

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Rising Development Holdings Limited**, you should at once hand this document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

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**Rising Development
Holdings Limited**
麗盛集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock code: 1004)

**Oriental Day International
Limited**
東日國際有限公司
*(incorporated in British Virgin Islands with
limited liability)*

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED
ON BEHALF OF ORIENTAL DAY INTERNATIONAL LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
RISING DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
ORIENTAL DAY INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Oriental Day International Limited



TAIFOOK CAPITAL LIMITED

**Joint Independent Financial Advisers to the Independent Board Committee of
Rising Development Holdings Limited**



China Everbright Capital Limited



兆豐資本(亞洲)有限公司
Mega Capital (Asia) Company Limited

A letter from Taifook Securities Company Limited containing, among other things, details of the Offer is set out on pages 5 to 13 of this document.

A letter from the Board is set out on pages 14 to 16 of this document.

A letter from the Independent Board Committee to the Offer Shareholders, containing its recommendation in respect of the Offer, is set out on page 17 of this document.

A letter from the Joint Independent Financial Advisers, containing their advice to the Independent Board Committee in respect of the Offer, is set out on pages 18 to 37 of this document.

The procedures for acceptance of the Offer and related information are set out in Appendix I to this document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the branch share registrar of Rising Development Holdings Limited, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 21 September 2007 or such later time(s) and/or date(s) as Oriental Day International Limited may determine and announce in accordance with the requirements of the Takeovers Code.

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EXPECTED TIMETABLE

2007

Despatch date of this document and the commencement of the Offer (<i>Note 1</i>)	Friday, 31 August
Latest time and date for acceptance of the Offer	4:00 p.m. on Friday, 21 September
Closing Date (<i>Note 2</i>)	Friday, 21 September
Announcement of the results of the Offer posted on the Stock Exchange's website	not later than 7:00 p.m. on Friday, 21 September
Notification in respect of the results of the Offer to be published in newspapers in Hong Kong	Monday, 24 September
Latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances received on or before 4:00 p.m. on the Closing Date (<i>Note 3</i>)	Saturday, 29 September

Notes:

1. The Offer is made on 31 August 2007, being the date of posting of this document, and is capable of acceptance on and from that date until the Closing Date. The Offer is unconditional. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code.
2. The Offer, which is unconditional, will be closed on 21 September 2007 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the Stock Exchange's website by 7:00 p.m. on 21 September 2007 stating whether the Offer has been revised or extended. In the event that the Offeror decides that the Offer will remain open until further notice, at least 14 days' notice in writing will be given, before the Offer is closed, to those Offer Shareholders who have not accepted the Offer. For further details, please refer to the paragraph headed "Acceptance period and revisions" in Appendix I to this document.
3. Remittances in respect of the cash consideration after deducting the seller's ad valorem stamp duty payable for the Shares tendered under the Offer will be posted to the accepting Offer Shareholders by ordinary post at their own risks as soon as possible but in any event within 10 days of the date of receipt by the Registrar of the duly completed Form of Acceptance and the relevant documents of title.

All time references contained in this document refer to Hong Kong time and dates.

DEFINITIONS

In this document, the following expressions have the meanings set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement dated 30 July 2007 jointly issued by the Company and the Offeror in relation to, among other things, the S&P Agreement and the Offer
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	board of the Directors
“Business Day”	a day (other than Saturday) on which banks are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Everbright”	China Everbright Capital Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Independent Financial Advisers to the Independent Board Committee in respect of the Offer
“Closing Date”	the closing date of the Offer, being 21 days after the date on which the Offer is commenced, i.e. 21 September 2007 (or such later date as the Offeror may determine and announce in accordance with the Takeovers Code)
“Company”	Rising Development Holdings Limited (Stock code: 1004), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the S&P Agreement
“Director(s)”	director(s) of the Company

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time and/or any delegate of the Executive Director
“Form(s) of Acceptance”	the accompanying form(s) of acceptance and transfer of the Shares in respect of the Offer
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, which comprises three independent non-executive Directors, namely Mr. Fan Sai Yee, <i>JP</i> , Ms. Ho Man Kay, Angela, and Mr. Chan Wing Yuen, Hubert, formed by the Company to advise the Offer Shareholders in respect of the Offer
“Joint Independent Financial Advisers”	China Everbright and Mega Capital, being the joint independent financial advisers to the Independent Board Committee in relation to the Offer
“Last Trading Day”	19 July 2007, being the last trading day immediately prior to the Suspension
“Latest Practicable Date”	28 August 2007, being the latest practicable date prior to the printing of this document for ascertaining certain information for inclusion in this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Mega Capital”	Mega Capital (Asia) Company Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO, being one of the Joint Independent Financial Advisers to the Independent Board Committee in respect of the Offer
“Mr. Ng”	Mr. Ng Ngan Lung, one of the Vendors and the beneficial owner of the other two Vendors, and an executive Director

DEFINITIONS

“Offer”	the unconditional mandatory general cash offer to be made by Taifook Securities on behalf of the Offeror to the Offer Shareholders for their Shares at HK\$0.92 per Offer Share in compliance with the Takeovers Code
“Offer Price”	HK\$0.92 per Share under the Offer
“Offer Share(s)”	a total of 172,252,000 Shares subject to the Offer
“Offer Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Offeror”	Oriental Day International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Lai Leong
“Overseas Shareholders”	Offer Shareholders whose addresses as appeared in the register of members of the Company are outside Hong Kong
“PRC”	the People’s Republic of China
“Registrar”	Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, whose address is situated at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period from 31 January 2007, being the date falling six months preceding the commencement of the offer period (as defined under the Takeovers Code) on 30 July 2007, up to and including the Latest Practicable Date
“Sale Shares”	the 435,016,000 Shares in aggregate registered in the name of and beneficially owned by the Vendors before the Completion representing approximately 71.63% of the entire voting rights of the Company as at the Latest Practicable Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suspension”	the suspension of trading in the Shares on the Main Board with effect from 9:30 a.m. on Friday, 20 July 2007 pending the issue of the Announcement
“S&P Agreement”	the conditional agreement dated 22 July 2007, entered into among the Offeror and the Vendors for the sale and purchase of the Sale Shares
“Taifook Capital”	Taifook Capital Limited, a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity, being the financial adviser to the Offeror in relation to the Offer
“Taifook Securities”	Taifook Securities Company Limited, a licensed corporation under the SFO to carry on Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities, which makes the Offer on behalf of the Offeror
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendors”	(1) Rising Global Asset Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Ng; (2) Silver Sound Assets Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Ng; and (3) Mr. Ng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM TAIFOOK SECURITIES



TAIFOOK SECURITIES COMPANY LIMITED

25th Floor
New World Tower
16–18 Queen's Road Central
Hong Kong

31 August 2007

To the Offer Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED
ON BEHALF OF ORIENTAL DAY INTERNATIONAL LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
RISING DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
ORIENTAL DAY INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 30 July 2007, the Offeror and the Company jointly announced that the Offeror entered into the S&P Agreement with the Vendors, pursuant to which the Offeror had conditionally agreed to purchase, and the Vendors had conditionally agreed to sell the Sale Shares at HK\$0.92 per Sale Share. The Sale Shares, being 435,016,000 Shares, representing approximately 71.63% of the entire voting rights of the Company as at the Latest Practicable Date.

On 24 August 2007, the Offeror and the Company jointly announced, among other things, that all the conditions precedent to the S&P Agreement had been fulfilled and Completion took place on that day. Immediately after Completion, the Offeror and parties acting in concert with it owned an aggregate of 435,016,000 Shares, representing approximately 71.63% of the entire voting rights of the Company as at the date of Completion and as at the Latest Practicable Date. Accordingly, the Offeror is obligated to make an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

This letter sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Offer are set out in this letter and in the Form of Acceptance.

The Offer Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board" as set out in this document, the "Letter from the Independent Board Committee" as set out in this document and the "Letter from the Joint Independent Financial Advisers" as set out in this document.

LETTER FROM TAIFOOK SECURITIES

THE OFFER

Principal terms of the Offer

Taifook Securities, on behalf of the Offeror, makes the Offer to acquire all the Shares not already owned or agreed to be acquired by the Offeror on the following basis:

For each Offer Share HK\$0.92 in cash

There were no outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date. The Offer is not conditional upon any minimum level of acceptances of the Offer.

Comparisons of value

The Offer Price of HK\$0.92 per Share is equal to the consideration paid by the Offeror for each Sale Share under the S&P Agreement and represents:

- (i) a discount of approximately 18.6% to the closing price of HK\$1.13 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 1.3% over the average of the closing prices of HK\$0.908 per Share for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 8.0% over the average of the closing prices of HK\$0.852 per Share for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 6.2% over the average of the closing prices of approximately HK\$0.8667 per Share for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 27.0% to the closing price of HK\$1.26 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vi) a premium of approximately 71.0% over the audited consolidated net assets value per Share of approximately HK\$0.5381 as at 31 March 2007.

Total consideration

As at the Latest Practicable Date, the Company had 607,268,000 Shares in issue. Assuming that there is no change in the issued share capital of the Company prior to the making of the Offer, at the offer price of HK\$0.92 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$558.7 million under the Offer, and all of the 172,252,000 Offer Shares are valued at approximately HK\$158.5 million.

LETTER FROM TAIFOOK SECURITIES

The Offeror will finance the Offer by resources from Mr. Lai Leong (the beneficial owner of the Offeror) and a facility provided by Taifook Securities. Taifook Capital is satisfied that there are sufficient financial resources available to the Offeror to meet the full acceptance of the Offer. The payment of interests on, repayment of, or security for, the liability arising from use of the said facility provided by Taifook Securities will not depend to any significant extent in the business of the Group.

Effect of accepting the Offer

By accepting the Offer, the Offer Shareholders will sell their Shares to the Offeror or its nominee free from all liens, claims and encumbrances and with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date on which the Offer is made, i.e. the date of posting of this document.

The Offer is unconditional in all respects and, unless extended, will remain open for acceptance until 4:00 p.m. on Friday, 21 September 2007. Acceptances of the Offer shall be irrevocable and once given cannot be withdrawn except in accordance with Rule 19.2 of the Takeovers Code. The Executive may require that the accepting Offer Shareholders be granted a right of withdrawal, on terms acceptable to the Executive until the requirements under Rule 19 of the Takeovers Code can be met.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this document.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance (or the market value of the Offer Shares, if such market value is higher than the amount payable in respect of the relevant acceptance) will be deducted from the amount payable to the Offer Shareholders who accept the Offer.

The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances (or the market value of the Offer Shares, if such market value is higher than the amount payable in respect of the relevant acceptance) and will be responsible to account to the Stamp Office of Hong Kong all the stamp duty payable for sale and purchase of the relevant Offer Shares (including seller's ad valorem stamp duty arising in connection with acceptance of the Offer) pursuant to the acceptance of the Offer.

Settlement of the consideration

The amounts due to the Offer Shareholders who accept the Offer should be paid by the Offeror to the Offer Shareholders as soon as possible but in any event within 10 days of the receipt of a duly completed the Form of Acceptance in accordance with the Takeovers Code. Settlement of the amounts due to the Offer Shareholders who accept the Offer will be implemented in full without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholders.

LETTER FROM TAIFOOK SECURITIES

Dealings in the Shares

Save for the purchase of the Sale Shares by the Offeror pursuant to the S&P Agreement, none of the Offeror, its beneficial owner and parties acting in concert with any of them has dealt in any securities of the Company during the Relevant Period.

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them under the provisions of the Companies Act of Bermuda to acquire compulsorily any outstanding issued Shares not acquired under the Offer after the Offer is closed but reserve the right to do so.

INFORMATION ON THE GROUP

The Group is principally engaged in investment holding, trading in equity securities, the manufacture and sale of fur garments and the sale of fur skins.

Based on the annual report of the Company for the year ended 31 March 2007, the net profits of the Group attributable to Shareholders for the two years ended 31 March 2006 and 31 March 2007 were approximately HK\$46.4 million and HK\$63.7 million respectively.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Lai Leong. Save for the entering into of the S&P Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities other than the amounts required to finance the acquisition of the Sale Shares and the Offer. Mr. Lai Leong is the sole director of the Offeror. Mr. Lai Leong has worked for several property and trading companies in the PRC since 1991 and has over 16 years of experience in property investment, development and management and in corporate management for companies in Hong Kong and in the PRC.

Prior to the entering into of the S&P Agreement, neither the Offeror, its beneficial owner nor the parties acting in concert with any of them owned any Shares.

LETTER FROM TAIFOOK SECURITIES

INTENTION OF THE OFFEROR REGARDING THE COMPANY

The Offeror is optimistic about the business of the Group and intends to continue the existing business operation of the Group.

It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged. However, the Offeror will conduct a review on business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, and should suitable investment or business arise, the Offeror may consider diversifying the business of the Group.

The Offeror has no intention to make any material changes to the employees or management of the Group or to dispose of any material assets or businesses of the Group other than in its ordinary course of business and has no intention to inject any material assets or businesses into the Group.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The existing executive Directors, namely Mr. Ng Ngan Lung and Ms. Chui May Ling, Margaret and the existing independent non-executive Directors, namely, Ms. Ho Man Kay, Angela, Mr. Chan Wing Yuen, Hubert and Mr. Fan Sai Yee, have tendered their resignations on Completion and such resignations will take effect from the closing date of the Offer in full compliance with Rule 7 of the Takeovers Code.

The Company has on Completion approved the appointments of Mr. Lai Leong, Mr. Kong Shan, David and Mr. Lee Yuk Lun as executive Directors and Mr. Tsui Ching Hung, Mr. Fok Ho Yin Thomas and Mr. Tso Hon Sai Bosco as independent non-executive Directors and such appointments will take effect immediately after despatch of the Composite Document in full compliance with Rule 26.4 of the Takeovers Code.

Set out below are the biographical details of the proposed Directors:

Mr. Lai Leong, aged 43, is the deputy chairman, chief executive officer and an executive director of China Power New Energy Development Company Limited, a limited company in Hong Kong whose issued shares are listed on the Stock Exchange (Stock Code: 735). Since 1991, Mr. Lai has worked for several property and trading companies in the PRC and has over 16 years of experience in property investment, development and management and in corporate management for companies in Hong Kong and in the PRC. Mr. Lai received an MBA degree from the Maastricht School of management in the Netherlands in 2005. Mr. Lai will be responsible for strategic planning of the Group.

LETTER FROM TAIFOOK SECURITIES

Mr. Kong Shan, David, aged 53, graduated from Shenzhen University in the PRC with a diploma in Business Administration. Mr. Kong has more than 20 years of experience in property development and investment and corporate management in the PRC. Mr. Kong will be responsible for business development of the Group.

Mr. Lee Yuk Lun, aged 44, is the Chairman of Pico Zeman Asset Management Limited and Volk Favor Food Company Limited. Mr. Lee has been engaged in the finance industry for about 15 years, and in particular in the area of mergers and acquisitions. Mr. Lee also possesses more than 10 years of experience in project investments in mainland PRC. Mr. Lee is a consultant to 北京市政協 (港澳台僑) (the Committee of Hong Kong, Macau, Taiwan Compatriots and Overseas Chinese Affairs of the CPPCC Beijing Committee), a committee member of 中國人民政治協商會議北京市順義區委員會 (Committee of Shunyi District, CPPCC Beijing Committee) and the director of 北京海外聯誼會 (Beijing Chinese Overseas Friendship Association). Mr. Lee will be responsible for business development of the Group.

