

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

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 investments holding, 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. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

SSAP 1 (Revised):	"Presentation of financial statements"
SSAP 11 (Revised):	"Foreign currency translation"
SSAP 15 (Revised):	"Cash flow statements"
SSAP 34:	"Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 20 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are translated at weighted average exchange rates for the year, rather than translated at the applicable exchange rates ruling at the balance sheet date as was previously required. Further details about the impact of this SSAP are described in the accounting policy for foreign currencies below.

SSAP 15 (Revised) prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that cash flows are now presented under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the consolidated cash flow statement set out on pages 21 and 22 of the financial statements and the notes thereto have been revised in accordance with the new requirements. The cash flows of the Company's overseas subsidiaries are now translated using the exchange rates at the dates of the cash flows or, if applicable, at the weighted average exchange rates, whereas before, they were translated at the applicable exchange rates ruling at the balance sheet date. Further details about the impact of this change are described in the accounting policy for foreign currencies as set out in note 3 to the financial statements.

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2. **IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE** (continued)

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 27 to the financial statements. These disclosures are similar to those previously required to be disclosed in the Report of the Directors by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. **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, 2003. 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 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) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (d) dividend income, when the shareholders' right to receive payment is established.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill/Negative goodwill:

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years.

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

The carrying amount of goodwill/negative goodwill, including goodwill/negative goodwill remaining eliminated against/crediting to reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill/negative goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill/negative goodwill which has not been recognised in the profit and loss account and any relevant reserves, as appropriate. Any attributable goodwill/negative goodwill previously eliminated against/credited to reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets:

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation:

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 assets 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.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation: (continued)

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.

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.

Leased assets:

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 fixed assets 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 profit and loss account 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 profit and loss account 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 profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Held-to-maturity securities:

Investments in dated debt securities which are intended to be held to maturity are stated in the balance sheet at cost, adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account in the period in which they arise.

Other investments:

Other investments comprise:

- (i) Listed securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Such listed 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 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 securities are dealt with in the profit and loss account. Profits or losses on disposal of listed 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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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

- (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 slowing-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 during the year 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.

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies: (continued)

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year. The balance sheets of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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.

In previous years, the profit and loss accounts and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates at the balance sheet date. The change in the treatment of such items in the current year has, however, had no significant effect on these financial statements.

Share option scheme:

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or accrued in the balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

Cash and cash equivalents:

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

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

NOTES TO FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit and loss account.

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.

4. SEGMENT INFORMATION

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

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

- (a) Manufacture and sales of fur garments.
- (b) Trading of fur skins.

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.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

4. SEGMENT INFORMATION (continued)

(a) **Business segments:**

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

2003	Manufacture and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	58,334	15,113	-	-	73,447
Intersegment sales	-	37,850	-	(37,850)	-
Other revenue	4,475	637	16,051	(4,288)	16,875
	<u>62,809</u>	<u>53,600</u>	<u>16,051</u>	<u>(42,138)</u>	<u>90,322</u>
Total revenue					
	<u>3,872</u>	<u>4,887</u>	<u>10,128</u>		18,887
Segment results					
Interest income					1,240
Unallocated expenses					<u>(1,328)</u>
Profit from operating activities					18,799
Finance costs					<u>(573)</u>
Profit before tax					18,226
Taxation					<u>(1,400)</u>
Net profit attributable to shareholders					<u>16,826</u>

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

4. SEGMENT INFORMATION (continued)

(a) Business segments: (continued)

2002	Manufacture and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	99,071	46,357	–	–	145,428
Intersegment sales	–	37,845	–	(37,845)	–
Other revenue	1,146	998	6,727	(687)	8,184
Total revenue	<u>100,217</u>	<u>85,200</u>	<u>6,727</u>	<u>(38,532)</u>	<u>153,612</u>
Segment results	<u>7,764</u>	<u>3,833</u>	<u>4,306</u>		15,903
Interest income					2,228
Unallocated expenses					<u>(1,455)</u>
Profit from operating activities					16,676
Finance costs					<u>(657)</u>
Profit before tax					16,019
Taxation					<u>4,077</u>
Net profit attributable to shareholders					<u>20,096</u>

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

4. SEGMENT INFORMATION (continued)

(a) Business segments: (continued)

