



Notes to Financial Statements

31st March, 2004

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 (as amended) of Bermuda.

During the year, the Group was engaged in investment 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 A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised): "Income taxes" is effective for the first time for the current year's financial statements. SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

This SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 8 to the financial statements and include a reconciliation between the accounting profit and tax expense for the year.

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, 2004. 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.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition:

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

- (a) 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.

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.



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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill/Negative goodwill: (continued)

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.

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.



Notes to Financial Statements

31st March, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation: (continued)

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.

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.



Notes to Financial Statements

31st March, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets: (continued)

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.

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.

Taxation:

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.



Notes to Financial Statements

31st March, 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation: (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

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.

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 and special 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.
- (c) Investments and others comprise rental income from investment properties, dividend and interest income from other investments and gain or loss on other investments.

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.

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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.

2004	Manufacture and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Investments and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	63,070	54,704	–	–	117,774
Intersegment sales	–	35,564	–	(35,564)	–
Other revenue	972	1,436	32,917	(3,969)	31,356
Total revenue	<u>64,042</u>	<u>91,704</u>	<u>32,917</u>	<u>(39,533)</u>	<u>149,130</u>
Segment results	<u>7,369</u>	<u>6,445</u>	<u>29,556</u>		43,370
Interest income					778
Unallocated expenses					<u>(1,280)</u>
Profit from operating activities					42,868
Finance costs					<u>(544)</u>
Profit before tax					42,324
Tax					<u>(2,224)</u>
Net profit attributable to shareholders					<u>40,100</u>



Notes to Financial Statements

31st March, 2004

4. SEGMENT INFORMATION (continued)

(a) Business segments: (continued)

2003	Manufacture and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Investments and 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
Total revenue	<u>62,809</u>	<u>53,600</u>	<u>16,051</u>	<u>(42,138)</u>	<u>90,322</u>
Segment results	<u>3,872</u>	<u>4,887</u>	<u>10,128</u>		18,887
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
Tax					<u>(1,400)</u>
Net profit attributable to shareholders					<u>16,826</u>

*Notes to Financial Statements*

31st March, 2004

4. **SEGMENT INFORMATION** (continued)(a) **Business segments:** (continued)

2004	Manufacture and sales of fur garments <i>HK\$'000</i>	Trading of fur skins <i>HK'000</i>	Investments and others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	53,235	81,498	238,831	(40,721)	<u>332,843</u>
Segment liabilities	(29,191)	(68,438)	(1,488)	40,721	(58,396)
Unallocated liabilities					(4,628)
Finance lease payable	(40)	–	–		<u>(40)</u>
Total liabilities					<u>(63,064)</u>
Other segment information:					
Depreciation	2,555	–	–		2,555
Capital expenditure	695	–	–		695
Realized profit on other investments	–	–	15,684		15,684
Unrealized gain on investments in listed equity securities	–	–	3,852		3,852
Surplus on revaluation of investment properties	–	–	100		<u>100</u>
2003					
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
Capital expenditure	1,521	–	–		1,521
Realized profit on other investments	–	–	3,705		3,705
Unrealized loss on investments in listed equity securities	–	–	(2,884)		(2,884)
Deficit on revaluation of investment properties	–	–	(275)		<u>(275)</u>



Notes to Financial Statements

31st March, 2004

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.