Mr. Tsui Ching Hung, aged 54, holds a Master of Science degree in Polymer Science and a Master of Business Administration degree from the University of Aston and University of Warwick in the United Kingdom respectively. He has over 10 years of experience in senior management positions of several multinational corporations in Hong Kong. Mr. Tsui is an executive director of China Sci-Tech Holdings Limited since 2 May 2007, which shares are listed on the Stock Exchange. He was also an executive director of Wonson International Holdings Limited from 29 November 1999 to 1 June 2007, which shares are listed on the Stock Exchange.

Mr. Fok Ho Yin Thomas, aged 36, had worked in the Listing Division of The Stock Exchange of Hong Kong Limited and has over 12 years of experience in the field of corporate finance and in particular in equity financing and financial restructuring. Mr. Fok is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Fok is also a Chartered Financial Analyst. Mr. Fok served as the managing director of Chief Finance Limited, which is 52% owned by two public companies which shares are listed on the Stock Exchange. Mr. Fok also served as the managing director of another finance company which is a wholly-owned subsidiary of a company listed on the Stock Exchange.

Mr. Tso Hon Sai Bosco, aged 42, is currently a partner of Messrs. Tso Au Yim & Yeung, Solicitors and he has been a Hong Kong practicing solicitor since 1990. Mr. Tso received his bachelor of laws degree from King's College, London.

Mr. Tso is an independent non-executive director of Fortuna International Holdings Limited and Neolink Cyber Technology (Holding) Limited, both are companies listed on the main board and the Growth Enterprise Market respectively on the Stock Exchange. Mr. Tso was an independent non-executive director of Emperor Entertainment Group Limited, a company listed on the Stock Exchange from 30 November 2000 to 30 September 2004 and an executive director of Tiger Tech Holdings Limited from 20 December 2006 to 5 June 2007.

LETTER FROM TAIFOOK SECURITIES

Save as disclosed above, none of the above proposed Directors has held any directorship in other listed public company in the last three years nor has held any other positions with the Company or other members of the Group. None of the above proposed Directors has entered into any service contract with the Company and has no fixed term of service with the Company. The above proposed Directors is subject to the retirement by rotation and re-election at the next annual general meeting of the Company in accordance with the bye-laws of the Company. Each of the above proposed directors will be entitled to a director's fee as determined by the Board from time to time with reference to their respective qualification, duties and responsibilities with the Company, the Company's performance and the prevailing market conditions. None of the above proposed Directors have any relationship with any other directors, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, save for the Sale Shares which Mr. Lai has interests in, none of the above proposed Directors have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters which need to be brought to the attention of the Shareholders regarding the appointment of the above proposed Directors or any other information that needs to be disclosed pursuant to any of the requirements of Rule 13.51(2) (particularly in relation to sub-paragraphs (h) to (v) herein) of the Listing Rules.

The Offeror is optimistic about the business of the Group and intends to continue the existing business operation of the Group and retain its existing senior management. Ms. Chui May Ling, Margaret will remain the general manageress of Rising Development Limited, a wholly-owned subsidiary of the Company and also a director of a majority of the subsidiaries of the Company. The Offeror believes that the change of Board composition of the Company will not have any material adverse impact on the existing operation of the Group.

RESIGNATION AND APPOINTMENT OF COMPANY SECRETARY

The existing Company Secretary of the Company, namely Mr. Lee Sing Yeung, Simon, has tendered his resignation on the date of Completion and such resignation will take effect immediately after despatch of the Composite Offer Document.

The Company has on the date of Completion approved the appointment of Mr. Chiang Chi Kin, Stephen as Company Secretary of the Company and such appointment will take effect immediately after despatch of the Composite Offer Document.

Set out below are the biographical details of Mr. Chiang Chi Kin, Stephen:

Mr. Chiang graduated from The University of Wolverhampton with a bachelor's degree in laws, and qualified as a solicitor of the High Court of Hong Kong in 1998. Mr. Chiang has over 10 years of experience in corporate and commercial law, and has held management positions with companies listed on the Stock Exchange responsible primarily for legal and company secretarial matters since 2002. Mr. Chiang has been the Company Secretary of China Power New Energy Development Company Limited, a company listed on the Main Board of the Stock Exchange since 1 September 2005.

LETTER FROM TAIFOOK SECURITIES

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatise the Company and intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Board will undertake to the Stock Exchange to take appropriate steps to ensure that, as soon as possible following the close of the Offer, not less than 25% of the issued Shares will be held by the public.

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; and (ii) there are insufficient issued Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is attained. In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

THE OFFER PERIOD AND TAX IMPLICATIONS

It is currently intended that the Offer will be open for acceptance from the date of despatch of this document on Friday, 31 August 2007 to Friday, 21 September 2007, both days inclusive. It is the responsibility of the Overseas Shareholders who wish to accept the Offer and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The Overseas Shareholders will be responsible for the payment of any transfer or other taxes by whomsoever payable due in respect of any jurisdiction.

None of the Company, the Offeror, Taifook Capital, Taifook Securities, China Everbright, Mega Capital, the Registrar or any of their respective directors or any other parties involved in the Offer is in a position to advise the Offer Shareholders on their individual tax implications. The Offer Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offer. None of the Company, the Offeror, the Directors, the professional advisers to the Company and the Offeror or any other parties involved in the Offer accepts any responsibility for any tax effect on, or liabilities of, the Offer Shareholders.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this document and the Form of Acceptance.

LETTER FROM TAIFOOK SECURITIES

GENERAL

To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold Offer Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

The attention of the Overseas Shareholders is drawn to paragraph 7(h) in Appendix I to this document.

All documents and remittances sent to the Offer Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Offer Shareholders at their respective addresses as they appear in the register of members of the Company or, in the case of joint Offer Shareholders, to the Offer Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror, Taifook Capital, Taifook Securities, China Everbright, Mega Capital, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this document.

Yours faithfully,
For and on behalf of
Taifook Securities Company Limited
William Lee
Managing Director



RISING DEVELOPMENT HOLDINGS LIMITED
(麗盛集團控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

Executive Directors:

Ng Ngan Lung

(Deputy Chairman and Chief Executive Officer)

Chui May Ling, Margaret

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Fan Sai Yee, JP (Chairman)

Ho Man Kay, Angela

Chan Wing Yuen, Hubert

Principal place of business:

16th Floor

World Tech Centre

95 How Ming Street

Kwun Tong

Kowloon

Hong Kong

31 August 2007

To the Offer Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED
ON BEHALF OF ORIENTAL DAY INTERNATIONAL LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
RISING DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
ORIENTAL DAY INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 30 July 2007, the Offeror and the Company jointly announced that the Offeror entered into the S&P Agreement with the Vendors, pursuant to which the Offeror had conditionally agreed to purchase, and the Vendors had conditionally agreed to procure the sale of the Sale Shares at HK\$0.92 per Sale Share. The Sale Shares, being 435,016,000 Shares, represented approximately 71.63% of the entire voting rights of the Company as at the Latest Practicable Date.

* For identification purpose only

LETTER FROM THE BOARD

On 24 August 2007, the Offeror and the Company jointly announced, among other things, that all the conditions precedent to the S&P Agreement had been fulfilled and the Completion took place on that day. Immediately after the Completion, the Offeror and parties acting in concert with it owned an aggregate of 435,016,000 Shares, representing approximately 71.63% of the entire voting rights of the Company as at the Latest Practicable Date. Accordingly, the Offeror is obligated to make an unconditional mandatory general cash offer for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

The terms of the Offer are set out in "Letter from Taifook Securities" of this document, Appendix I to this document and the Form of Acceptance.

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee has been established by the Company to advise the Offer Shareholders in respect of the Offer. Ms. Ho Man Kay, Angela, Mr. Chan Wing Yuen, Hubert and Mr. Fan Sai Yee, being the independent non-executive Directors who are considered to be independent of the Offer, have been invited to constitute the Independent Board Committee to provide the recommendation to the Offer Shareholders in respect of the Offer. China Everbright and Mega Capital have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee in respect of the Offer. Such appointment has been approved by the Independent Board Committee.

The purpose of this document is to provide you with, among other things, further information relating to the Group and the Offer, as well as the respective recommendation and advice of the Independent Board Committee and the Joint Independent Financial Advisers regarding the Offer.

THE OFFER

Taifook Securities, on behalf of the Offeror, is making the Offer to acquire all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

For each Offer Share HK\$0.92 in cash

There were no outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date.

INFORMATION ON THE GROUP

The Group is principally engaged in investment holding, trading in equity securities, the manufacture and sale of fur garments and the sale of fur skins.

Based on the annual report of the Company for the year ended 31 March 2007, the net profits of the Group attributable to Shareholders for the two years ended 31 March 2006 and 31 March 2007 were approximately HK\$46.4 million and HK\$63.7 million respectively.

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR AND INTENTION OF THE OFFEROR REGARDING THE COMPANY

Your attention is drawn to the paragraphs headed “Information on the Offeror” and “Intention of the Offeror regarding the Company” in the “Letter from Taifook Securities” as set out in this document.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Offer Shareholders set out in this document and the letter from the Joint Independent Financial Advisers to the Independent Board Committee set out in this document, which set out their respective advice and recommendation in respect of the Offer and the principal factors considered by them in arriving at their respective advice and recommendation.

ADDITIONAL INFORMATION

In considering what action to take in connection with the Offer, the Offer Shareholders should consider their own tax position and, if they are in doubt, they should consult their own professional advisers.

You are recommended to read the “Letter from Taifook Securities” set out in this document, further procedures for acceptance of the Offer as set out in Appendix I to this document and the Form of Acceptance.

Your attention is also drawn to the information set out in other appendices to this document.

LATE DISCLOSURES AND BREACH OF THE TAKEOVERS CODE

The Board noted that Ms. Chui, May Ling, Margaret, an executive Director, disposed of 270,000 Shares on 1 August 2007, of which 62,000 shares were disposed of at HK\$1.64 per Share, 94,000 Shares at HK\$1.65 per Share, 6,000 Shares at HK\$1.66 per Share and 108,000 Shares at HK\$1.69 per Share. Being an associate of the Company as defined under the Takeovers Code, she is required to publicly disclose her dealings in the securities of the Company under Rule 22 of the Takeovers Code not later than 10 a.m. on the business day after the day on which her dealings in the relevant securities of the Company took place. As Ms. Chui, May Ling, Margaret failed to make the disclosures by the deadlines, this resulted in a breach of Rule 22 of the Takeovers Code. She apologies to the public and the Shareholders of the Company for the aforesaid delay in making the disclosures of the disposal of the Shares in accordance with Rule 22 of the Takeovers Code.

Yours faithfully,
For and on behalf of the Board
Rising Development Holdings Limited
Ng Ngan Lung
Chief Executive Officer



RISING DEVELOPMENT HOLDINGS LIMITED

(麗盛集團控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1004)

31 August 2007

To the Offer Shareholders

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED
ON BEHALF OF ORIENTAL DAY INTERNATIONAL LIMITED TO
ACQUIRE ALL THE ISSUED SHARES OF
RISING DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR
AGREED TO BE ACQUIRED BY
ORIENTAL DAY INTERNATIONAL LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to this document dated 31 August 2007 (the "Document") jointly issued by the Offeror and the Company of which this letter forms part. Terms defined in the Document shall have the same meanings in this letter unless the context otherwise requires. We have been appointed as members of the Independent Board Committee to consider the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as your interests are concerned.

China Everbright and Mega Capital have been appointed to advise us in respect of the Offer. Details of their advice and the principal factors taken into consideration in arriving at their recommendation are set out in the "Letter from the Joint Independent Financial Advisers" in the Document. We also wish to draw your attention to: (i) the "Letter from the Board" set out in the Document; (ii) the "Letter from Taifook Securities" set out in the Document; and (iii) the additional information set out in the appendices to the Document.

Having taken into account the terms of the Offer and the advice and recommendation of the Joint Independent Financial Advisers, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned and accordingly, we recommend the Offer Shareholders to accept the Offer.

Yours faithfully,
Independent Board Committee

Fan Sai Yee, JP
*Independent
non-executive Director*

Ho Man Kay, Angela
*Independent
non-executive Director*

Chan Wing Yuen, Hubert
*Independent
non-executive Director*

* For identification purpose only

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The following is the full text of the letter of advice from the Joint Independent Financial Advisers setting out their advice to the Independent Board Committee in relation to the Offer for inclusion in the Composite Offer Document.



CHINA EVERBRIGHT CAPITAL LIMITED

Room 4103-05,
Far East Finance Centre,
16 Harcourt Road, Hong Kong



兆豐資本(亞洲)有限公司

Mega Capital (Asia) Company Limited

Units 2213-2214, Cosco Tower
183 Queen's Road Central
Hong Kong

31 August 2007

*To the Independent Board Committee of
Rising Development Holdings Limited*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY
TAIFOOK SECURITIES COMPANY LIMITED ON BEHALF OF
ORIENTAL DAY INTERNATIONAL LIMITED
TO ACQUIRE ALL THE ISSUED SHARES
IN RISING DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY ORIENTAL DAY INTERNATIONAL LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

(1) INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in relation to the Offer, details of which are contained in this composite offer and response document (the "**Composite Offer Document**") dated 31 August 2007 to the Offer Shareholders of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Offer Document unless the context requires otherwise.

On 22 July 2007, the Offeror entered into the S&P Agreement with the Vendors, pursuant to which the Offeror has agreed to purchase and the Vendors have agreed to sell the Sale Shares at a purchase price of HK\$400,214,720 (equivalent to HK\$0.92 per Sale Share). As announced in the Announcement, Taifook Securities would make the Offer on behalf of the Offeror upon completion of the S&P Agreement, which took place on 24 August 2007.

Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it became interested in 435,016,000 Shares, representing approximately 71.63% of the issued share capital of the Company as at the date of Completion and as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make the Offer to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Board currently comprises two executive Directors and three independent non-executive Directors. In compliance with Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising the three independent non-executive Directors, namely Mr. Chan Wing Yuen, Hubert, Ms. Ho Man Kay, Angela and Mr. Fan Sai Yee, JP, has been established to consider and to make recommendation to the Offer Shareholders on the terms of the Offer. Each of Mr. Chan Wing Yuen, Hubert, Ms. Ho Man Kay, Angela and Mr. Fan Sai Yee, JP are independent of, and have no direct or indirect interest in the Offer. Therefore, we consider that all three independent non-executive Directors are eligible to be members of the Independent Board Committee.

In our capacity as the Joint Independent Financial Advisers, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. We are independent from, and not associated or connected with any of the Offeror, its respective substantial shareholders and any party acting, or presumed to be acting, in concert with any of them and, accordingly, we are considered eligible to give independent advice in respect of the Offer. Apart from normal professional fees payable to us in connection with this appointment and the engagement between the Company and us as to our review on the confirmation letter issued by the Board in accordance with Rule 10.11 of the Takeovers Code, no arrangement exists whereby we will receive any fees or benefits from the Offeror, the Company or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. The appointment of the Joint Independent Financial Advisers in respect of the Offer has been approved by the Independent Board Committee.

(2) BASIS OF OUR OPINION

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management (“**Management**”) of the Company, which we have assumed to be true, accurate and complete as at the date of the Composite Offer Document. We have reviewed those published information of the Company, including (i) its annual reports for the three financial years ended 31 March 2007, (ii) the S&P Agreement; and (iii) the Announcement. We have also reviewed the trading performance of the Shares on the Stock Exchange and have considered the future intention of the Offeror regarding the Company.