2003	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	60,512	47,014	153,201	(22,627)	<u>238,100</u>
Segment liabilities	(12,268)	(18,650)	(872)	22,627	(9,163)
Unallocated liabilities					(2,005)
Finance lease payable	(54)	-	-	-	<u>(54)</u>
Total liabilities					<u>(11,222)</u>
Other segment information:					
Depreciation	2,671	-	-		2,671
Impairment losses recognised in the profit and loss account	-	-	3,159		3,159
Capital expenditure	<u>1,521</u>	<u>-</u>	<u>-</u>		<u>1,521</u>
2002					
Segment assets	192,718	120,646	127,969	(209,792)	<u>231,541</u>
Segment liabilities	(123,907)	(77,007)	(14,063)	209,792	(5,185)
Unallocated liabilities					(605)
Finance lease payable	(69)	-	-	-	<u>(69)</u>
Total liabilities					<u>(5,859)</u>
Other segment information:					
Depreciation	2,467	7	-		2,474
Impairment losses recognised in the profit and loss account	-	-	2,320		2,320
Capital expenditure	<u>527</u>	<u>5</u>	<u>-</u>		<u>532</u>

NOTES TO FINANCIAL STATEMENTS

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

2003	Hong Kong and Mainland	Japan	North America	Others	Consolidated
	China				
Segment revenue:					
Sales to external customers	<u>16,954</u>	<u>31,904</u>	<u>15,821</u>	<u>8,768</u>	<u>73,447</u>
Segment results	<u>15,137</u>	<u>2,118</u>	<u>1,050</u>	<u>582</u>	<u>18,887</u>
Other segment information:					
Segment assets	<u>235,523</u>	<u>1,182</u>	<u>1,151</u>	<u>244</u>	<u>238,100</u>
Capital expenditure	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,521</u>
2002					
Segment revenue:					
Sales to external customers	<u>67,903</u>	<u>48,400</u>	<u>19,933</u>	<u>9,192</u>	<u>145,428</u>
Segment results	<u>11,551</u>	<u>2,717</u>	<u>1,119</u>	<u>516</u>	<u>15,903</u>
Other segment information:					
Segment assets	<u>199,899</u>	<u>1,235</u>	<u>30,163</u>	<u>244</u>	<u>231,541</u>
Capital expenditure	<u>532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532</u>

NOTES TO FINANCIAL STATEMENTS

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5. **TURNOVER AND REVENUE**

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

An analysis of the Group's turnover and revenue is as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover		
Sales of fur skins and fur garments	73,447	145,428
Other revenue		
Gross rental income	543	1,169
Interest income from investments in listed debt securities	2,671	4,170
Investment income on equity linked investments	2,308	–
Bank interest income	1,240	2,228
Other interest income	455	–
Dividend income from listed equity securities	5,321	92
Gain on disposal of investment property	180	–
Realized profit on other investments	3,705	–
Exchange gain	1,323	68
Others	369	2,685
	18,115	10,412
	91,562	155,840

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6. PROFIT FROM OPERATING ACTIVITIES

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

	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	50,941	113,487
Depreciation		
– Owned assets	2,656	2,459
– Leased assets	15	15
Minimum lease payments under operating lease on land and buildings	582	660
Pension contributions	145	250
Less: Forfeited contributions	(76)	(279)
Net pension contributions	69	(29)
Auditors' remuneration	250	240
Staff costs (excluding directors' remuneration)	7,829	10,916
Realized loss on redemption of investments in listed debt securities	–	29
Unrealized loss on investments in listed equity securities	2,884	1,380
Gain on disposal of fixed assets	–	(2)
Deficit on revaluation of investment properties in Hong Kong – note 15	275	940
Net amortization of discounts and premiums on held-to-maturity securities	1	–
Gross rental income	(543)	(1,169)
Less: Outgoings	47	73
Net rental income	(496)	(1,096)

7. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank loans and overdrafts	502	558
Interest on trust receipts loans	71	99
Total finance costs	573	657

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8. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	2003 HK\$'000	2002 HK\$'000
Current year provision:		
Hong Kong	1,400	1,522
Overprovision in respect of prior years:		
Hong Kong	–	(5,999)
Deferred – note 26	–	400
	<u>1,400</u>	<u>(4,077)</u>

9. 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\$108,247,000 (2002: HK\$13,611,000) (note 28).

10. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim – HK1.1 cents (2002: HK1 cent) per ordinary share	4,381	3,983
Proposed final – HK1.2 cents (2002: HK1.8 cents) per ordinary share	4,779	7,169
	<u>9,160</u>	<u>11,152</u>

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

11. DIRECTORS' REMUNERATION

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

	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	270	282
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors	3,510	2,810
Independent non-executive directors	–	–
Retirement benefits contributions:		
Executive directors	42	34
Independent non-executive directors	–	–
Discretionary bonuses and/or performance-related bonuses	–	–
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	<u>3,822</u>	<u>3,126</u>

The number of directors whose remuneration fell within the following band is as follows:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	<u>7</u>	<u>8</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2002: four) directors, details of whose remuneration are disclosed above. The details of the remuneration of one (2002: one) remaining non-director, highest paid employees are as follows:

	2003	2002
	HK\$'000	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	488	523
Retirement benefits scheme contributions	12	12
	<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
	500	535
	<hr style="border: 1px solid black;"/>	<hr style="border: 1px solid black;"/>

In the absence of a readily available market value for share options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of the options granted in the prior year. Accordingly, no value was included in the remuneration paid to the employee in the prior year in respect thereof.

13. 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\$16,826,000 (2002: HK\$20,096,000) and on the weighted average of 398,264,000 ordinary shares (2002: 398,264,000 ordinary shares) in issue during the year.

The calculation of diluted earnings per share for the year is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK\$16,826,000 and on the weighted average of 398,264,000 ordinary shares in issue during the year plus the weighted average of 180,000 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

Diluted earnings per share for 2002 is not presented because there were no dilutive potential shares in existence during the year ended 31st March, 2002.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

14. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <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	15,000	6,573	2,763	8,300	32,636
Additions	–	217	21	1,283	1,521
Disposals	–	(246)	–	(100)	(346)
Deficit on revaluation	(2,000)	–	–	–	(2,000)
At end of year	<u>13,000</u>	<u>6,544</u>	<u>2,784</u>	<u>9,483</u>	<u>31,811</u>
Analysis of cost or valuation:					
At cost	–	6,544	2,784	9,483	18,811
At valuation	<u>13,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,000</u>
	<u>13,000</u>	<u>6,544</u>	<u>2,784</u>	<u>9,483</u>	<u>31,811</u>
Accumulated depreciation:					
At beginning of year	–	3,676	2,374	6,032	12,082
Provided during the year	300	1,021	193	1,157	2,671
Disposals	–	(246)	–	(100)	(346)
Written back on revaluation	(300)	–	–	–	(300)
At end of year	<u>–</u>	<u>4,451</u>	<u>2,567</u>	<u>7,089</u>	<u>14,107</u>
Net book value:					
At 31st March, 2003	<u>13,000</u>	<u>2,093</u>	<u>217</u>	<u>2,394</u>	<u>17,704</u>
At 31st March, 2002	<u>15,000</u>	<u>2,897</u>	<u>389</u>	<u>2,268</u>	<u>20,554</u>

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

14. FIXED ASSETS (continued)

Company

	Motor vehicle HK\$'000
Cost:	
Additions during the year and at end of year	850
Accumulated depreciation:	
Provided during the year and at end of year	170
Net book value:	
At 31st March, 2003	680
At 31st March, 2002	-

The net book value of the Group's fixed assets held under finance leases included in the total amount of furniture, fixtures and motor vehicles at 31st March, 2003, amounted to HK\$44,000 (2002: HK\$59,000).

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

At 31st March, 2003, the Group's 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\$13,000,000. The deficit arising on revaluation, amounting to HK\$1,700,000 (2002: deficit of HK\$876,000), has been charged to the fixed asset revaluation reserve (note 28).

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$12,963,000 (2002: HK\$13,245,000).

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

15. INVESTMENT PROPERTIES

	Group	
	2003 HK\$'000	2002 HK\$'000
Valuation:		
At beginning of year	8,210	9,150
Disposals during the year	(1,900)	-
Deficit on revaluation	(275)	(940)
	<u>6,035</u>	<u>8,210</u>
At end of year	<u>6,035</u>	<u>8,210</u>

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

	2003 HK\$'000	2002 HK\$'000
A long term lease	950	1,150
A medium term lease	5,085	7,060
	<u>6,035</u>	<u>8,210</u>
	<u>6,035</u>	<u>8,210</u>

At 31st March, 2003, 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\$6,035,000. The deficit arising on revaluation, amounting to HK\$275,000 (2002: HK\$940,000), has been charged to the profit and loss account (note 6).

