

Notes to Financial Statements

31st March, 2001

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 1981 of Bermuda.

During the year, the Group was engaged in the manufacture and sale of fur garments, and the sale of fur skins.

In the opinion of the directors, the ultimate holding company is Fung Kong Worldwide Limited ("Fung Kong"), which is incorporated in the British Virgin Islands ("BVI").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, 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 the remeasurement of investment properties, investments in equity and debt securities and certain fixed assets, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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 basis:

- (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) rental income, on a time proportion basis over the lease terms; and
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating lease. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been diminutions in values considered to be other than temporary in nature, when they are written down to values determined by the directors.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On the disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset, less any estimated residual value, over the following estimated useful lives:

Leasehold land and buildings	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

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Other investments

Other investments comprise:

- i) Listed debt securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Such listed debt securities are included in non-current and current assets, respectively, depending on the time period for which they are intended to be held. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

- ii) Listed equity securities which are held for trading purpose are stated at fair value on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair values of the listed equity securities are dealt with in the profit and loss account. Profits or losses on disposal of listed equity securities representing the difference between the net sales proceeds and the carrying amounts are recognised in the profit and loss account as they arise.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

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 profit and loss account 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 profit and loss account 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.

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.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2001	2000
	HK\$'000	HK\$'000
Cost of inventories sold	120,399	102,787
Depreciation	2,614	1,729
Operating lease rentals on land and buildings	495	375
Pension contributions	328	248
Less: Forfeited contributions	(126)	(100)
Net pension contributions	202	148
Auditors' remuneration	250	628
Directors' remuneration:		
Fees	318	308
Other emoluments	3,368	3,132
	3,686	3,440
Staff costs (excluding directors' remuneration)	13,582	12,976
Unrealized loss on investments in listed equity securities	1,926	–
Gain on disposal of fixed assets	–	(362)
Deficit on revaluation of investment properties in Hong Kong – note 11	1,200	1,500
Gross rental income	(1,024)	(517)
Less: Outgoings	178	18
Net rental income	(846)	(499)
Interest income from investments in listed debt securities	(4,248)	(1,776)
Bank interest income	(3,484)	(3,978)

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5. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts	92	–
Interest on trust receipts loans	137	817
	<u>229</u>	<u>817</u>
Total finance costs	<u>229</u>	<u>817</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2001 HK\$'000	2000 HK\$'000
Current year provision:		
Hong Kong	780	2,124
Elsewhere	–	–
Under-provision in respect of prior years		
Hong Kong	80	–
Rebate relating to prior year	–	(13)
Deferred – note 19	(3)	(8)
	<u>857</u>	<u>2,103</u>

7. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$3,641,000 (2000: HK\$15,319,000) (note 22).

8. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim – HK1.2 cents (2000: HK1 cent) per ordinary share	4,779	3,989
Proposed final – HK1 cent (2000: HK1.5 cents) per ordinary share	3,983	5,974
	<u>8,762</u>	<u>9,963</u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK\$15,451,000 (2000: HK\$23,248,000) and on the weighted average of 398,289,894 ordinary shares (2000: 399,480,836 ordinary shares) in issue during the year.

The diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK\$15,451,000 and on 399,325,978 ordinary shares, which is the weighted average of 398,289,894 ordinary shares in issue during the year plus the weighted average of 1,036,084 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

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10. FIXED ASSETS

Group	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	17,800	1,844	2,677	6,475	28,796
Additions	–	4,728	86	1,325	6,139
Disposals	–	–	–	(4)	(4)
Deficit on revaluation	(1,600)	–	–	–	(1,600)
	<u>16,200</u>	<u>6,572</u>	<u>2,763</u>	<u>7,796</u>	<u>33,331</u>
At end of year	<u>16,200</u>	<u>6,572</u>	<u>2,763</u>	<u>7,796</u>	<u>33,331</u>
Analysis of cost or valuation:					
At cost	–	6,572	2,763	7,796	17,131
At valuation	16,200	–	–	–	16,200
	<u>16,200</u>	<u>6,572</u>	<u>2,763</u>	<u>7,796</u>	<u>33,331</u>
Accumulated depreciation:					
At beginning of year	–	1,715	1,899	4,069	7,683
Provided during the year	356	983	263	1,012	2,614
Disposals	–	–	–	(2)	(2)
Written back on revaluation	(356)	–	–	–	(356)
	<u>–</u>	<u>2,698</u>	<u>2,162</u>	<u>5,079</u>	<u>9,939</u>
At end of year	<u>–</u>	<u>2,698</u>	<u>2,162</u>	<u>5,079</u>	<u>9,939</u>
Net book value:					
At 31st March, 2001	<u>16,200</u>	<u>3,874</u>	<u>601</u>	<u>2,717</u>	<u>23,392</u>
At 31st March, 2000	<u>17,800</u>	<u>129</u>	<u>778</u>	<u>2,406</u>	<u>21,113</u>

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

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10. FIXED ASSETS (continued)

At 31st March, 2001, the leasehold land and buildings were revalued on an open market, existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, at HK\$16,200,000. The deficit arising on revaluation, amounting to HK\$1,244,000 (2000: surplus HK\$3,991,000), has been charged/credited to the fixed asset revaluation reserve (note 22).