We have been advised by the Directors that no material facts have been withheld or omitted from the information provided and opinions expressed by them to us in connection with the Offer. We consider that the information which we have reviewed is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We are not aware of, nor do we suspect that, any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading in any material respects.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Offer Document (other than that relating to the Offeror) and, having made all reasonable enquiries, have confirmed that to the best of their knowledge and belief there are no other facts that the omission of which would make any statement in the Composite Offer Document misleading. The sole director of the Offeror has declared in a responsibility statement set out in Appendix IV "General Information" to the Composite Offer Document that he is fully responsible for the accuracy of the information contained in the Composite Offer Document (other than information relating to the Group and the Vendors).

We have not independently verified such information but, nevertheless, have made such enquiries and exercised such judgments as we deemed necessary and we found no reason to doubt the reliability of the information.

We have not considered the tax implications on the Offer Shareholders of their acceptances or non-acceptances of the Offer since this is particular to their own individual circumstances. In particular, the Offer Shareholders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Offer and, if in doubt, should consult their own professional advisers.

(3) PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Offer, we have considered the following principal factors and reasons:

(A) Background and the terms of the Offer

As set out in the Announcement, the Vendors and the Offeror entered into the S&P Agreement pursuant to which, among others, the Vendors have conditionally agreed to sell, and the Offeror has conditionally agreed to acquire the Sale Shares at a purchase price of HK\$400,214,720 or HK\$0.92 per Sale Share. Completion took place on 24 August 2007.

Immediately following Completion, the Offeror was interested in 435,016,000 Shares, representing approximately 71.63% of the issued share capital of the Company as at date of Completion and as at the Latest Practicable Date. Accordingly, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all issued Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As set out in the “Letter from Taifook Securities” of the Composite Offer Document, there were 607,268,000 Shares in issue as at the Latest Practicable Date. Taifook Securities is making the Offer on behalf of the Offeror, subject to the terms set out in the Composite Offer Document (including, without limitations, those in Appendix I) and in the accompanying Forms of Acceptance, to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it, at the Offer Price on the following basis:

Offer Price for each Offer Share HK\$0.92 in cash

The Offer Price is the same as the price at which Sale Share were acquired by the Offeror under the S&P Agreement. The Offer is not conditional upon minimum level of acceptance of the Offer.

Taifook Capital is satisfied that there are sufficient financial resources available to the Offeror to complete the purchase of the Sale Shares and meet the full acceptance of the Offer.

Further information of the Offer, including the procedures for acceptance, is set out in Appendix I to the Composite Offer Document.

(B) Historical financial performance and prospects of the Group

The Company was incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in investment holding, trading in equity securities, the manufacture and sale of fur garments and the sale of fur skins.

The following table summarises (i) the audited consolidated results of the Group for each of the three financial years ended 31 March 2007 as extracted from the annual reports of the Group for the year ended 31 March 2007 (the “**2007 Annual Report**”), the year ended 31 March 2006 (the “**2006 Annual Report**”) and the year

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

ended 31 March 2005 (the “2005 Annual Report”); and (ii) financial information provided by the Management:

	For the year ended 31 March		
	2007	2006	2005
	<i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>	<i>(restated)</i> <i>HK\$'000</i>
Turnover	359,576	208,281	184,271
– Sales of fur skins and fur garments	282,631	163,681	184,271
– Proceeds from trading in equity securities	76,945	44,600	–
Gross profit	40,197	36,202	36,177
– Sales of fur skins and fur garments	33,106	29,414	36,177
– Proceeds from trading in equity securities	7,091	6,788	–
Other income – income from investments	41,048	30,278	20,669
Profit from operating activities	70,866	55,860	44,001
Profit before tax	63,510	53,030	43,605
Profit for the year attributable to Shareholders	63,680	46,426	39,831
	As at 31 March		
	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	289,735	228,792	141,239
– Available-for-sale financial assets/Other investments	251,642	194,035	112,724
– Other non-current assets	38,093	34,757	28,515
Current assets	157,343	200,117	207,441
– Financial assets at fair value through profit or loss/other investments	107,538	106,178	83,264
– Other current assets	49,805	93,939	124,177
Total assets	447,078	428,909	348,680
Net assets	327,351	280,349	255,728

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Financial performance for the year ended 31 March 2007 (“FY2007”)

Revenue

According to the 2007 Annual Report, the Group recorded turnover of approximately HK\$359.58 million in FY2007, representing an increase of about 72.64% over the previous financial year. The increase was principally due to the increase in the Group’s trading revenue from equity securities and from the sales of fur skins and fur garments.

As advised by the Management, the increase in the sales of fur skins and fur garments was mainly due to the impressive growth in the Group’s business of trading of fur skin, which was partly offset by the decrease in the turnover generated from the manufacture and sale of fur garment. In FY2007, the turnover of fur skin trading was HK\$225.71 million, increased by approximately 143.93% from FY2006.

As the Group closed down its factories in the PRC, and outsourced and streamlined the Group’s production of fur garment in FY2007, turnover generated from the manufacture and sale of fur garment amounted to approximately HK\$56.92 million, representing a decrease of approximately 20.01% from FY2006.

Gross profit, other income and net profit

The Group’s gross profit increased from approximately HK\$36.20 million in FY2006 to approximately HK\$40.20 million in FY2007.

In FY2007, the gross profit generated from the sales of fur skins and fur garments amounted to approximately HK\$33.11 million, which represents an increase of approximately 12.58% over the previous financial year. Although the gross profit generated from the sales of fur skins and fur garments rebounded in FY2007, the gross profit generated from the sales of fur skins and fur garments was still lower than the level in FY2005.

The gross profit margin for the sales of fur skins and fur garments was 11.71% in FY2007, as compared with approximately 17.97% in FY2006. As advised by the Management, the gross profit margin for the trading of fur skin is substantially lower than those for the manufacture and sale of fur garment. As the turnover generated from the manufacture and sale of fur garment decreased by approximately 20.01% in FY2007, the overall gross profit margin for the sales of fur skins and fur garments deteriorated in FY2007.

In FY2007, the gross profit generated from trading in equity securities amounted to approximately HK\$7.09 million, which represents an increase of approximately 4.5% over the previous financial year. The gross profit margin for the trading in equity securities was approximately 9.22% in FY2007, as compared with approximately 15.22% in FY2006.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

In addition, the Group recorded significant amount of income from its investment, including interest income, dividend income, net realised and unrealized gain on its financial assets. In FY2007, the investment income of the Group amounted to approximately HK\$41.05 million, which represents an increase of approximately 35.57% over the previous financial year.

The net profit attributable to Shareholders increased by approximately HK\$17.25 million or 37.15% from approximately HK\$46.43 million in FY2006 to approximately HK\$63.68 million in FY2007.

Net assets and financial assets

The Group's net assets increased by 16.76% from approximately HK\$280.35 million as at 31 March 2006 to approximately HK\$327.35 million as at 31 March 2007. The rise in the Group's net assets was mainly attributable to (i) the increase of the Group's available-for-sale financial assets, cash and cash equivalents; and (ii) the decrease of the Group's current liabilities, especially customers' deposits. According to the 2007 Annual Report, the Group's total assets increased by approximately 4.24% to approximately HK\$447.08 million as at 31 March 2007. On the contrary, the Group's total liabilities decreased by approximately 19.41% to approximately 119.73 million as at 31 March 2007.

We noted that the Group's available-for-sale financial assets and financial assets at fair value through profit or loss (collectively, "**Financial Assets**") was a key component of the Group's assets base. As at 31 March 2007, the Financial Assets amounted to approximately HK\$359.18 million, representing approximately 80.34% and 109.72% of the Group's total assets and net assets, respectively.

Financial performance for the year ended 31 March 2006 ("FY2006")

Revenue

The Group recorded turnover of approximately HK\$208.28 million in FY2006, representing an increase of about 13.03% over the previous financial year. The increase was principally due to the increase in the Group's trading revenue from equity securities, which was partly offset by the decrease in the sales of fur skins and fur garments.

We noted that the turnover from (i) the trading of fur skin; and (ii) the manufacture and sale of fur garment were deteriorated in FY2006. According to the 2006 Annual Report, the turnover generated from (i) the fur skin trading; and (ii) the manufacture and sale of fur garment decreased from approximately HK\$111.91 million and HK\$72.36 million in FY2005 to approximately HK\$92.53 million and HK\$71.16 million in FY2006, respectively.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Gross profit, other income and net profit

The Group's gross profit increased slightly from approximately HK\$36.18 million in FY2005 to approximately HK\$36.20 million in FY2006.

In FY2006, the gross profit generated from the sales of fur skins and fur garments amounted to approximately HK\$29.41 million, which represents a decrease of approximately 18.71% over the previous financial year. The gross profit margin for the sales of fur skins and fur garments was approximately 17.97% in FY2006, as compared with approximately 19.63% in FY2005.

In FY2006, the gross profit generated from trading in equity securities amounted to approximately HK\$6.79 million (FY2005: Nil). The gross profit margin for the trading in equity securities was approximately 15.22% in FY2006.

Similar to FY2007, the Group recorded significant amount of income from its investment in FY2006. The Group's investment income amounted to approximately HK\$30.28 million in FY2006, which represents an increase of approximately 46.49% over the previous financial year.

The net profit attributable to Shareholders of the Company increased by approximately HK\$6.60 million or 16.57% from approximately HK\$39.83 million in FY2005 to approximately HK\$46.43 million in FY2006. Such increment was mainly attributable to the growth of investment income and sales generated from trading in equity securities in FY2006.

Total assets and financial assets

The Group's net assets increased by approximately 9.63% from approximately HK\$255.73 million as at 31 March 2005 to approximately HK\$280.35 million as at 31 March 2006. The rise in the Group's net assets was mainly attributable to the increase of the Group's non-current assets, especially the available-for-sale financial assets.

Similar to FY2007, the Financial Assets represented a key component of the Group's assets base in FY2006. As at 31 March 2006, the Financial Assets amounted to approximately HK\$300.21 million, representing approximately 70.00% and 107.08% of the Group's total assets and net assets, respectively.

Business prospects

(1) Sales of fur skins and fur garments business

As stated in the 2007 Annual Report, the Directors considered that the operating environment for the manufacture and sales of fur garment has become increasingly difficult due to warm winter and severe competition in the PRC, while the adjustment to the PRC policy in materials processing

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

business also exerted further pressure on the operation. Therefore, the Group closed down its factories in the PRC, and outsourced and streamlined the Group's production of fur garment in FY2007.

Due to the change of the above business strategies, we noted that the turnover for the manufacture and sale of fur garment decreased approximately 20.01% from FY2006 to FY2007. As the gross the profit margin for the trading of fur skin is substantially lower than those for manufacture and sale of fur garment, it is expected that the overall gross profit margin for the Group' fur business will be negative affected.

After taking into account the business prospects of the sales of fur skins and fur garments business and having reviewed the financial performance of the Group for the previous three financial years ended 31 March 2007, we are of the view that the operating environment for the sales of fur skins and fur garments business remains to be challenging which are evidenced by its falling gross profit margin during the past three financial years ended 31 March 2007.

(2) Investment and trading in equity securities business

For the investment and trading in equity securities business, we were advised by the Management that the Group mainly invests in (i) listed equity securities in Hong Kong; and (ii) listed or unlisted corporate bonds and debt securities.

After reviewing the financial performance of the Group for the previous three financial years ended 31 March 2007, we noted that the growth of the Group's investment and trading in equity securities business was the key driver to the growth of the Group's net profit during the previous three financial years ended 31 March 2007. The Group's income from investment increased by approximately 98.60% from approximately HK\$20.67 million in FY2005 to approximately HK\$41.05 million in FY2007. However, the future performance of this business segment will be subject to the ever-changing market and economic conditions and the market sentiment of the global financial markets.

Having considered that (i) the Offeror intends that the Group will continue its existing principal activities after the close of the Offer; (ii) all the existing Directors will resign after the close of the Offer; (iii) the substantial exposure of the Group's business to the fluctuating financial market; and (iv) no concrete business strategy or expansion plan had been announced by the Offeror pending the result of its review of the business and financial affairs of the Group, we consider that the future financial performance of the Group will be uncertain as it is highly subject to the market value and composition of the underlying investment portfolio of the Group from time to time as well as the future business strategy of the new management.

(C) Background of the Offeror and its future intention

As stated in the “Letter from Taifook Securities” of the Composite Offer Document, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Lai Leong. Save for the entering into of the S&P Agreement, the Offeror has not conducted any business since its incorporation and has no material assets and liabilities other than the money required to finance the acquisition of the Sale Shares and the making of the Offer. Mr. Lai Leong is the sole director of the Offeror. He worked for several property and trading companies in the PRC since 1991 and has over 16 years of experience in property investment, development and management and in corporate management for companies in Hong Kong and the PRC. Save for the acquisition of the Sale Shares by the Offeror pursuant to the S&P Agreement, none of the Offeror, its beneficial owner and parties acting in concert with any of them has dealt in any securities of the Company during the Relevant Period.

As stated in the “Letter from Taifook Securities” of the Composite Offer Document, we noted that:

- the Offeror is optimistic about the business of the Group and intends to continue the existing business operation of the Group. It is the intention of the Offeror that the existing principal activities of the Group will remain unchanged;
- the Offeror will conduct a review on the business activities and assets of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review, and should suitable investment or business arise, the Offeror may consider diversifying the business of the Group;
- the existing executive Directors, namely Mr. Ng Ngan Lung and Ms. Chui May Ling, Margaret and the independent non-executive Directors, namely, Ms. Ho Man Kay, Angela, Mr. Chan Wing Yuen, Hubert and Mr. Fan Sai Yee, have tendered their resignations on Completion and such resignations will take effect from the closing date of the Offer in full compliance with Rule 7 of the Takeovers Code. Ms. Chui May Ling, Margaret will remain the general manageress of Rising Development Limited, a wholly-owned subsidiary of the Company and also the directors of majority of the Company’s subsidiaries; and
- Other than the change of board composition of the Company, the Offeror has no intention to make any material changes to the employees or management of the Group or to dispose of any material assets or businesses of the Group other than in its ordinary course of business and has no intention to inject any material assets or businesses into the Group.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Given that no concrete implementation plan or timetable has been formulated by the Offeror to review the business of the Group, Offer Shareholders, especially for those who are optimistic about the prospects of the Group and wish to retain part of their investment in the Company, should note that there is no assurance as to any future business plan(s), if ever formulated, would materialize. As we have no information as to the Offeror's future development plan for the Group following completion of the Offer and thus we are unable to provide an opinion on the future prospects of the Group.

As the proposed Directors are new to the operations, culture and environment of the Group, the performance of the new Board is yet to be demonstrated. Accordingly, Offer Shareholders are reminded that the Group's future profitability is highly dependent on the new Board's performance and capability which cannot be ascertained at the moment.