The Group's investment property are leased to third parties under operating leases, further summary details of which are included in note 30 to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	83,368	83,368
Due from subsidiaries	40,104	26,929
Loans to subsidiaries	21,284	73,028
Loans from subsidiaries	(20,242)	(68)
Due to subsidiaries	(13,313)	(128,091)
	<u>111,201</u>	<u>55,166</u>
	<u>111,201</u>	<u>55,166</u>

NOTES TO FINANCIAL STATEMENTS

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16. INTERESTS IN SUBSIDIARIES (continued)

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

The loans 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%	Trading of fur and leather skins
Rising Manufacturing Macao Commercial Offshore Limited	Macao	Ordinary MOP\$25,000	100%	Trading of fur and leather skins, security investment and acting as purchase agent
Rising Group 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%	Dormant
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

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

16. 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)				
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
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
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%	Dormant
Wing Lee Agency Limited	Hong Kong	Ordinary HK\$100	100%	Provision of agency services
Winning Processing Limited	BVI/PRC	Ordinary US\$2	100%	Dormant
Yakata Holdings Limited	BVI/Japan	Ordinary US\$2	100%	Dormant

* 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.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

17. INVENTORIES

	2003 HK\$'000	Group 2002 HK\$'000
Raw materials	28,658	16,790
Work in progress	2,691	2,924
Finished goods	3,140	3,162
	34,489	22,876
	34,489	22,876

At 31st March, 2003, inventories of HK\$237,000 (2002: HK\$Nil) are stated at their net realizable value.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance is an amount of HK\$Nil (2002: HK\$29,640,000) in relation to the deposit paid by the Group for future purchases from overseas fur auctions.

19. TRADE RECEIVABLES

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

	2003		Group 2002	
	HK\$'000	%	HK\$'000	%
Current to 30 days	1,745	27	661	10
31 days to 60 days	93	1	260	4
Over 60 days	4,618	72	5,767	86
	6,456	100	6,688	100
	6,456	100	6,688	100

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

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

20. OTHER INVESTMENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At market value:				
Equity securities listed in				
Hong Kong	23,244	4,777	23,244	4,777
Debt securities listed outside				
Hong Kong	33,466	62,976	33,466	54,849
	<u>56,710</u>	<u>67,753</u>	<u>56,710</u>	<u>59,626</u>
Market value analysed for reporting purposes as:				
Current				
– trading listed equity securities	23,244	4,777	23,244	4,777
Non-current				
– non-trading listed debt securities	33,466	62,976	33,466	54,849
	<u>56,710</u>	<u>67,753</u>	<u>56,710</u>	<u>59,626</u>

At 31st March, 2003, the Group's other investments with carrying values of HK\$Nil (2002: HK\$32,304,000) were pledged to secure certain banking facilities granted to the Group (note 22).

21. HELD-TO-MATURITY SECURITIES

	Group and Company	
	2003 HK\$'000	2002 HK\$'000
Held-to-maturity securities, at amortized cost		
– listed overseas	<u>40,856</u>	<u>–</u>
Due within 1 year	–	–
Due after 1 year	<u>40,856</u>	<u>–</u>
	<u>40,856</u>	<u>–</u>

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

22. BANKING FACILITIES

At 31st March, 2003, the Group's banking facilities were secured by a corporate guarantee given by the Company (2002: At 31st March, 2002 the Group's banking facilities were secured by charges on certain other investments owned by the Group and a corporate guarantee given by the Company).

No such banking facilities had been utilized by the Group at 31st March, 2003 (2002: HK\$Nil).

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	3,205	3,395	294	946
Time deposits	68,696	69,936	68,696	69,936
	<u>71,901</u>	<u>73,331</u>	<u>68,990</u>	<u>70,882</u>

24. TRADE PAYABLES

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

	2003		Group		2002	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Current to 30 days	3,177	56	768	35	768	35
31 days to 60 days	318	6	406	18	406	18
Over 60 days	2,223	38	1,037	47	1,037	47
	<u>5,718</u>	<u>100</u>	<u>2,211</u>	<u>100</u>	<u>2,211</u>	<u>100</u>

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

25. FINANCE LEASE PAYABLE

The Group leases certain of its furniture and fixtures for its operation. This lease is classified as finance lease and has remaining lease term of four years.