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$13,527,000 (2000: HK\$13,809,000).

11. INVESTMENT PROPERTIES

	2001	Group
	HK\$'000	2000
		HK\$'000
Valuation:		
At beginning of year	10,350	4,480
Transfer from fixed assets	–	7,370
Deficit on revaluation	(1,200)	(1,500)
	<u>9,150</u>	<u>10,350</u>
At end of year	<u><u>9,150</u></u>	<u><u>10,350</u></u>

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

	2001	2000
	HK\$'000	HK\$'000
A long term lease	1,250	1,400
A medium term lease	7,900	8,950
	<u>9,150</u>	<u>10,350</u>
	<u><u>9,150</u></u>	<u><u>10,350</u></u>

At 31st March, 2001, the 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\$9,150,000. The deficit arising on revaluation, amounting to HK\$1,200,000 (2000: HK\$1,500,000), has been charged to the profit and loss account (note 4).

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12. INTERESTS IN SUBSIDIARIES

	2001 HK\$'000	Company 2000 HK\$'000
Unlisted shares, at cost	83,368	83,368
Due from subsidiaries	62,828	6,926
Loans to subsidiaries	9,034	73,538
Loans from subsidiaries	(11,672)	–
Due to subsidiaries	(79,399)	(70,482)
	<u>64,159</u>	<u>93,350</u>

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

The loans to subsidiaries are unsecured, interest free (2000: bear interest at commercial rates) 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%	Trading of fur and leather skins
Rising Group Limited (formerly known as Conquest Fur & Leather Company Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant

Notes to Financial Statements

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12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Freesia International Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Fur Link (H.K.) Co. Limited	BVI	Ordinary US\$2	100%	Dormant
Headway Fashion Limited	BVI	Ordinary US\$2	100%	Dormant
Hortensia Limited	BVI/Europe	Ordinary US\$2	100%	Trading of fur and leather skins and acting as a purchase agent of fur and skins
Kongfau Industries Limited	BVI	Ordinary US\$1	100%	Dormant
Kunyto Trading Limited	BVI	Ordinary US\$1	100%	Dormant
Laos Agents Limited	BVI	Ordinary US\$1	100%	Dormant
Ribbleway Trading Limited	BVI	Ordinary US\$2	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

Notes to Financial Statements

31st March, 2001

12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Frede Derick Limited (formerly known as Rising Group Limited)	Hong Kong	Ordinary HK\$100	100%	Trading of fur, leather and textile garments
Rising Manufacturing Limited	Hong Kong/PRC	Ordinary HK\$10,000	100%	Manufacturing and trading of fur garments
Silverton Fur & Leather Trading Company Limited	Hong Kong	Ordinary HK\$5,000 Non-voting deferred ** HK\$1,000,000	100%	Dormant
Udell Consultants Limited	BVI	Ordinary US\$1	100%	Dormant
Wellike Services Co., Limited	Hong Kong	Ordinary HK\$10,000	100%	Provision of dry cleaning services for fur garments
Wing Lee Agency Limited	Hong Kong	Ordinary HK\$100	100%	Provision of agency services
Winning Processing Limited	BVI/PRC	Ordinary US\$2	100%	Trading of fur garment accessories
Yakata Holdings Limited	BVI/Japan	Ordinary US\$2	100%	Provision of sales agency services

* 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.

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13. OTHER INVESTMENTS

	Group and Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At market value:		
Equity securities listed in Hong Kong	6,157	–
Debt securities listed outside Hong Kong	60,259	54,297
	<u>66,416</u>	<u>54,297</u>
Market value analysed for reporting purposes as:		
Current		
– trading listed equity securities	6,157	–
– non-trading listed debt securities	–	54,297
	<u>6,157</u>	<u>54,297</u>
Non-current		
– non-trading listed debt securities	60,259	–
	<u>66,416</u>	<u>54,297</u>

At 31st March, 2001, the Group's other investments with carrying values of approximately HK\$30,938,000 (2000: HK\$34,876,000) were pledged to secure certain banking facilities granted to the Group (note 20).

14. INVENTORIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	39,714	70,295
Work in progress	3,937	3,124
Finished goods	6,108	5,455
	<u>49,759</u>	<u>78,874</u>

At 31st March, 2001, inventories of HK\$7,437,000 (2000: HK\$13,548,000) are stated at their net realizable value.