(D) The Offer Price

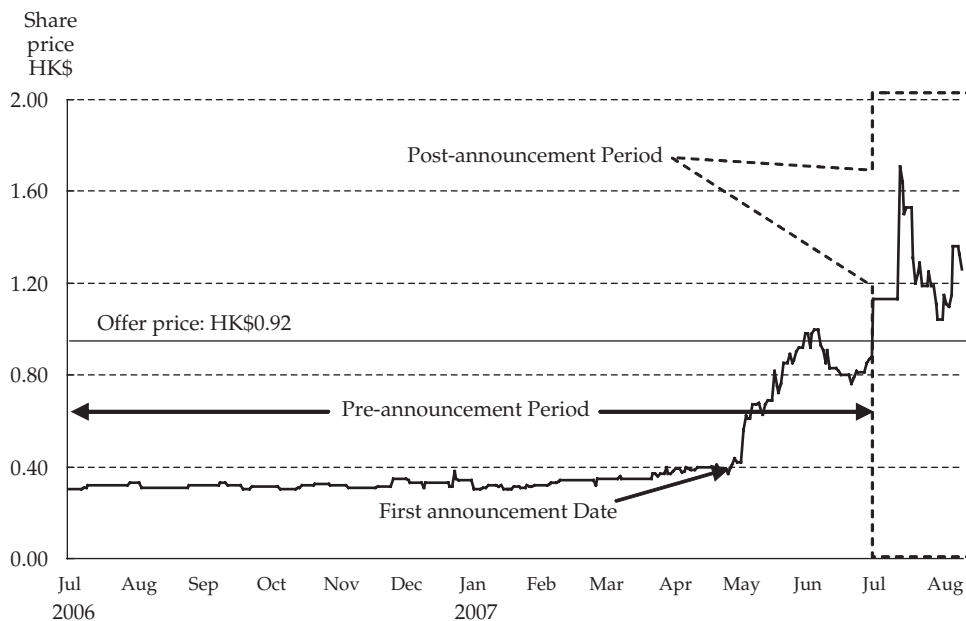
The Offer Price of HK\$0.92 per Share is equal to the consideration paid by the Offeror for each Sale Share under the S&P Agreement and represents:

- a discount of approximately 18.6% to the closing price of HK\$1.13 per Share as quoted on the Stock Exchange on 19 July 2007, being the Last Trading Day;
- a premium of approximately 1.3% over the average closing price of HK\$0.908 per Share over the 5 trading days up to and including the Last Trading Day;
- a premium of approximately 8.0% over the average closing price of HK\$0.852 per share over the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 6.2% over the average closing price of approximately HK\$0.8667 per Share over the 30 trading days up to and including the Last Trading Day;
- a discount of approximately 27.0% to the closing price of HK\$1.26 per Share as at the Latest Practicable Date; and
- a premium of approximately 71.0% over the audited consolidated net asset value per Share of approximately HK\$0.5381 as at 31 March 2007.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Historical market price of the Shares

The following chart shows the closing price of the Shares as quoted on the Stock Exchange on the trading days from 19 July 2006, being the trading day falling 12 months prior to the Last Trading Day, to and including the Last Trading Day (the “**Pre-Announcement Period**”) and from the day after the date of the Announcement up to and including the Latest Practicable Date (the “**Post-Announcement Period**”) (together, the “**Review Period**”):



Source: Bloomberg

As illustrated above, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period were HK\$0.30 per Share recorded on 19 July 2006, and HK\$1.71 per Share recorded on 31 July 2007.

Pre-Announcement Period

The closing prices of the Shares during the Pre-Announcement Period is characterised by a stagnant period from 19 July 2006 and 18 May 2007 where the closing prices of the Shares fell within a range between HK\$0.285 and HK\$0.435. On 21 May 2007 (“**First Announcement Date**”), the Company announced that it was approached by an independent third party in respect of the possible acquisition of Shares.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As indicated from the chart above, the closing price of the Shares during the period from the First Announcement Date to the Last Trading Date (both dates inclusive) have surged after the release of the First Announcement with the highest and lowest closing prices as quoted on the Stock Exchange of HK\$1.13 on 19 July 2007 and HK\$0.56 on 21 May 2007 respectively.

By observation, the movement of closing prices of the Shares since the First Announcement Date was very volatile, as compared with sluggish performance of the Shares during most of the other time of the Pre-Announcement Period. We are of the view that such increase in price of the Shares was largely prompted by market speculation with respect to the possible change in control of the Company as announced in the First Announcement.

Post-Announcement Period

On 31 July 2007, trading in the Shares on the Stock Exchange resumed upon release of the Announcement, and the price of the Shares surged and the closing price of Shares rose to HK\$1.71 per Share on that day. As indicated from the chart above, the closing prices of the Shares during the period from 31 July 2007 to the Latest Practicable Date (both dates inclusive) have surged after the release of the Announcement with the highest and lowest closing prices of the Shares as quoted on the Stock Exchange of HK\$1.71 on 31 July 2007 and HK\$1.04 on 17 August 2007 respectively, representing premiums of approximately 85.9% and 13.0% respectively over the Offer Price. As at the Latest Practicable Date, the Offer Price represents a discount of approximately 27.0% to the closing price of HK\$1.26 per Share as quoted on the Main Board of the Stock Exchange.

We are of the view that such increase in the price of Shares was largely prompted by market speculation upon the release of the Announcement over the future business prospect of the Group after the change in the control of the Group.

Taking into account such a relatively short period of time as compared to the Pre-Announcement Period, we consider the price performance of the Shares during the Post-Announcement Period may not provide a meaningful indication to assess the fairness and reasonableness of the Offer Price.

Given that (i) the Offer Price represents a significant premium of approximately 95.74% over the Company's average closing price of HK\$0.47 during the Review Period, and a premium of approximately 71.0% over the audited consolidated net asset value per Share of approximately HK\$0.5381 as at 31 March 2007; and (ii) the closing prices of the Shares gradually decreased from the peak of HK\$1.71 recorded on 31 July 2007 to HK\$1.26 as at the Latest Practicable Date, we are of the view that the Offer Price is fair and reasonable to the Offer Shareholders.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Liquidity of Shares

The following table also sets out the trading volume of the Shares during the Review Period:

Month/Period	Total trading volume (Shares)	Average daily trading volume (Shares) (Note 1)	Percentage of average daily trading volume to total number of the Shares in issue as at the Latest Practicable Date (in %)	Percentage of average daily trading volume to total number of the Shares held by public shareholders as at the Latest Practicable Date (in %) (Note 2)
2006				
Jul (19–31)	130,000	16,250	0.0027	0.0094
Aug	340,000	14,783	0.0024	0.0086
Sep	1,973,000	939,524	0.0155	0.5454
Oct	651,000	32,550	0.0054	0.0189
Nov	4,217,000	191,682	0.0316	0.1113
Dec	1,321,000	69,526	0.0114	0.0404
2007				
Jan	1,490,000	67,727	0.0111	0.0393
Feb	1,548,000	86,000	0.0142	0.0499
Mar	517,000	23,500	0.0039	0.0136
Apr	5,089,000	282,722	0.0466	0.1641
May	14,753,000	702,524	0.1157	0.4078
Jun	61,543,000	3,077,150	0.5067	1.7864
Jul	51,408,992	3,672,071	0.6047	2.1318
August (1–28)	34,680,000	1,734,000	0.2855	1.0667

Source: Website of the Stock Exchange (www.hkex.com)

Notes:

- Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange were suspended for the whole trading day.
- Based on approximately 172,252,000 Shares held by public shareholders as at the Latest Practicable Date, being the total number of the Shares in issue as at the Latest Practicable Date less the number of the Shares in which the Offeror and parties acting in concert with it were interested as at the Latest Practicable Date.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As shown in the above table, the average daily trading volume of the Shares during the Pre-Announcement Period were 545,113 Shares, representing approximately 0.09% of the total number of the Shares in issue as at the Latest Practicable Date and approximately 0.32% of the total number of the Shares held by public shareholders as at the Latest Practicable Date.

For the Post-Announcement Period, the trading volume of the Shares remained fairly inactive, although the average daily trading volume of the Shares during the Post-Announcement Period increased to 2,989,285 Shares, representing approximately 0.49% of the total number of the Shares in issue as at the Latest Practicable Date and approximately 1.74% of the total number of the Shares held by public shareholders as at the Latest Practicable Date.

Based on the foregoing, we consider that the overall liquidity of Shares was thin during the Pre-Announcement Period. Offer Shareholders who intend to dispose of their Shares in the market may not be able to do so without exerting downward pressure on the Share price to some extent.

As the relatively large increase in trading volume during the Post-Announcement Period as compared to the Pre-Announcement Period was, in our opinion, largely prompted by market speculation over the future prospect of the Group upon the release of the Announcement, together with the thin liquidity during the Pre-Announcement Period, we consider that the Offer provides an alternative exit to the Offer Shareholders who wish to realise their investment in the Shares.

(E) Indicative valuation benchmarks

Net asset value ("NAV")

The audited consolidated NAV of the Group as at 31 March 2007 was approximately HK\$327.4 million (equivalent to approximately HK\$0.538 per Share based on weighted average number of about 608,671,000 Shares in issue for the financial year ended 31 March 2007). The Offer Price represents a premium of approximately 71.0% over the audited consolidated NAV per Share as at 31 March 2007.

Price/earnings multiples ("P/E")

P/E multiple is one of the most commonly used benchmarks, taken into account the nature of business, for valuing a company. Based on the net profit attributable to the Shareholders of approximately HK\$63.7 million and weighted average number of about 608,671,000 Shares in issue for the financial year ended 31 March 2007, the earnings per share ("EPS") of the Company for the financial year ended 31 March 2007 was about HK\$0.1046. Based on EPS of the Company for the financial year ended 31 March 2007, the Share Offer Price represents a P/E of about 8.80 times.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

(F) Comparison with market comparables

The Company is principally engaged in investment holding, trading in equity securities, the manufacture and sale of fur garments and the sale of fur skins. In assessing the fairness of the Offer Price, we have, to our best efforts, identified and reviewed 10 comparable companies (the “**Comparable Companies**”) listed on the Stock Exchange whose principal business are engaged in the sales and manufacture of garments, which is similar to the business of the Company:

Company Name	Principal business	P/E <i>(Note 1)</i>	Price/NAV per Share ("P/B") <i>(Note 2)</i>
Graneagle Holdings Ltd (147.HK)	Garment manufacture and trading	13.20	2.22
High Fashion International Ltd (608.HK)	Manufacture, trading and retailing of garments	13.14	1.41
China Ding Group Holdings Ltd (3398.HK)	Provision of vertically integrated garment manufacturing solutions for middle to high-end fashion apparel on OEM basis, manufacturing and retailing of branded fashion apparel, primarily for women, in China	12.25	2.45
Eagle Nice (International) Holdings Ltd (2368.HK)	Design and manufacture of sportswear for men, women and children on an OEM basis	12.14	1.64
Win Hanverky Holdings Ltd (3322.HK)	Manufacturing of integrated sportswear and active and outer wear and distribution for international sports brands	11.20	2.64
Tungtex (Holdings) Co. Ltd (518.HK)	Manufacture & sale of garments	8.16	1.29
YGM Trading Ltd (375.HK)	Sale of garments, property rental & trading, printing and related services, and royalty income in HK	8.18	1.30

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Company Name	Principal business	P/E <i>(Note 1)</i>	Price/NAV per Share ("P/B") <i>(Note 2)</i>
Tack Fat Group (928.HK)	Design and manufacture of jeans, pants, shorts, swimming apparel and sportswear for men, women and children on OEM and ODM basis	6.24	1.48
Tristate Holdings Ltd (458.HK)	Garment manufacturing, garment trading and branded product distribution	6.05	0.78
YangtzeKiang Garment Limited (294.HK)	Manufacture and sale of garments and property investment	5.11	0.73
	Minimum	5.11	0.73
	Maximum	13.20	2.64
	Average	9.57	1.59
Company		8.80 <i>(Note 3)</i>	1.71 <i>(Note 4)</i>

Source: Website of the Stock Exchange, annual reports of the Comparable Companies and Bloomberg

Notes:

1. P/E is defined as the closing prices of the Comparable Companies as at the Latest Practicable Date over their respective earnings per share as per the latest published annual reports of the Comparable Companies.
2. P/B is defined as the closing prices of the Comparable Companies as at the Latest Practicable Date over the NAV per share of the Comparable Companies as per the latest published financial reports of the Comparable Companies.
3. Based on the net profit attributable to the Shareholders of approximately HK\$63.7 million and weighted average number of about 608,671,000 Shares in issue for the financial year ended 31 March 2007, the EPS of the Group for the financial year ended 31 March 2007 was about HK\$0.1046. Based on EPS and the closing price of the Shares of about HK\$1.1 as at the Latest Practicable Date, the Group had a P/E of about 10.52 times. Based on EPS of the Company for the financial year ended 31 March 2007, the Offer Price represents a P/E of about 8.80 times.
4. Based on the NAV of the Group of approximately HK\$327.4 million as at 31 March 2007 and weighted average number of about 608,671,000 Shares in issue for the financial year ended 31 March 2007, the NAV per Share as at 31 March 2007 was about HK\$0.538. Based on NAV per Share and the closing price of the Shares of about HK\$1.26 as at the Latest Practicable Date, the Group had P/B of about 2.34 times. Based on NAV per Share as at 31 March 2007, the Share Offer Price represents a P/B of about 1.71 times.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

P/E comparison

As shown in the above table, the P/E of the Comparable Companies ranges from 5.11 times to 13.20 times, with an average P/E of 9.57 times. The P/E implied by the Offer Price is within the range of the P/E of the Comparable Companies, although lower than the average P/E of the Comparable Companies.

P/B comparison

As shown in the above table, the P/B of the Comparable Companies ranges from 0.73 times to 2.64 times, with an average P/B of 1.59 times. The P/B implied by the Offer Price is within the range of the P/B of the Comparable Companies, and higher than the average P/B of the Comparable Companies.

We wish to highlight that the above comparison with the Comparable Companies is for illustrative purposes only as each of the Comparable Companies may not be entirely comparable to the Group in terms of the scale of operations, asset base, risk profile, track record, composition of their business activities, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, in forming our opinion, we have considered the results of the above comparison together with all other factors stated in this letter as a whole.

(4) MAINTAINING LISTING STATUS OF THE COMPANY

As referred to in the “Letter from Taifook Securities” set out on page 11 of the Composite Offer Document, the Offeror intends that the Company will remain listed on the Stock Exchange after the close of the Offer. The Company, Directors and the Offeror have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

It should be noted that Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that a false market exists or may exist in trading of the Shares; or there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares until a sufficient level of public float is attained.

(5) RECOMMENDATION

Having considered the above principal factors and reasons, in particular:

- the operating environment for the sales of fur skins and fur garments business remains to be challenging;
- the growth of the Group's profit during the previous three financial years was mainly driven by robust performance of the Group's investment and proceeds from trading in equity securities and the Group's substantial exposure relating to financial market and economic conditions as well as the stock market sentiment would impose uncertainty on the future profitability and financial condition of the Group;
- no concrete business strategy or expansion plans had been announced by the Offeror pending the result of its review of the business and financial affairs of the Group;
- the lack of liquidity of the Shares which may hinder the Offer Shareholders from disposing of their Shares in the market without triggering substantial price fall in the Shares;
- the Offer Price represents a significant premium of approximately 71.0% over the audited consolidated net asset value per Share of approximately HK\$0.5381 as at 31 March 2007;
- the Offer Price represents a significant premium of approximately 95.74% over the Company's average closing price of HK\$0.47 during the Review Period; and
- The P/E and P/B implied by the Offer Price are within the range of those of the Comparable Companies,

we are of the view that, despite the Offer Price represented a discount to the closing price of the Shares as at the Latest Practicable Date, the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Offer Shareholders to accept the Offer. However, since the Shares have been trading at a price level higher than the Offer Price, Offer Shareholders should closely monitor the market price and liquidity of the Shares during the Offer period and consider to sell their Shares in the market during the Offer period instead of accepting the Offer if the net proceeds exceeds the amount receivable under the Offer.

For those Offer Shareholders who decide to retain part or all of their investments in the Shares should carefully consider the future intentions of the Offeror regarding the Group and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. For further details, Offer Shareholders should refer to the "Letter from Taifook Securities".