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

	Minimum lease payments 2003 HK\$'000	Minimum lease payments 2002 HK\$'000	Group Present value of minimum lease payments 2003 HK\$'000	Present value of minimum lease payments 2002 HK\$'000
Amounts payable:				
Within one year	15	15	15	15
In the second year	15	15	15	15
In the third to fifth year inclusive	24	39	24	39
Total minimum finance lease payments	54	69	54	69
Future finance charges	–	–		
Total net finance lease payables	54	69		
Portion classified as current liabilities	(15)	(15)		
Long term portion	39	54		

26. DEFERRED TAX

	2003 HK\$'000	Group 2002 HK\$'000
Balance at beginning of year	448	48
Charge for the year – note 8	–	400
Balance at end of year	448	448

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

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

26. DEFERRED TAX (continued)

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.

27. SHARE CAPITAL

Share

	Number of shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At beginning of year and 31st March, 2003	1,000,000,000	100,000
Issued and fully paid:		
At beginning of year and 31st March, 2003	398,264,000	39,826

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

Share options scheme

On 9th October, 1997, the Company adopted a Share Option Scheme (the "Scheme") which would lapse on 8th October, 2007, pursuant to which the directors may, at their discretion to grant to selective employees of the Group including the directors to subscribe for shares of the Company up to a maximum aggregate number of shares equal to 10 per cent of the total issued shares of the Company. The purpose of the Scheme is to allow grantee the opportunity to obtain equity interest in the Company. No grantee would be granted option which would exceed 25 per cent of the total option available. The grant is subject to acceptance within 21 days of the offer. The consideration payable for the option is HK\$1.00. The exercisable price of the option is determined by the directors which shall be not less than the higher of the nominal value of the share or 80 per cent of the average five business days' closing price of the shares on The Stock Exchange of Hong Kong Limited immediate preceding the date of the grant.

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

27. SHARE CAPITAL (continued)

Share options scheme (continued)

Directors	Number of share options outstanding at 1st April, 2002	Lapsed during the year	Number of share options outstanding at 31st March, 2003	Initial exercise price HK\$	Exercisable period
Mr. Ng Ngan Lung	5,000,000	–	5,000,000	0.29	7/1/1998 – 31/12/2007
Mr. William Carl Frick	1,000,000	–	1,000,000	0.29	23/2/1998 – 31/12/2007
Mr. Chong Hong Sang	1,000,000	–	1,000,000	0.38	8/8/2001 – 31/12/2007
Employee	750,000	150,000	600,000	0.29	7/1/1998 – 31/12/2007
Total	<u>7,750,000</u>	<u>150,000</u>	<u>7,600,000</u>		

No share options were exercised by the Directors to subscribe for a share in the Company during the year.

The directors are of the view that the value of the theoretical value of the share options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors believed that any calculation of the value of options will not be meaningful and may be misleading to shareholders in the circumstances.

28. 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 20 of the financial statements.

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

28. RESERVES (continued)

(b) **Company**

	Share premium account <i>HK\$'000</i>	Con- tributed surplus <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	48,252	83,168	4,469	739	136,628
Realized on redemption of listed debt securities	–	–	(80)	–	(80)
Deficit on revaluation	–	–	(302)	–	(302)
Net profit for the year – note 9	–	–	–	13,611	13,611
Dividend – note 10	–	–	–	(11,152)	(11,152)
<hr/>					
At 31st March, 2002 and 1st April, 2002	48,252	83,168	4,087	3,198	138,705
Realised on disposal of listed debts securities	–	–	(4,087)	–	(4,087)
Surplus on revaluation	–	–	1,763	–	1,763
Net profit for the year – note 9	–	–	–	108,247	108,247
Dividend – note 10	–	–	–	(9,160)	(9,160)
<hr/>					
At 31st March, 2003	<u>48,252</u>	<u>83,168</u>	<u>1,763</u>	<u>102,285</u>	<u>235,468</u>

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.

29. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, the group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of HK\$Nil (2002: HK\$74,000).

NOTES TO FINANCIAL STATEMENTS

31ST MARCH, 2003

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to three 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 receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003 HK\$'000	Group 2002 HK\$'000
Within one year	163	380
In the second to fifth year, inclusive	68	106
	<u>231</u>	<u>486</u>

(b) As lessee

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

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

	2003 HK\$'000	Group 2002 HK\$'000
Within one year	393	427
In the second to fifth year, inclusive	622	1,015
	<u>1,015</u>	<u>1,442</u>

31. 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\$69,500,000 (2002: HK\$52,000,000) in respect of banking facilities granted to certain subsidiaries of the Company. At 31st March, 2003, no banking facilities have been utilised by the Group (2002: HK\$Nil).

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15th July, 2003.