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15. TRADE RECEIVABLES

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

	2001		Group		2000	
	HK\$'000	%	HK\$'000		HK\$'000	%
Current to 30 days	4,829	36	1,327		3,762	6
31 days to 60 days	511	4	3,762		17,812	16
Over 60 days	8,227	60				78
	<u>13,567</u>	<u>100</u>	<u>22,901</u>		<u>22,901</u>	<u>100</u>

The Group allows an average credit period of 30 to 60 days to its trade customers.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	2,669	2,932	1,143	444
Time deposits	50,813	35,323	50,813	35,320
	<u>53,482</u>	<u>38,255</u>	<u>51,956</u>	<u>35,764</u>

17. INTEREST-BEARING BANK BORROWINGS

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts, unsecured		350	–	23	–
Trust receipt loans, secured	20	4,102	3,106	–	–
Bank loans, secured	20	24,850	–	1,525	–
		<u>29,302</u>	<u>3,106</u>	<u>1,548</u>	<u>–</u>

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18. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other payables and accruals	3,987	4,805	78	88
Proposed final dividend	3,983	5,974	3,983	5,974
	<u>7,970</u>	<u>10,779</u>	<u>4,061</u>	<u>6,062</u>

19. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	51	59
Credit for the year – note 6	(3)	(8)
Balance at end of year	<u>48</u>	<u>51</u>

Provision for deferred tax at the balance sheet date mainly represented accelerated depreciation allowances.

There are no significant potential deferred tax liabilities of the Group or the Company for which provision has not been made.

The revaluation of the Group's leasehold land and buildings and investment properties does not constitute a timing difference and consequently, there is no deferred tax thereon.

20. BANKING FACILITIES

At 31st March, 2001, the Group's banking facilities were secured by the following:

- i) charges on certain other investments owned by the Group (note 13);
- ii) certain time deposits of the Group; and
- iii) a corporate guarantee given by the Company.

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21. SHARE CAPITAL

	Number of shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At beginning of year and 31st March, 2001	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At beginning of year	398,536,000	39,854
Repurchased and cancelled	<u>(272,000)</u>	<u>(28)</u>
At 31st March, 2001	<u>398,264,000</u>	<u>39,826</u>

During the year, the Company repurchased 272,000 ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares	Price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
April, 2000	120,000	0.400	0.350	43,000
May, 2000	<u>152,000</u>	<u>0.350</u>	<u>0.295</u>	<u>49,310</u>
	<u>272,000</u>			<u>92,310</u>

The repurchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof. The premium paid on the repurchase of the shares of HK\$65,110 was deducted from the share premium account of the Company.

The repurchase of the Company's shares during the year were effected by the directors, pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

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31st March, 2001

21. **SHARE CAPITAL** (continued)

Share options

On 9th October, 1997, the Company adopted a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time-to-time, and the maximum number of shares in respect of which options may be granted to any one employee may not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme. Shares allotted on the exercise of options will rank pari passu with the other shares in issue at the date of exercise of the relevant option. The Scheme will remain in force for the period from 9th October, 1997 to 31st December, 2007.

During the year, the Company granted a total of 1,300,000 options which entitle the holders to subscribe for shares of the Company at any time during the period from 8th August, 2001 to 31st December, 2007. The subscription price per share payable upon the exercise of each option is HK\$0.38.

At 31st March, 2001, there were 18,150,000 options outstanding which entitled the holders to subscribe for shares of the Company at any time up to 31st December, 2007. The subscription price payable upon the exercise of each option are HK\$0.29 for 16,850,000 options and HK\$0.38 for 1,300,000 options, respectively. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 18,150,000 additional ordinary shares.

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22. RESERVES

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Group							
At 1st April, 1999	48,654	5,830	-	-	-	89,555	144,039
Purchases of own shares	(337)	-	-	-	-	-	(337)
Surplus on revaluation - note 10	-	-	3,991	-	-	-	3,991
Retained profit for the year	-	-	-	-	-	13,285	13,285
At 31st March, 2000 and 1st April, 2000	48,317	5,830	3,991	-	-	102,840	160,978
Purchase of own shares	(65)	-	-	-	-	-	(65)
Surplus/(deficit) on revaluation - note 10	-	-	(1,244)	-	4,469	-	3,225
Retained profit for the year	-	-	-	-	-	6,689	6,689
At 31st March, 2001	<u>48,252</u>	<u>5,830</u>	<u>2,747</u>	<u>-</u>	<u>4,469</u>	<u>109,529</u>	<u>170,827</u>
Company							
At 1st April, 1999	48,654	83,168	-	-	-	504	132,326
Purchases of own shares	(337)	-	-	-	-	-	(337)
Net profit for the year - note 7	-	-	-	-	-	15,319	15,319
Dividends - note 8	-	-	-	-	-	(9,963)	(9,963)
At 31st March, 2000 and 1st April, 2000	48,317	83,168	-	-	-	5,860	137,345
Purchase of own shares	(65)	-	-	-	-	-	(65)
Surplus on revaluation	-	-	-	-	4,469	-	4,469
Net profit for the year - note 7	-	-	-	-	-	3,641	3,641
Dividends - note 8	-	-	-	-	-	(8,762)	(8,762)
At 31st March, 2001	<u>48,252</u>	<u>83,168</u>	<u>-</u>	<u>-</u>	<u>4,469</u>	<u>739</u>	<u>136,628</u>