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The Offer Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Offer Document and are strongly advised that the decision to realise or hold their investment in the Shares is subject to individual circumstances and investment objectives.

Your faithfully,
For and on behalf of
China Everbright Capital Limited
Jacky Ho
Managing Director

Your faithfully,
For and on behalf of
Mega Capital (Asia) Company Limited
Terence Hong **Alfred Wong**
Managing Director *Executive Director*

1. PROCEDURES FOR ACCEPTANCE

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Tengis Limited whose address is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
- (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominee Limited.
- (c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Taifook Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form of Acceptance.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, and is:
- (i) accompanied by the relevant share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
- (ii) from a registered Offer Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (f) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT

- (a) Provided that the relevant Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date, a cheque for the amount representing the cash consideration due to each accepting Offer Shareholder in respect of the Shares tendered by him under the Offer, less seller's ad valorem stamp duty payable by him, will be despatched to each accepting Offer Shareholder by ordinary post at his own risk within 10 days of the date on which the relevant documents which render such acceptance complete and valid are received by the Registrar.
- (b) Settlement of the consideration to which any Offer Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances must be received by the Registrar by 4:00 p.m. on 21 September 2007.
- (b) If the Offer are extended or revised, the announcement of such extension or revision will state the next Closing Date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Offer Shareholders and, unless previously extended or revised, shall be closed on the subsequent Closing Date. If the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

- (c) The Offeror may introduce new conditions to be attached to any revision to the terms of the Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive.
- (d) If the Closing Date is extended, any reference in this document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer as so extended.

4. NOMINEE REGISTRATION

- (a) To ensure equality of treatment of all Offer Shareholders, those registered Offer Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.
- (b) The completed Form of Acceptance and remittances sent by or to the Offer Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of the Company (or in the case of joint Offer Shareholders, to the Offer Shareholder whose name stands first in the register of members of the Company).
- (c) All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, the Company, Taifook Capital, Taifook Securities, China Everbright, Mega Capital, the Registrar or any of their respective directors or any other persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on Friday, 21 September 2007 (or such later time and/or date as the Executive agrees) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended or expired.

The announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer has been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or persons acting in concert with it before the offer period (as defined under the Takeovers Code); and
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the offer period (as defined under the Takeovers Code) by the Offeror or persons acting in concert with it.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, for announcement purposes, acceptances which are not in all respects in complete and good order or that are subject to verification may only be included where they could be counted towards fulfilling the acceptance condition under paragraph 1(e) of this Appendix.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Offer Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

7. GENERAL

- (a) All communications, notices, Form of Acceptance, certificates of Shares, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents through post at their own risk, and none of the Company,

the Offeror, Taifook Capital, Taifook Securities, China Everbright, Mega Capital, the Registrar nor any of their respective directors or professional advisers or other parties involved in the Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.
- (c) The accidental omission to despatch this document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Taifook Securities or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any person or persons holding Shares will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Offer are sold by such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on the Shares on or after 31 August 2007, being the date of this document. The settlement of the consideration to which any Offer Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.
- (g) References to the Offer in this document and in the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of

any governmental or other consent, exchange control and any registration or filing which may be required in compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties imposed by whomsoever payable in respect of the relevant jurisdictions.

- (i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Offer Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Taifook Securities knows to be nominees, trustees or custodians for such persons by announcement or paid advertisement in any daily newspaper published and circulated in Hong Kong in which case such notice, and all references in this document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Offer Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on part of the Company, the Offeror or Taifook Securities or their respective professional advisers. The Offer Shareholders should consult their own professional advisers for professional advice.
- (l) The English texts of this document and the Form of Acceptance shall prevail over their Chinese texts for the purpose of interpretation.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated income statement of the Group for the three years ended 31 March 2007, which was audited by Li, Tang, Chen & Co.:

CONSOLIDATED INCOME STATEMENT

	Year ended 31 March		
	2007 HK\$'000	2006 HK\$'000 (restated)	2005 HK\$'000 (restated)
TURNOVER	359,576	208,281	184,271
Cost of sales	(319,379)	(172,079)	(148,094)
Gross profit	40,197	36,202	36,177
Other income and gains			
– Income from investments	41,048	30,278	20,669
– Others	4,843	4,719	4,201
Fair value gains on investment properties	3,280	4,530	5,071
Selling and distribution expenses	(4,613)	(6,108)	(6,193)
Operating and administrative expenses	(13,889)	(13,761)	(14,074)
Other operating expenses	–	–	(1,850)
PROFIT FROM OPERATING ACTIVITIES	70,866	55,860	44,001
Finance costs	(7,346)	(2,782)	(396)
Share of loss of an associate	(10)	(48)	–
PROFIT BEFORE TAX	63,510	53,030	43,605
Tax	170	(6,604)	(3,774)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	<u>63,680</u>	<u>46,426</u>	<u>39,831</u>
DIVIDENDS	<u>19,472</u>	<u>18,491</u>	<u>21,905</u>
DIVIDENDS PER SHARE	<u>HK3.20 cents</u>	<u>HK3.00 cents</u>	<u>HK5.50 cents</u>
EARNINGS PER SHARE			
Basic	<u>HK10.46 cents</u>	<u>HK7.68 cents</u>	<u>HK6.67 cents</u>
Diluted	<u>N/A</u>	<u>HK7.65 cents</u>	<u>HK6.63 cents</u>

Neither extraordinary nor exceptional items existed for each of the three years ended 31 March 2007.

There was no qualification in the auditor's reports for each of the three years ended 31 March 2007.

The calculation of basic earnings per Share was based on the profit from ordinary activities attributable to Shareholders and on the weighted average number of ordinary Shares in issue during the relevant year. For 2006, the weighted average number of ordinary shares for the purpose of basic earnings per share had been adjusted for the bonus issue on 26 August 2005.

The calculation of diluted earnings per Share, if applicable, is based on the profit from ordinary activities attributable to Shareholders for the relevant year and on the weighted average number of Shares in issue during the year, plus the weighted average number of Shares deemed to be issued at no consideration if all outstanding share options had been exercised.

2. FINANCIAL STATEMENTS

Set out below is the audited financial information of the Group for the two years ended 31 March 2007 as extracted from the annual report of the Company for the year ended 31 March 2007:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (restated)
TURNOVER	8	359,576	208,281
Cost of sales		<u>(319,379)</u>	<u>(172,079)</u>
Gross profit		40,197	36,202
Other income and gains	8		
– Income from investments		41,048	30,278
– Others		4,843	4,719
Fair value gains on investment properties	18	3,280	4,530
Selling and distribution expenses		(4,613)	(6,108)
Operating and administrative expenses		<u>(13,889)</u>	<u>(13,761)</u>
PROFIT FROM OPERATING ACTIVITIES		70,866	55,860
Finance costs	9	(7,346)	(2,782)
Share of loss of an associate		<u>(10)</u>	<u>(48)</u>
PROFIT BEFORE TAX	10	63,510	53,030
Tax	11	<u>170</u>	<u>(6,604)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS		<u>63,680</u>	<u>46,426</u>
DIVIDENDS	13	<u>19,472</u>	<u>18,491</u>
EARNINGS PER SHARE	16		
Basic		<u>HK10.46 cents</u>	<u>HK7.68 cents</u>
Diluted		<u>N/A</u>	<u>HK7.65 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2007

	Note	2007 HK\$'000	2006 HK\$'000 (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	6,812	6,723
Investment properties	18	30,380	27,100
Prepaid land lease payments	19	881	904
Interest in an associate	21	20	30
Available-for-sale financial assets	22	251,642	194,035
		<u>289,735</u>	<u>228,792</u>
CURRENT ASSETS			
Inventories	23	10,261	63,297
Prepaid land lease payments	19	23	23
Prepayments, deposits and other receivables		6,183	4,037
Derivative financial instruments	31	3,061	162
Trade receivables	24	629	1,883
Financial assets at fair value through profit or loss	25	107,538	106,178
Cash and cash equivalents	26	29,648	24,537
		<u>157,343</u>	<u>200,117</u>
CURRENT LIABILITIES			
Bank overdraft, unsecured		–	43
Short-term bank loans			
– secured	27	110,982	82,300
– unsecured	27	–	5,766
Trust receipt loans, secured	27	–	7,727
Trade payables	28	134	3,124
Customers' deposits		2,878	39,051
Other payables and accruals	29	2,291	1,248
Current portion of finance lease payable	30	–	10
Tax payable		479	6,937
		<u>116,764</u>	<u>146,206</u>
NET CURRENT ASSETS		<u>40,579</u>	<u>53,911</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		330,314	282,703
NON-CURRENT LIABILITIES			
Deferred tax liabilities	32	2,963	2,354
NET ASSETS		<u>327,351</u>	<u>280,349</u>

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (restated)
CAPITAL AND RESERVES			
Share capital	33	60,829	60,879
Reserves	34	254,964	208,512
Proposed dividends	13	11,558	10,958
TOTAL EQUITY		327,351	280,349

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Total HK\$'000
At 1st April, 2005	39,826	48,252	5,830	2,595	118	4,226	12	142,921	11,948	255,728
Shares issued under share option scheme	760	1,534	-	-	-	-	-	-	-	2,294
Issue of bonus shares	20,293	(20,293)	-	-	-	-	-	-	-	-
Realised on disposal of available-for-sale financial assets	-	-	-	-	-	(2,204)	-	-	-	(2,204)
Deficit on revaluation	-	-	-	-	-	(2,414)	-	-	-	(2,414)
Final dividend paid	-	-	-	-	-	-	-	(227)	(11,948)	(12,175)
Profit for the year	-	-	-	-	-	-	-	46,426	-	46,426
Dividends - note 13	-	-	-	-	-	-	-	(18,264)	10,958	(7,306)
At 31st March, 2006	<u>60,879</u>	<u>29,493</u>	<u>5,830</u>	<u>2,595</u>	<u>118</u>	<u>(392)</u>	<u>12</u>	<u>170,856</u>	<u>10,958</u>	<u>280,349</u>
At 1st April, 2006	60,879	29,493	5,830	2,595	118	(392)	12	170,856	10,958	280,349
Repurchase of shares	(50)	(113)	-	-	-	-	-	-	-	(163)
Realised on disposal of available-for-sale financial assets	-	-	-	-	-	(1,652)	-	-	-	(1,652)
Surplus on revaluation	-	-	-	-	-	4,009	-	-	-	4,009
Final dividend paid	-	-	-	-	-	-	-	-	(10,958)	(10,958)
Profit for the year	-	-	-	-	-	-	-	63,680	-	63,680
Dividends - note 13	-	-	-	-	-	-	-	(19,472)	11,558	(7,914)
At 31st March, 2007	<u>60,829</u>	<u>29,380</u>	<u>5,830</u>	<u>2,595</u>	<u>118</u>	<u>1,965</u>	<u>12</u>	<u>215,064</u>	<u>11,558</u>	<u>327,351</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	2007 HK\$'000	2006 HK\$'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	63,510	53,030
Adjustments for:		
Share of loss of an associate	10	48
Interest expenses	7,346	2,782
Dividend income from available-for-sale financial assets	(27)	(87)
Dividend income from financial assets at fair value through profit or loss	(3,672)	(2,739)
Interest income from investment in available-for-sale financial assets	(16,512)	(9,244)
Bank interest income	(584)	(1,168)
Other interest income	(42)	(1)
Fair value gain on investment properties	(3,280)	(4,530)
Reversal of revaluation deficit on buildings for own use previously recognised in income statement	–	(157)
Depreciation	483	606
Recognition of prepaid land lease payments	23	23
Reversal of revaluation deficit on property, plant and equipment previously recognised in income statement	(648)	–
Loss/(gain) on disposal of property, plant and equipment	44	(124)
Net realised gain on available-for-sale financial assets	(2,571)	(6,256)
Unrealised gain on investments in financial assets at fair value through profit or loss	(14,271)	(11,453)
Net realised and unrealised gain on derivative financial instruments	(3,995)	(162)
Operating profit before working capital changes	25,814	20,568
Decrease/(increase) in inventories	53,036	(13,923)
Increase in prepayments, deposits and other receivables	(2,146)	(1,002)
Decrease in trade receivables	1,254	607
Decrease/(increase) in financial assets at fair value through profit or loss	12,911	(11,463)
Decrease in trust receipt loans	(7,727)	(273)
(Decrease)/increase in trade payables	(2,990)	2,467
(Decrease)/increase in customers' deposits	(36,173)	15,074
Increase/(decrease) in other payables and accruals	1,043	(450)
Cash from operations	45,022	11,605
Interest paid	(7,346)	(2,782)
Hong Kong profits tax paid	(5,680)	(2,511)
Net cash from operating activities	31,996	6,312

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000 (restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income from available-for-sale financial assets		27	87
Dividend income from financial assets at fair value through profit or loss		3,672	2,739
Interest income from investment in available-for-sale financial assets		16,512	9,244
Bank interest income		584	1,168
Other interest income		42	1
Net settlement of derivative financial instruments		1,096	–
Purchases of property, plant and equipment		(133)	(64)
Proceeds from disposal of property, plant and equipment		166	124
Purchases of investment properties		–	(2,090)
Acquisition of available-for-sale financial assets		(119,267)	(148,553)
Acquisition of an associate		–	(78)
Proceeds from disposal of available-for-sale financial assets		66,588	68,879
Net cash used in investing activities		<u>(30,713)</u>	<u>(68,543)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for repurchase of shares		(163)	–
Exercise of share options		–	2,294
Dividend paid		(18,872)	(19,481)
Capital element of finance lease rental payments		(10)	(15)
Acquisition of short-term bank loans		28,682	249,278
Repayment of other loans		–	(6,195)
Repayment of short-term bank loans		(5,766)	(208,411)
Net cash from financing activities		<u>3,871</u>	<u>17,470</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,154	(44,761)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>24,494</u>	<u>69,255</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>29,648</u></u>	<u><u>24,494</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	29,648	24,537
Bank overdraft, unsecured		–	(43)
		<u><u>29,648</u></u>	<u><u>24,494</u></u>

BALANCE SHEET*As at 31st March, 2007*

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (restated)
NON-CURRENT ASSETS			
Interests in subsidiaries	20	65,865	63,503
Available-for-sale financial assets	22	243,842	186,235
		<u>309,707</u>	<u>249,738</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		4,238	2,326
Financial assets at fair value through profit or loss	25	107,538	106,178
Derivative financial instruments	31	3,061	162
Cash and cash equivalents	26	26,619	16,095
		<u>141,456</u>	<u>124,761</u>
CURRENT LIABILITIES			
Bank overdraft, unsecured		–	36
Short term bank loans, secured	27	87,681	54,100
Other payables and accruals	29	211	581
Tax payable		404	1,384
		<u>88,296</u>	<u>56,101</u>
NET CURRENT ASSETS		<u>53,160</u>	<u>68,660</u>
NET ASSETS		<u><u>362,867</u></u>	<u><u>318,398</u></u>
CAPITAL AND RESERVES			
Share capital	33	60,829	60,879
Reserves	34	290,480	246,561
Proposed dividends	13	11,558	10,958
TOTAL EQUITY		<u><u>362,867</u></u>	<u><u>318,398</u></u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Rising Development Holdings Limited was incorporated in Bermuda on 8th August, 1997 as an exempted company with limited liability under the Companies Act (as amended) of Bermuda. The principal office of the Company is located at 16th Floor, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was engaged in investment holding, trading in equity securities, the manufacture and sale of fur garments and the sale of fur skins.

In the opinion of the directors, the ultimate holding company is Rising Global Asset Limited, which is incorporated in the British Virgin Islands (“BVI”).

