**53**	**66,982**	**29,149**	**167,681**

The proposed final and special dividends account within the equity section of the balance sheet represents an appropriation from retained profits and therefore forms part of the total of such reserves until the dividend is declared and paid.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in September 1994, over the nominal value of the Company's shares issued in exchange therefor.

27. CONTINGENT LIABILITIES

As at 31 March 2006, the Company had provided corporate guarantees to certain banks for banking facilities provided to certain of its subsidiaries. These banking facilities had been utilised to the extent of approximately HK$21,680,000 (2005: HK$1,691,000) as at the balance sheet date.

As at 31 March 2006, the Group had bills discounted with recourse of approximately HK$2,134,000 (2005: HK$1,353,000).

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 March 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**269**	–
In the second to fifth years, inclusive	**146**	–
	415	–

(b) As lessee

The Group leases certain of its land and buildings under operating lease arrangements, with leases negotiated for terms of two to three years.

At 31 March 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**219**	345
In the second to fifth years, inclusive	**164**	–
	383	345

The Company did not have any operating lease arrangements at the balance sheet date (2005: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2006

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had contracted for the following capital commitments:

(i) At 31 March 2006, the Group had commitments in respect of management fees payable falling due as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**310**	310
In the second to fifth years, inclusive	**1,688**	1,688
After five years	**19,706**	20,271
	21,704	22,269

(ii) At 31 March 2006, the Group had commitments in respect of investment in wholly-foreign-owned enterprises in Mainland China as follows:

	2006 HK$'000	2005 HK$'000
Maystar	**60,622**	12,815
Kingmaker Zhong Shan	**15,483**	5,188
	76,105	18,003

(iii) At 31 March 2006, the Group had commitments in respect of the construction of factory buildings in Mainland China amounting to HK$2,742,000 (2005: HK$4,136,000).

The Company did not have any other significant commitments at the balance sheet date (2005: Nil).

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, during the year, the Group paid rental expenses of HK$968,100 (2005: HK$991,200) to Kingmaker Footwear Company Limited, a related company of which Mr. Chen Ming-hsiung, Mickey, Mr. Lee Kung, Bobby and Mdm. Huang Hsiu-duan, Helen, directors and shareholders of the Company, are also directors and shareholders. The rental expenses were determined with reference to the market conditions existing at the time when the rental agreement was entered into.

30. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group:

	2006	2005
	HK$'000	*HK$'000*
Short term employee benefits	**6,901**	6,709
Post-employment benefits	**12**	12
Share-based payments	**–**	–
Total compensation paid to key management personnel	**6,913**	6,721

Further details of directors' emoluments are included in note 8 to the financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts and bills receivables and accounts and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, cash flow interest rate risk, foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

1. Credit

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's principal financial assets are accounts and other receivables, bills receivable and bank balances and cash.

The Group's credit risk is primarily attributable to its accounts and bills receivable. The Group is exposed to credit risk as substantial portion of its revenue is generated from a few recognised and creditworthy customers. The Group manages its credit risk by closely monitoring the granting of credit. The Group also reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is minimal because the counterparties are banks with high credit-ratings.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

2. Market

Interest rate

The Group's cash flow interest rate risk is the impact of rate changes on interest-bearing financial assets and financial liabilities. Interest-bearing financial assets are mainly cash balances with banks which are all short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group. Interest-bearing financial liabilities are mainly bank borrowings. Management monitors interest rate exposure and considers hedging significant interest rate exposure should the need arises.

Foreign currency

The Group's have foreign currency sales and purchases, which expose the Group to foreign currency risk. Certain accounts receivables and accounts payables of the Group are denominated in foreign currencies. The Group has not entered into foreign currency forward contracts against its exposure to change of foreign exchange rate. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

32. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date in June 2006, the Group plans to set up a new factory in Cambodia. The estimated investment cost for the first phase of new factory is approximately HK$30 million.

33. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 July 2006.