Notes to Financial Statements

31st March, 2001

22. RESERVES (continued)

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

The contributed surplus of the Company arose as a result of the same Group reorganisation 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 therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

23. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	16,537	26,168
Bank interest income	(3,484)	(3,978)
Interest income from investments in listed debt securities	(4,248)	(1,776)
Depreciation	2,614	1,729
Unrealized loss on investments in listed equity securities	1,926	–
Deficit on revaluation of investment properties	1,200	1,500
Gains on disposal of fixed assets	–	(362)
Increase in prepayments, deposits and other receivables	(21,308)	(1,825)
(Increase)/decrease in inventories	29,115	(25,968)
(Increase)/decrease in trade receivables	9,334	(9,392)
Increase/(decrease) in trust receipt loans	996	(5,903)
Increase/(decrease) in trade payables	(4,052)	3,707
Increase/(decrease) in other payables and accruals	(829)	637
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	27,801	(15,463)

Notes to Financial Statements

31st March, 2001

23. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing activities during the years

	Pledged bank deposits HK\$'000	Bank loans HK\$'000	Share capital and premium account HK\$'000
Balance at 1st April, 1999	–	–	88,654
Repurchase of shares	–	–	(483)
	<u>–</u>	<u>–</u>	<u>88,171</u>
Balance at 31st March, 2000 and 1st April, 2000	–	–	88,171
Pledge of bank deposits	15,563	–	–
Bank loans obtained:			
– wholly repayable within 3 months	–	17,075	–
– wholly repayable more than 3 months	–	7,775	–
Repurchase of shares	–	–	(93)
	<u>15,563</u>	<u>24,850</u>	<u>88,078</u>
Balance at 31st March, 2001	<u>15,563</u>	<u>24,850</u>	<u>88,078</u>

24. CHANGE IN ACCOUNTING POLICY

In prior years, investments in listed debt securities held for the purpose of capital gain are stated at fair values and the gains or losses arising from changes in the fair values of the listed debt securities are dealt with in the profit and loss account. With effect from 1st April, 2000, the Group adopted an accounting policy of selecting the alternative treatment for securities other than held-to-maturity securities in accordance to HKSSAP24 under which the gain or loss on a security that is not held for trading purpose is recognised directly in equity, until the security is sold, collected or otherwise disposed of or until the security is determined to be impaired, at which the cumulative gain or loss is included in the net profit or loss for the period. The directors believe that the adoption of this new accounting policy will give a better presentation of the results and financial position for the Group.

The effect of the change in respect of the year 2001 is the Group's profit for the year has been decreased by HK\$4,469,000 (2000: HK\$Nil) and the investment revaluation reserve as at 31st March, 2001 have been increased by HK\$4,469,000 (2000: HK\$Nil). No prior year adjustment is made as the effect is immaterial.

Notes to Financial Statements

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25. TRADE PAYABLES

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

	2001		Group		2000	
	HK\$'000	%	HK\$'000		HK\$'000	%
Current to 30 days	459	21	3,235			52
31 days to 60 days	289	13	84			1
Over 60 days	1,486	66	2,967			47
	<u>2,234</u>	<u>100</u>	<u>6,286</u>		<u>100</u>	

26. COMMITMENTS

At the balance sheet date, the Group had the operating lease commitments under non-cancellable operating leases to make payments in the following year in respect of land and buildings expiring:

	2001	Group	2000
	HK\$'000		HK\$'000
Within one year	–		117
In the second to fifth years, inclusive	393		–
	<u>393</u>		<u>117</u>

At the balance sheet date, the Company did not have any significant commitments.

27. CONTINGENT LIABILITIES

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

The Company has given guarantees in favour of certain banks to the extent of HK\$52,000,000 (2000: HK\$42,000,000) in respect of banking facilities granted to certain subsidiaries of the Company. At 31st March, 2001, the banking facilities utilised by its subsidiaries amounted to approximately HK\$11,877,000 (2000: HK\$3,106,000).

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 26th July, 2001.