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND CONSOLIDATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) (which also includes Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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 buildings, investment properties and certain financial assets, which have been measured at fair value.

During the current year, the Group included trading in equity securities under “financial assets at fair value through profit or loss” as one of its principal activities and accordingly, the directors considered it more appropriate to reclassify its proceeds from trading in equity securities and related cost under turnover and cost of sales respectively, and also to present the related financial information under a separate segment of “Trading in equity securities” to better reflect the underlying nature of these balances and allow a more appropriate presentation of the Group’s results. In the corresponding period in 2006, trading of equity securities incurred has been reclassified. The comparative amounts of segment information have been restated to conform with the current year’s presentation.

The consolidated financial statements included the financial statements of the Company and its subsidiaries for the year ended 31st March, 2007. 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.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The Group has adopted the new and revised HKFRSs below, which are relevant to its operations in the preparation of the financial statements.

- Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions, which allows the designation of an intragroup transaction as a hedged item when the foreign currency risk of the transaction would affect the consolidated financial statements.
- Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option, which amends the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category.

- Amendment to HKAS 39 Financial Instruments: Recognition and Measurement & HKFRS 4 Insurance Contracts –Financial Guarantee Contracts, which requires the recognition of issued financial guarantees at fair value irrespective of the legal form.
- HKFRS-Int 4 Determining whether an Arrangement contains a Lease, which requires application of lease accounting in accordance with HKAS 17 “Leases” on all arrangements that convey the right to use specific assets irrespective of their legal form.

The adoption of these new and revised HKFRSs has no material effect on the Group’s results and financial position for the current or prior accounting periods reflected in these financial statements.

4. 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:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1st January, 2007
Amendment to HKAS 1	Presentation of Financial Statements – Capital Disclosures	1st January, 2007
HK(IFRIC)-Int 8	Scope of HKFRS 2	1st May, 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1st June, 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1st November, 2006
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1st March, 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1st January, 2008
HKFRS 8	Operating Segments	1st January, 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but yet in a position to state whether these amendments, new standards and new interpretations would have a significant impact on the Group’s results of operations and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) on 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) sale of securities, on a trade date basis;
- (c) rental income, on a straight line basis over the lease terms;
- (d) 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 assets;
- (e) dividend income, when the right to receive payment is established.

Subsidiaries:

A subsidiary is a company 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.

Associate:

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results of an associate is included in the consolidated income statement. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, 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, financial assets, deferred tax assets, investment properties and goodwill), 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 estimate 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 year 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.

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 or its parent;

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

Property, plant and equipment:

Property, plant and equipment are stated at cost or valuation 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 the 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.

Buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

Buildings	The shorter of the lease terms and 50 years
Leasehold improvements	The shorter of the lease terms and 5 years
Plant and machinery	3 to 5 years
Furniture, fixtures and motor vehicles	3 to 5 years

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 of 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.

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.

Leases:

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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. 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.

Investments and other financial assets:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, 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.

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.

Financial assets at fair value through profit or loss:

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

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 that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairments losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Impairment of financial assets:

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a 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 profit or loss.

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.

Assets carried at cost:

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discontinued at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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 profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets:

A financial asset (or, where applicable, a part of a financial asset or 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 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 rewards 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities:

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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments:

The Group invests in certain derivative financial instruments, such as forward exchange contracts, for trading purpose. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss for the year.

Financial guarantee contracts:

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with HKAS 18 Revenue.

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 years 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 goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination 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, associate, 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 in a transaction that is not a business combination 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 and associate, 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 authority.

Employee benefits:

- (i) The Group operates a defined contribution retirement benefits scheme for those employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

In addition, the Group also operates a defined contribution Mandatory Provident Fund ("MPF") retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF scheme 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 Group's employer contributions are fully and immediately vested in favour of the employees.

- (ii) The Company's subsidiaries which operate in the Mainland are required to pay social security insurance premium to local authority for their employees. The insurance premium is calculated at certain percentage on the staff payroll. Social security insurance can provide retirement and unemployment benefits to the employees.

Inventories:

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. 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 based on a normal level of operating activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 profit or loss. Non-monetary items that are measured in the 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 the 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 at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Equity share-based payment transactions:

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (Employee share-based compensation reserve).

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

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.

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.

Dividends:

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

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, 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.

6. SUMMARY 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.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Impairment assessment for trade receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectability and an aging analysis of trade receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

7. 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 other business segments. Summary details of the business segments are as follows:

- (a) Trading in equity securities comprise proceeds from trading in equity securities and investment income from equity securities.
- (b) Investments comprise dividend and interest income from investments and gain or loss on investments other than equity securities.
- (c) Manufacture and sales of fur garments.
- (d) Trading of fur skins.
- (e) Others comprise rental income from investment properties and the Group's management services business, which provide management services to Group companies.

In determining the Group's geographical segments, revenues and results 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.

Intersegment sales and transfers are transacted at the terms agreed between the parties and with reference to third party prices.

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP
(a) Business segments:

The following tables present revenue, profit and expenditure and certain asset and liability information for the Group's business segments.

2007	Trading in equity securities HK\$'000	Investments HK\$'000	Manufacture and sales of fur garments HK\$'000	Trading of fur skins HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:							
Sales to external customers	76,945	-	56,919	225,712	-	-	359,576
Intersegment sales	-	-	-	31,310	-	(31,310)	-
Income from investments	17,944	23,104	-	-	-	-	41,048
Other revenue	-	-	1,191	2,511	4,337	(3,822)	4,217
Total revenue	<u>94,889</u>	<u>23,104</u>	<u>58,110</u>	<u>259,533</u>	<u>4,337</u>	<u>(35,132)</u>	<u>404,841</u>
Segment results	<u>23,775</u>	<u>21,161</u>	<u>7,397</u>	<u>14,345</u>	<u>4,959</u>		71,637
Interest income							626
Unallocated expenses							(1,397)
Profit from operating activities							70,866
Finance costs							(7,346)
Share of loss of an associate							(10)
Profit before tax							63,510
Tax							170
Profit attributable to shareholders							<u>63,680</u>
2006 (restated)							
Segment revenue:							
Sales to external customers	44,600	-	71,155	92,526	-	-	208,281
Intersegment sales	-	-	-	39,934	-	(39,934)	-
Income from investments	14,192	16,086	-	-	-	-	30,278
Other revenue	-	-	807	2,027	5,104	(4,388)	3,550
Total revenue	<u>58,792</u>	<u>16,086</u>	<u>71,962</u>	<u>134,487</u>	<u>5,104</u>	<u>(44,322)</u>	<u>242,109</u>
Segment results	<u>19,044</u>	<u>16,086</u>	<u>9,156</u>	<u>5,622</u>	<u>6,279</u>		56,187
Interest income							1,169
Unallocated expenses							(1,496)
Profit from operating activities							55,860
Finance costs							(2,782)
Share of loss of an associate							(48)
Profit before tax							53,030
Tax							(6,604)
Profit attributable to shareholders							<u>46,426</u>

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

2007	Trading in equity securities HK\$'000	Investments HK\$'000	Manufacture and sales of fur garments HK\$'000	Trading of fur skins HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment assets	134,157	241,458	38,604	16,407	42,365	(25,913)	<u>447,078</u>
Segment liabilities	-	(87,893)	(38,385)	(2,908)	(15,975)	25,913	(119,248)
Unallocated liabilities							<u>(479)</u>
Total liabilities							<u>(119,727)</u>
Other segment information:							
Depreciation	-	-	457	11	15		483
Capital expenditure	-	-	13	46	74		133
Loss on disposal of property, plant and equipment	-	-	44	-	-		44
Net realised gain on investments in available- for-sale financial assets	-	2,571	-	-	-		2,571
Unrealised gain on investments in financial assets at fair value through profit or loss	14,271	-	-	-	-		14,271
Fair value gains on investment properties	<u>-</u>	<u>3,280</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>3,280</u>
2006 (restated)							
Segment assets	122,273	158,688	44,490	59,551	54,357	(10,450)	<u>428,909</u>
Segment liabilities	-	(62,616)	(36,814)	(47,680)	(4,953)	10,450	(141,613)
Unallocated liabilities							<u>(6,937)</u>
Finance lease payable	-	-	(10)	-	-		<u>(10)</u>
Total liabilities							<u>(148,560)</u>
Other segment information:							
Depreciation	-	-	606	-	-		606
Capital expenditure	-	-	64	-	-		64
Gain on disposal of property, plant and equipment	-	-	124	-	-		124
Net realised gain on investments in available- for-sale financial assets	-	6,256	-	-	-		6,256
Unrealised gain on investments in financial assets at fair value through profit or loss	11,453	-	-	-	-		11,453
Fair value gains on investment properties	<u>-</u>	<u>4,530</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>4,530</u>

Note: As described in note 2, a separate segment of "Trading in equity securities" was included to better reflect the Group's principal activities for the current year.

(b) Geographical segments:

The following tables present revenue, profit and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong and Mainland China HK\$'000	Japan HK\$'000	North America HK\$'000	Others HK\$'000	Consolidated HK\$'000
2007					
Segment revenue:					
Sales to external customers	<u>308,795</u>	<u>17,680</u>	<u>19,830</u>	<u>13,271</u>	<u>359,576</u>
Segment results	<u>65,037</u>	<u>2,298</u>	<u>2,577</u>	<u>1,725</u>	<u>71,637</u>
2006 (restated)					
Segment revenue:					
Sales to external customers	<u>143,877</u>	<u>19,252</u>	<u>24,172</u>	<u>20,980</u>	<u>208,281</u>
Segment results	<u>47,901</u>	<u>2,476</u>	<u>3,110</u>	<u>2,700</u>	<u>56,187</u>
Other segment information:					
	Hong Kong and Mainland China HK\$'000	Japan HK\$'000	North America HK\$'000	Others HK\$'000	Consolidated HK\$'000
2007					
Other segment information:					
Segment assets	<u>446,557</u>	<u>328</u>	<u>169</u>	<u>24</u>	<u>447,078</u>
Capital expenditure	<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>
2006 (restated)					
Other segment information:					
Segment assets	<u>427,708</u>	<u>449</u>	<u>497</u>	<u>255</u>	<u>428,909</u>
Capital expenditure	<u>64</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64</u>

8. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and proceeds from trading in equity securities during the year.

An analysis of the Group's turnover, other income and gains is as follows:

	2007 HK\$'000	2006 HK\$'000 (restated)
Turnover		
Sales of fur skins and fur garments	282,631	163,681
Proceeds from trading in equity securities	76,945	44,600
	<u>359,576</u>	<u>208,281</u>
Other income and gains		
Income from investments:		
Interest income from investments in available-for-sale financial assets	16,512	9,244
Dividend income from available-for-sale financial assets	27	87
Dividend income from financial assets at fair value through profit or loss	3,672	2,739
Net realised gain on investments in available-for-sale financial assets	2,571	6,256
Net realised gain on investments in equity-linked notes	–	337
Unrealised gain on investments in financial assets at fair value through profit or loss	14,271	11,453
Net realised and unrealised gain on derivative financial instruments	3,995	162
	----- 41,048	----- 30,278
Others:		
Gross rental income	486	384
Gain on disposal of property, plant and equipment	–	124
Bank interest income	584	1,168
Other interest income	42	1
Reversal of revaluation deficit on buildings for own use previously recognised in income statement	648	157
Exchange gain	923	677
Provision for bad debts written back	–	572
Others	2,160	1,636
	<u>4,843</u>	<u>4,719</u>
	----- <u>405,467</u>	----- <u>243,278</u>

9. FINANCE COSTS

	Group	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	6,833	1,833
Interest on trust receipts loans	513	648
Interest on other loans	–	301
	<u> </u>	<u> </u>
Total finance costs	<u>7,346</u>	<u>2,782</u>

10. PROFIT BEFORE TAX

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

	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	242,963	134,267
Depreciation		
– Owned assets	483	591
– Leased assets	–	15
	483	606
Recognition of prepaid land lease payments	23	23
Minimum lease payments under operating lease on land and buildings	544	639
Pension contributions	139	172
Less: Forfeited contributions	(21)	(67)
Net pension contributions	118	105
Auditors' remuneration	335	320
Staff costs (excluding directors' remuneration)	7,786	9,678
Gross rental income	(486)	(384)
Less: Outgoings	103	68
Net rental income	(383)	(316)
Write-down of inventories	2,826	3,348
Loss on disposal of property, plant and equipment	44	–
Exchange loss	<u>4</u>	<u>–</u>

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current year	4,213	3,410
– (over)/underprovision in respect of prior years	(4,992)	2,311
	(779)	5,721
Deferred – note 32	609	883
Income tax (credit)/expense	<u>(170)</u>	<u>6,604</u>

A reconciliation of the income tax (credit)/expense applicable to profit before tax using the statutory rate to the tax charge at the effective tax rate is as follows:

	Group			
	2007		2006	
	HK\$'000	%	HK\$'000	%
Profit before tax	<u>63,510</u>		<u>53,030</u>	
Tax at the statutory tax rate	11,114	17.50	9,280	17.50
Income not subject to tax	(7,184)	(11.31)	(4,380)	(8.26)
Expenses not deductible for tax	901	1.42	227	0.42
(Under)/overprovision of profits tax for the year	(19)	(0.03)	(199)	(0.38)
(Over)/underprovision of profits tax in respect of prior years	(4,992)	(7.86)	2,311	4.36
Unrecognised tax loss	69	0.11	–	–
Utilisation of tax losses	–	–	(686)	(1.29)
Unrecognised temporary difference	(88)	(0.14)	–	–
Others	29	0.05	51	0.10
Income tax (credit)/expense at the Group's effective rate	<u>(170)</u>	(0.26)	<u>6,604</u>	12.45

12. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year attributable to shareholders dealt with in the financial statements of the Company is HK\$61,147,000 (2006: HK\$49,877,000) (note 34).

13. DIVIDENDS

	Group and Company	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK1.3 cents (2006: HK1.2 cents) per ordinary share	7,914	7,306
Proposed final – HK1.9 cents (2006: HK1.8 cents) per ordinary share	11,558	10,958
	<hr/>	<hr/>
	19,472	18,264
Adjustment to 2006 final dividend	–	227
	<hr/>	<hr/>
	<u>19,472</u>	<u>18,491</u>

14. 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 and section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	390	390
	<hr/>	<hr/>
Other emoluments		
Basic salaries, housing benefits, other allowances and benefits in kind	2,253	2,173
Discretionary bonuses	129	443
Share-based payments	–	–
Retirement benefits contributions	36	35
	<hr/>	<hr/>
	2,418	2,651
	<hr/>	<hr/>
	<u>2,808</u>	<u>3,041</u>

(a) Independent non-executive directors

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

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Chan Wing Yuen, Hubert	120	120
Ho Man Kay, Angela	135	150
Fan Sai Yee	135	120
	<hr/>	<hr/>
	390	390
	<hr/>	<hr/>

There was no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors

2007	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits	Discretionary bonuses <i>HK\$'000</i>	Retirement benefits contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
		in kind <i>HK\$'000</i>			
Ng Ngan Lung, Freddy	-	1,200	-	12	1,212
Mui Chi Hung, Clarence	-	702	120	12	834
Chui May Ling, Margaret	-	351	9	12	372
	-	2,253	129	36	2,418
2006					
Ng Ngan Lung, Freddy	-	925	-	12	937
Chong Hong Sang, Kenneth (i)	-	585	360	10	955
Mui Chi Hung, Clarence	-	629	83	12	724
Chui May Ling, Margaret (ii)	-	34	-	1	35
	-	2,173	443	35	2,651

Notes:

(i) Resigned on 23rd February, 2006

(ii) Appointed on 23rd February, 2006

(c) The number of directors whose emoluments fell within the following band is as follows:

	Number of directors	
	2007	2006
Nil – HK\$1,000,000	5	7
HK\$1,000,000 – HK\$1,500,000	1	-

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three (2006: three) directors, details of whose emoluments are disclosed above. The details of the remuneration of two (2006: two) remaining individuals, highest paid employees for the year are as follows:

	2007 HK\$'000	2006 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	970	1,253
Retirement benefits contributions	21	12
	<u>991</u>	<u>1,265</u>

The emoluments fell within the following band:

	Number of individual	
	2007	2006
Nil – HK\$1,000,000	<u>2</u>	<u>2</u>

None of the highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit from ordinary activities attributable to shareholders for the year of approximately HK\$63,680,000 (2006: HK\$46,426,000) and on the weighted average of 608,671,000 (2006: 604,833,500) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31st March, 2006 had been adjusted for the bonus issue on 26th August, 2005.

The diluted earnings per share for the year ended 31st March, 2007 is not presented as the company does not have dilutive potential ordinary shares for the year ended 31st March, 2007 (2006: The calculation of diluted earnings per share for the year ended 31st March, 2006 is based on the profit from ordinary activities attributable to shareholders for the year of approximately HK\$46,426,000 and on the weighted average of 604,833,500 ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 928,000 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised).

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:					
Balance at 1.4.2005	5,870	5,768	3,136	9,082	23,856
Additions	-	-	21	43	64
Disposals	-	-	-	(2,736)	(2,736)
Surplus on revaluation	40	-	-	-	40
Balance at 31.3.2006	5,910	5,768	3,157	6,389	21,224
Additions	-	70	-	63	133
Disposals	-	-	-	(130)	(130)
Written off	-	-	(391)	(559)	(950)
Surplus on revaluation	530	-	-	-	530
Balance at 31.3.2007	6,440	5,838	2,766	5,763	20,807
Accumulated depreciation:					
Balance at 1.4.2005	-	5,555	2,873	8,320	16,748
Provided during the year	117	82	78	329	606
Disposals	-	-	-	(2,736)	(2,736)
Written back on revaluation	(117)	-	-	-	(117)
Balance at 31.3.2006	-	5,637	2,951	5,913	14,501
Provided during the year	118	94	78	193	483
Disposals	-	-	-	(72)	(72)
Eliminated on written off	-	-	(270)	(529)	(799)
Written back on revaluation	(118)	-	-	-	(118)
Balance at 31.3.2007	-	5,731	2,759	5,505	13,995
Net carrying amount					
At 31.3.2007	6,440	107	7	258	6,812
At 31.3.2006	5,910	131	206	476	6,723

The Group's buildings included above are held in Hong Kong under medium term leases.

At 31st March, 2007, the Group's buildings were revalued on an open market, existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, at HK\$6,440,000 (2006: HK\$5,910,000). The surplus arising on revaluation, amounting to HK\$530,000 (2006: HK\$40,000), has been credited to the consolidated income statement.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$6,376,000 (2006: HK\$6,527,000).

At the balance sheet date, the Group's buildings were pledged to secure general banking facilities granted to the Group.

18. INVESTMENT PROPERTIES

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Valuation:		
At beginning of year	27,100	20,480
Additions during the year	–	2,090
Surplus on revaluation	3,280	4,530
	<u>30,380</u>	<u>27,100</u>
At end of year	<u>30,380</u>	<u>27,100</u>

The Group's investment properties are held in Hong Kong under the following lease terms:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Medium term leases	<u>30,380</u>	<u>27,100</u>

At 31st March, 2007, the Group's investment properties were revalued on an open market, existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, at HK\$30,380,000 (2006: HK\$27,100,000). The surplus arising on revaluation, amounting to HK\$3,280,000 (2006: HK\$4,530,000), has been credited to the consolidated income statement.

The Group's investment properties are leased or held to be leased out to third parties under operating leases, further summary details of which are included in note 35 to the financial statements.

At the balance sheet date, all the Group's investment properties were pledged to secure general banking facilities granted to the Group.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1st April	927	950
Recognised during the year	(23)	(23)
	<u>904</u>	<u>927</u>
Carrying amount at 31st March	904	927
Current portion as shown under current assets	(23)	(23)
	<u>881</u>	<u>904</u>
Non-current portion	<u>881</u>	<u>904</u>

The leasehold land is held under medium term leases and is situated in Hong Kong.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	83,368	83,368
Due from subsidiaries	7,387	6,855
Loans from subsidiaries	10,449	17,015
Loans to subsidiaries	(9,257)	(828)
Due to subsidiaries	(26,082)	(42,907)
	<u>65,865</u>	<u>63,503</u>

The balances with and loans from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Rising Group International Limited	BVI	Ordinary US\$4,000	100%	Investment holding
Indirectly held				
Cassaya Trading Limited	Republic of Mauritius	Ordinary US\$1	100%	Dormant
Rising Manufacturing Macao Commercial Offshore Limited	Macau	Ordinary MOP\$25,000	100%	Trading of fur and leather skins and acting as purchase agent
Rising Group Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Rising Development Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred** HK\$5,000,000	100%	Trading of fur, leather and textile garments and property holding
Frede Derick Limited	Hong Kong	Ordinary HK\$100	100%	Dormant
Rising Manufacturing Limited	Hong Kong/PRC	Ordinary HK\$10,000	100%	Manufacturing and trading of fur garments
Cepa Distribution Limited	Hong Kong	Ordinary HK\$5,000 Non-voting deferred** HK\$1,000,000	100%	Property investment

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the Company	Principal activities
Wellike Services Co., Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Wing Lee Agency Limited	Hong Kong	Ordinary HK\$100	100%	Provision of agency services
Cepa Network Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Mega Asset Development Limited	BVI	Ordinary US\$1	100%	Investment holding

* Where different

** The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up or otherwise.

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

21. INTEREST IN AN ASSOCIATE

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets	<u>20</u>	<u>30</u>

Particulars of the Group's associate as at 31st March, 2007 are as follows:

Name	Form of business structure	Class of issued shares held	Place of incorporation/ and operations	Percentage of equity attributable to the Group/ proportion of voting power held	Principal activity
HR Investment Company Limited	Incorporated	Ordinary share of HK\$1 each	Hong Kong	50	No trading

The following table illustrates the summarized financial information of the Group's associate extracted from its audited accounts:

	2007 HK\$'000	2006 HK\$'000
Assets	47	89
Liabilities	(7)	(29)
Loss after tax	<u>(20)</u>	<u>(96)</u>

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
At fair value:				
Equity securities listed outside Hong Kong	28,517	1,650	28,517	1,650
Debt securities quoted outside Hong Kong	215,325	184,585	215,325	184,585
	<u>243,842</u>	<u>186,235</u>	<u>243,842</u>	<u>186,235</u>
At cost:				
Equity securities unlisted outside Hong Kong	7,800	7,800	-	-
	<u>251,642</u>	<u>194,035</u>	<u>243,842</u>	<u>186,235</u>

At the balance sheet date, the above unlisted equity investments are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

23. INVENTORIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Raw materials	3,775	56,897
Work in progress	-	2,165
Finished goods	6,486	4,235
	<u>10,261</u>	<u>63,297</u>

All the inventories were stated at cost.

24. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 30 to 60 days for its trade debtors. Trade receivables are non-interest-bearing.

An aging analysis of trade receivables at the balance sheet date was as follows:

	Group			
	2007 HK\$'000	%	2006 HK\$'000	%
Current to 30 days	335	53	1,136	60
31 days to 60 days	179	29	447	24
Over 60 days	115	18	300	16
	<u>629</u>	<u>100</u>	<u>1,883</u>	<u>100</u>

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2007	2006
	HK\$'000	HK\$'000
At fair value:		
Equity securities listed in Hong Kong	<u>107,538</u>	<u>106,178</u>

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	4,574	9,628	1,545	1,186
Time deposits	<u>25,074</u>	<u>14,909</u>	<u>25,074</u>	<u>14,909</u>
	<u>29,648</u>	<u>24,537</u>	<u>26,619</u>	<u>16,095</u>

Cash and bank balances include the following amounts denominated in a currency other than the Company's functional currency, HK dollars:

	Group		Company	
	2007	2006	2007	2006
Euro dollars	EUR29,351	EUR13,357	EUR16,351	EUR272
United States dollars	US\$134,275	US\$1,111,586	US\$32,762	US\$525,119
Renminbi	<u>RMB349,114</u>	<u>RMB53,984</u>	<u>-</u>	<u>-</u>

Cash at banks earns interest at floating rates based on daily bank deposit 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.

27. BANKING FACILITIES/BORROWINGS

At the balance sheet date, the Group's banking facilities were secured by a corporate guarantee given by the Company and certain listed equity and quoted debt securities, leasehold land and buildings and certain investment properties of the Group.

The trust receipt loans and short-term bank loans amounting to HK\$Nil and HK\$110,982,000 respectively (2006: trust receipt loans of HK\$7,727,000 and short-term bank loans of HK\$82,300,000) have been utilized by the Group at 31st March, 2007.

All of the bank loans are variable-rate borrowings which carry interest ranging from 0.875% to 5.5% per annum (2006: 3.165% to 5.82% per annum). Interest rates are repricing weekly and monthly. All of the bank loans are repayable within one year.

Bank borrowings include the following amounts denominated in a currency other than the Group's and Company's functional currency, HK dollars:

	Group		Company	
	2007	2006	2007	2006
Japanese Yen	JPY386,493,549	-	JPY386,493,549	-
United States dollars	-	US\$1,738,488	-	-
Euro dollars	<u>EUR837,189</u>	<u>EUR1,416,636</u>	<u>EUR837,189</u>	<u>EUR1,416,636</u>

28. TRADE PAYABLES

An aging analysis of trade payables at the balance sheet date was as follows:

	Group			
	2007 HK\$'000	%	2006 HK\$'000	%
Current to 30 days	38	28	2,928	94
31 days to 60 days	36	27	98	3
Over 60 days	60	45	98	3
	<u>134</u>	<u>100</u>	<u>3,124</u>	<u>100</u>

The trade payables are non-interest-bearing and normally settled on 30 to 90 days terms.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Amount due to an investee company	931	–	–	–
Others	1,360	1,248	211	581
	<u>2,291</u>	<u>1,248</u>	<u>211</u>	<u>581</u>

Amount due to an investee company is unsecured, non-interest bearing and have no fixed terms of repayment.

30. FINANCE LEASE PAYABLE

The Group had no finance lease payable at 31st March, 2007 (2006: The Group leased certain of its furniture and fixtures for its operation and such lease was classified as finance lease and had remaining lease term of one year).

At the balance sheet date, the future minimum lease payments under finance lease and their present value were as follows:

	Group			
	Minimum lease payments 2007 HK\$'000	Minimum lease payments 2006 HK\$'000	Present value of minimum lease payments 2007 HK\$'000	Present value of minimum lease payments 2006 HK\$'000
Amounts payable:				
Within one year	–	10	–	10
After one year but within two years	–	–	–	–
Total minimum finance lease payments	–	10	<u>–</u>	<u>10</u>
Future finance charges	–	–	–	–
Total net finance lease payables	–	10	–	–
Portion classified as current liabilities	–	(10)	–	–
Non-current portion	<u>–</u>	<u>–</u>	–	–

31. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2007	2006
	HK\$'000	HK\$'000
Forward exchange contracts	<u>3,061</u>	<u>162</u>

The carrying amounts of forward exchange contracts are the same as their fair values.

Major terms of the forward exchange contracts are as follows:

Forward exchange contracts**At 31st March, 2007**

Notional amount	Last expiration dates	Contracted exchange rates	Fair value gain as at 31st March, 2007 HK\$'000
Buy US\$10,000,000	3rd May, 2007	HK\$7.7332/US\$1	782
Buy US\$19,434,000	12th October, 2007	HK\$7.7185/US\$1	947
Buy US\$20,000,000	5th November, 2007	HK\$7.6970/US\$1	<u>1,332</u>
			<u><u>3,061</u></u>

At 31st March, 2006

Notional amount	Last expiration dates	Contracted exchange rates	Fair value gain/(loss) as at 31st March, 2006 HK\$'000
Buy US\$19,437,000	20th March, 2007	HK\$7.7174/US\$1	255
Buy US\$10,000,000	20th September, 2006	HK\$7.7398/US\$1	<u>(93)</u>
			<u><u>162</u></u>

The above derivatives are measured at fair value at each balance sheet date, their fair values are determined based on the valuation provided by banks or financial institutions at the balance sheet date.

32. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Deferred tax liabilities:

	Accelerated tax depreciation <i>HK\$'000</i>	Group Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2005	400	1,071	1,471
Charged to consolidated income statement	90	793	883
At 31st March, 2006 and 1st April, 2006	490	1,864	2,354
Charged to consolidated income statement	(18)	627	609
At 31st March, 2007	472	2,491	2,963

There was no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

The Group has unrecognised tax losses of approximately HK\$96,000 (2006: HK\$64,000), which is subject to approval from the Hong Kong Inland Revenue Department, can be carried forward to offset against future taxable income with no expiry date.

33. SHARE CAPITAL

Share

	Number of shares of HK\$0.10 each	Amount <i>HK\$'000</i>
Authorised:		
At 1st April, 2005	1,000,000,000	100,000
Increase of ordinary shares (<i>Note a</i>)	2,000,000,000	200,000
At 31st March, 2006 and 31st March, 2007	3,000,000,000	300,000
Issued and fully paid:		
At 1st April, 2005	398,264,000	39,826
Shares issued under share option scheme (<i>Note b</i>)	7,600,000	760
Issue of bonus shares (<i>Note c</i>)	202,932,000	20,293
At 31st March, 2006	608,796,000	60,879
Repurchase of shares (<i>Note d</i>)	(500,000)	(50)
At 31st March, 2007	608,296,000	60,829

Except above, during the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Notes:

- (a) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 26th August, 2006, the Company's authorised ordinary share capital was increased to HK\$300,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.10 each, ranking *pari passu* with the existing ordinary shares of the Company in all respects.

- (b) During the year ended 31st March, 2006 the Company issued and allotted 7,600,000 ordinary shares of HK\$0.1 each of the Company for cash at HK\$0.29 and HK\$0.38 per share respectively as a result of the exercise of share options.
- (c) A bonus issue on the basis of one (1) bonus share for every two (2) ordinary shares held by the shareholders whose names appear on the Register of Members at the close of business on 19th August, 2005 was approved by the shareholders at the annual general meeting of the Company held on 26th August, 2005. On 26th August, 2005, the company issued 202,932,000 new shares of HK\$0.1 each pursuant to the bonus issue.
- (d) During the year, the Company purchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
December, 2006	<u>500,000</u>	<u>0.33</u>	<u>0.32</u>	<u>163</u>

The repurchased shares were cancelled and accordingly, the issued share capital of the company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK\$113,000 was charged against the share premium account.

Share options scheme

On 30th July, 2004, the share option scheme adopted by the Company on 9th October, 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted prior to the termination of the Old Scheme will remain in full force and effect. The purpose of the New Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the New Scheme include employees (including executive directors), the non-executive directors (including independent non-executive directors), suppliers of goods or services, customers, shareholders of the Group and persons or entity that provides research, development or other technological support to the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from date of adoption.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant within any 12 month period is limited to 1% of the Company's shares in issue at any time. The offer of a grant of share options may be accepted within 28 days from the date of the offer with consideration of HK\$1.00 being payable by the grantee. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (1) the

closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option; and (3) the nominal value of the Company's shares.

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

No share option has been granted by the Company under the New Scheme during the years ended 31st March, 2006 and 31st March, 2007.

34. 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 on page 30 of the financial statements.

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2005	48,252	83,168	4,226	102,906	238,552
Shares issued under share option scheme	1,534	–	–	–	1,534
Issue of bonus shares	(20,293)	–	–	–	(20,293)
Realised on disposal of available-for-sale financial assets	–	–	(2,204)	–	(2,204)
Deficit on revaluation	–	–	(2,414)	–	(2,414)
Final dividend paid	–	–	–	(227)	(227)
Profit for the year – note 12	–	–	–	49,877	49,877
Dividend – note 13	–	–	–	(18,264)	(18,264)
At 31st March, 2006 and 1st April, 2006	29,493	83,168	(392)	134,292	246,561
Shares repurchased	(113)	–	–	–	(113)
Realised on disposal of available-for-sale financial assets	–	–	(1,652)	–	(1,652)
Gain on revaluation	–	–	4,009	–	4,009
Profit for the year – note 12	–	–	–	61,147	61,147
Dividend – note 13	–	–	–	(19,472)	(19,472)
At 31st March, 2007	<u>29,380</u>	<u>83,168</u>	<u>1,965</u>	<u>175,967</u>	<u>290,480</u>

The contributed surplus of the Group arose as a result of the Group reorganization carried out on 12th September, 1997 and represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the Group reorganization, over the nominal value of the Company's shares issued in exchange therefore.

The contributed surplus of the Company arose as a result of the same Group reorganization scheme and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 (as amended) of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At the balance sheet date, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	154	299
In the second to fifth years, inclusive	–	90
	<u>154</u>	<u>389</u>

(b) As lessee

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	–	469
In the second to fifth years, inclusive	–	664
	<u>–</u>	<u>1,133</u>

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the balance sheet date:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for:				
Acquisition of property	<u>8,820</u>	<u>–</u>	<u>–</u>	<u>–</u>

37. CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

As at 31st March, 2007, there were contingent liabilities in respect of guarantees given to banks by the Company to secure a banking facilities made available to wholly owned subsidiaries.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the facility drawn down by the subsidiaries of HK\$23,300,000 (2006: HK\$39,410,000).

The Company has not recognised any deferred income in respect of the guarantees as their fair values cannot be reliably measured and their transaction prices were HK\$Nil (2006: HK\$Nil).

38. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following significant transactions with related parties:

Compensation of key management personnel of the Group and of the Company:

The emoluments of directors and other members of key management of the Group and the Company during the year were as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	2,772	3,006	390	390
Post-employment benefits	36	35	–	–
	<u>2,808</u>	<u>3,041</u>	<u>390</u>	<u>390</u>

Further details of directors' emoluments are included in note 14 to the financial statements.

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. However, management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Foreign currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contract are entered into in respect of highly probable foreign currency forecast sales or purchases in accordance with the Group's risk management policies.

Certain trade receivables and payables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group does not have a significant concentration of credit risk. In addition, certain customers are required to pay customers' deposits and receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not significant.

Liquidity risk

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

Fair value

The fair values of cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, other loans, trade payables, other payables and accruals are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of bank borrowings approximate to their fair values.

As set out in note 20, the Company had amounts due from/to subsidiaries. It is not practical to estimate the fair values of the amounts due to the related party nature of these instruments.

40. COMPARATIVE FIGURES

During the year, the Group included trading in equity securities under "financial assets at fair value through profit or loss" as one of its principal activities and accordingly, reclassify its proceeds from trading in equity securities and related costs under turnover and cost of sales respectively, and also to present the related financial information under a separate segment of "Trading in equity securities" to better reflect the underlying nature of these balances and allow a more appropriate presentation of the Group's results. The comparative amounts have been restated to conform with the current year's presentation.

In addition, derivative financial instruments included in prepayments, deposits and other receivables as at 31st March, 2006 and customers' deposits included in other payables and accruals as at 31st March, 2006 have been separately stated in the balance sheet to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5th June, 2007.

1. MATERIAL CHANGES SINCE 31 MARCH 2007

The Company, in order to reduce the risk and increase the revenue of the Group, had adopted a business adjustment recently by increasing its investment business and downsizing its fur business. Such business adjustment was already stated in 2007 annual report of the Company. Save for the above, the Board are of the view that there is no material changes in the financial or trading position or outlook of the Group since 31 March 2007, the date to which the latest published audited accounts of the Group were made up.

2. INDEBTEDNESS

At 31 July 2007, the Group's banking facilities were secured by certain listed equity and quoted debt securities and investment properties of the Group. At of close of business on 31 July 2007, the Group had no outstanding borrowing.

Save as the aforesaid and apart from intra-Group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loan and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances creditors, or any guarantees, or other material contingent liabilities outstanding at the close of business on 31 July 2007.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 July 2007.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than those information relating to the Offeror), and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this document (other than those information relating to the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this document (other than those information relating to the Offeror), the omission of which would make any such statement contained in this document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this document relating to the Offeror and the proposed Directors only and confirms, having made all reasonable enquiries, that to the best of his knowledge, the opinions expressed in this document relating to the Offeror and the proposed Directors only have been arrived at after due and careful consideration and there are no other facts not contained in this document relating to the Offeror and the proposed Directors only, the omission of which would make any statement contained in this document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company was incorporated in Bermuda with limited liability under the law of Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is at 16th Floor, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares	<i>HK\$</i>
<i>Authorised:</i>	
<u>3,000,000,000 Shares</u>	<u>300,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>	
<u>607,268,000 Shares</u>	<u>60,726,800</u>

All Shares currently in issue rank pari passu in all respects with each others, including, in particular, as to dividends, voting rights and return of capital. Since 31 March 2007 (being the date to which the latest published audited accounts of the Group were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

There were no outstanding warrants, options or securities convertible into Shares as at the Latest Practicable Date.

The issued Shares are listed and traded on the Main Board. No part of the issued share capital of the Company is listed on any other stock exchanges.

4. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last trading day for each of the six calendar months immediately preceding the date of the Announcement; (ii) 31 July 2007; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
31 January 2007	0.32
28 February 2007	0.34
30 March 2007	0.35
30 April 2007	0.40
31 May 2007	0.67
29 June 2007	0.83
31 July 2007	1.71
Latest Practicable Date	1.26

The closing price of the Shares quoted on the Stock Exchange on 19 July 2007, being the last trading day prior to the Suspension, was HK\$1.13 per Share. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.71 per Share on 31 July 2007 and HK\$0.30 per Share on 1 February 2007 respectively.

5. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange or were required to be disclosed in this document pursuant to the requirements of the Takeovers Code.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Interests in the Shares and underlying Shares

Name	Capacity	Interests in the Shares	Interests in physically settled unlisted equity derivatives	Total	Approximate percentage of issued capital as at the Latest Practicable Date
The Offeror	Beneficial owner	435,016,000	-	435,016,000	71.63%
Mr. Lai Leong	Interest of a controlled corporation	435,016,000	-	435,016,000	71.63%

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares or/and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

6. DISCLOSURE OF SHAREHOLDING IN THE GROUP AND THE OFFEROR

As at the Latest Practicable Date,

- (a) save for 435,016,000 Shares owned by the Offeror, representing approximately 71.63% of the voting rights of the Company as at the Latest Practicable Date, none of the Offeror, Mr. Lai Leong (being the sole beneficial owner and director of the Offeror), or parties acting in concert with any of them owned or controlled any securities of the Company;
- (b) no subsidiary of the Company or any pension fund of the Group owned or controlled any securities in the Company;
- (c) none of the professional advisers named under the paragraph headed "Consents and qualifications" below in this Appendix or any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, owned or controlled any securities of the Company;
- (d) no Shares were managed on a discretionary basis by fund managers connected with the Company;
- (e) none of the Shareholders had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any party acting in concert with it;
- (f) no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company; and
- (g) none of the Company and the Directors were interested in the issued shares of the Offeror.

7. DEALINGS IN SECURITIES

During the Relevant Period,

- (a) save for the purchase of the Sale Shares by the Offeror pursuant to the S&P Agreement, none of the Offeror, Mr. Lai Leong (being the sole beneficial owner and director of the Offeror) or parties acting in concert with any of them had dealt for value in any securities of the Company;
- (b) save for the sale of the Sale Shares by Mr. Ng pursuant to the S&P Agreement and the sale of 270,000 Shares by Ms. Chui May Ling, Margaret on 1 August 2007 through the Stock Exchange, of which 62,000 shares were disposed of at HK\$1.64 per Share, 94,000 Shares at HK\$1.65 per Share, 6,000 Shares at HK\$1.66 per Share and 108,000 Shares at HK\$1.69 per Share, neither the Company nor any of the Directors dealt for value in the securities of the Offeror or the Company;

- (c) none of the subsidiaries of the Company or, any pension funds of the Group nor any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value as principal in any securities of the Company;
- (d) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, Mr. Lai Leong (being the sole beneficial owner and director of the Offeror) or with any parties acting in concert with any of them had dealt for value in any securities of the Company;
- (e) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any securities of the Company; and
- (f) no fund managers who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities of the Company.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts with the Company or any of its subsidiaries or associated companies in force for the Directors which:

- (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; or
- (ii) were continuous contracts with a notice period of 12 months or more; or
- (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the Group) have been entered into by the members of the Group after the date of two years immediately preceding 30 July 2007, being the date of the Announcement, and up to the Latest Practicable Date, and are or may be material:

- (a) a provisional sale and purchase agreement dated 20 July 2007 entered into by Rising Development Limited (a wholly owned subsidiary of the Company) as the vendor and Ng Pui Cheung as the purchaser in relation to the sale of Flat B on the 9th Floor of Nos 12 & 12A, Austin Avenue & Nos. 86, 88, 90, 92, 94 & 96, Kimberley Road, Kowloon at the consideration of HK\$2,250,000.00.
- (b) a sale and purchase agreement dated 3 April 2007 entered into by Yue Da Enterprise Group (H.K.) Company Limited as the vendor and Ceba Distribution Limited (a wholly owned subsidiary of the Company) as the purchaser in relation to the acquisition of Office on Floor No. 12 (previously known as 11th Floor), Times Tower, Nos. 391 to 407, Jaffe Road, Hong Kong at the consideration of HK\$9,800,000.00.
- (c) a sale and purchase agreement dated 14 July 2007 entered into by Rising Development Limited (a wholly owned subsidiary of the Company) as the vendor and Kinyi Limited as the purchaser in relation to the sale of Workshop No. 2 on the 13th Floor, Hung Tai Industrial Building, Nos. 37-39, Hung To Road, Kowloon at the consideration of HK\$1,900,000.00.
- (d) a sale and purchase agreement dated 13 February 2006 and an assignment dated 27 March 2006 entered into by Chan Yuk Ying as the vendor and Ceba Distribution Limited (a wholly owned subsidiary of the Company) as the purchaser in relation to the acquisition of Flat C, 4th Floor, Block 26, Laguna City, No. 12 East Laguna Street, Kowloon at the consideration of HK\$2,050,000.00.

11. CONSENTS AND QUALIFICATIONS

The followings are the names and the qualifications of the professional advisers who have given opinions or advice which are contained or referred to in this document:

Name	Qualification
China Everbright Capital Limited	Licensed by the SFC for carrying out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Mega Capital (Asia) Company Limited	Licensed by the SFC for carrying out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
Taifook Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Taifook Securities Company Limited	A licensed corporation to carry on Types 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on securities) regulated activities under the SFO
Li, Tang, Chen & Co.	Certified Public Accountants

Each of China Everbright, Mega Capital, Li, Tang, Chen & Co., Taifook Capital and Taifook Securities has given and has not withdrawn its respective written consents to the issue of this document with the inclusion herein of its letters (if applicable) and references to its name in the form and context in which they respectively appear.

12. GENERAL

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for his loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, save for the S&P Agreement entered into between the Offeror and the Vendors, there were no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the outcome of the Offer.

- (c) As at the Latest Practicable Date, save for the S&P Agreement entered into between the Offeror and the Vendors, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (d) As at the Latest Practicable Date, none of the Offer Shareholders had irrevocably committed to accepting or rejecting the Offer.
- (e) As at the Latest Practicable Date, there was no material contract to which the Offeror is a party in which any Director has a material personal interest.
- (f) As at the Latest Practicable Date, save for the pledge of the Offeror's entire interest in the Shares to Taifook Securities in relation to a facility provided by Taifook Securities, the Offeror had no intention to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons.
- (g) Save for the S&P Agreement and the pledge of the entire shares of the Offeror and the Offeror's entire interest in the Shares to Taifook Securities in relation to a facility provided by Taifook Securities, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company and which might be material to the Offer. Save for the S&P Agreement, there are no agreements or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.
- (h) As at the Latest Practicable Date, none of the Offeror and parties acting in concert with it has received any irrevocable commitment to or not to accept the Offer.
- (i) The registered office of the Offeror is situated at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The Offeror is beneficially and wholly owned by Mr. Lai Leong, who is the sole director of the Offeror. The correspondence address of Mr. Lai Leong is at Suites 903B-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (j) The registered office of China Everbright is at Room 4103-5, 41/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (k) As at the Latest Practicable Date, the Board comprises two executive Directors namely, Mr. Ng Ngan Lung and Ms. Chui May Ling, Margaret and three independent non-executive Directors namely, Ms. Ho Man Kay, Angela, Mr. Chan Wing Yuen, Hubert and Mr. Fan Sai Yee.
- (l) As at the Latest Practicable Date, the company secretary of the Company is Mr. Lee Sing Yeung, Simon.

- (m) The registered office of the Company is situate at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the principal place of business of the Company in Hong Kong is situate at 16th Floor, World Tech Centre, No. 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong.
- (n) The registered office of Mega Capital is at Unit 2213–2214, 22nd Floor, Cosco Tower, 183 Queen’s Road Central, Hong Kong.
- (o) The registered office of each of Taifook Capital and Taifook Securities is at 25th Floor, New World Tower, 16 – 18 Queen’s Road Central, Hong Kong.
- (p) As at the Latest Practicable Date, there were no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror or any person acting in concert with it and any other persons.
- (q) The English texts of this document and the Form of Acceptance shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:30 a.m. to 6:00 p.m. on Monday to Friday, and from 9:30 a.m. to 1:00 p.m. on Saturday, except public holidays) at (i) the principal place of business of the Company in Hong Kong at 16th Floor, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong; (ii) the website of the SFC at www.sfc.hk; and (iii) the website of the Company at www.hkrising.com from 31 August 2007, the date of this document up to and including the Closing Date:

- (a) the memorandum and articles of association the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the two years ended 31 March 2007;
- (d) the letter dated 31 August 2007 from Taifook Securities, the text of which is set out in this document;
- (e) the letter dated 31 August 2007 from the Joint Independent Financial Advisers to the Independent Board Committee, the text of which is set out in this document;
- (f) the letter dated 31 August 2007 from the Independent Board Committee to the Offer Shareholders, the text of which is set out in this document;
- (g) the letters of consents referred to in the paragraph headed “Consents and qualifications” in this Appendix;

- (h) the loan facility agreement dated 27 July 2007 entered into between the Offeror as borrower and Taifook Securities as lender in relation to the S&P Agreement and the Offer; and
- (i) the material contracts referred to under the paragraph headed “Material contracts” in this Appendix.