2004	Hong Kong and Mainland		North		Consolidated
	China	Japan	America	Others	
	HK\$'000	HK'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	<u>57,813</u>	<u>27,110</u>	<u>18,875</u>	<u>13,976</u>	<u>117,774</u>
Segment results	<u>36,357</u>	<u>3,171</u>	<u>2,208</u>	<u>1,634</u>	<u>43,370</u>
Other segment information:					
Segment assets	<u>331,583</u>	<u>610</u>	<u>512</u>	<u>138</u>	<u>332,843</u>
Capital expenditure	<u>695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695</u>
2003					
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>

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31st March, 2004

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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Sales of fur skins and fur garments	117,774	73,447
Other revenue		
Gross rental income	226	543
Interest income from investments in listed debt securities	8,359	2,671
Investment income on equity linked investments	589	2,308
Bank interest income	778	1,240
Other interest income	–	455
Dividend income from listed equity securities	1,086	5,321
Gain on disposal of investment property	180	180
Gain on disposal of other fixed assets	120	–
Realized profit on other investments	15,684	3,705
Exchange gain	2,403	1,323
Service income	169	–
Net unrealized gain from transfer of held-to-maturity securities into other investments	883	–
Others	1,657	369
	32,134	18,115
	149,908	91,562



Notes to Financial Statements

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6. PROFIT FROM OPERATING ACTIVITIES

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

	2004 HK\$'000	2003 HK\$'000
Cost of inventories sold	90,994	50,941
Depreciation		
– Owned assets	2,540	2,656
– Leased assets	15	15
	2,555	2,671
Minimum lease payments under operating lease on land and buildings	595	582
Pension contributions	133	145
Less: Forfeited contributions	(58)	(76)
Net pension contributions	75	69
Auditors' remuneration	250	250
Staff costs (excluding directors' remuneration)	8,127	7,829
(Surplus)/deficit on revaluation of investment properties in Hong Kong – note 15	(100)	275
Net amortization of discounts and premiums on held-to-maturity securities	–	1
Provision for bad debts	238	–
Gross rental income	(226)	(543)
Less: Outgoings	38	47
Net rental income	(188)	(496)
	<u> </u>	<u> </u>

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts	420	502
Interest on trust receipts loans	124	71
	<u> </u>	<u> </u>
Total finance costs	544	573
	<u> </u>	<u> </u>

*Notes to Financial Statements*

31st March, 2004

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31st March, 2004.

	2004 HK\$'000	2003 HK\$'000
Current – Hong Kong	2,624	1,400
Deferred – note 26	(400)	–
Total tax charge for the year	<u>2,224</u>	<u>1,400</u>

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

	2004		Group		2003	
	HK\$'000	%	HK\$'000		HK\$'000	%
Profit before tax	<u>42,324</u>		<u>18,226</u>			
Tax at the statutory tax rate	7,407	17.50%	2,916			16.00%
Effect of opening deferred tax of increase in rates	30	0.07%	–			
Income not subject to tax	(5,232)	(12.36%)	(2,936)			(16.11%)
Expenses not deductible for tax	10	0.02%	142			0.78%
Others	9	0.02%	1,278			7.01%
Tax charge at the Group's effective rate	<u>2,224</u>	5.25%	<u>1,400</u>			7.68%

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\$36,903,000 (2003: HK\$108,247,000) (note 28).



Notes to Financial Statements

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10. DIVIDENDS

	Group and Company	
	2004 HK\$'000	2003 HK\$'000
Interim – HK1.2 cents (2003: HK1.1 cents) per ordinary share	4,779	4,381
Proposed final – HK4.3 cents (2003: HK1.2 cents) per ordinary share	17,125	4,779
Proposed special – HK4.5 cents (2003: HK Nil cent) per ordinary share	17,922	–
	<u>35,047</u>	<u>4,779</u>
	<u>39,826</u>	<u>9,160</u>

11. 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 Companies Ordinance, is as follows:

	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	270	270
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors	3,545	3,510
Independent non-executive directors	–	–
Retirement benefits contributions:		
Executive directors	46	42
Independent non-executive directors	–	–
Discretionary bonuses and/or performance-related bonuses	–	–
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	<u>3,861</u>	<u>3,822</u>

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

	Number of directors	
	2004	2003
Nil – HK\$1,000,000	<u>7</u>	<u>7</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, 2004

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2003: four) directors, details of whose remuneration are disclosed above. The details of the remuneration of nil (2003: one) remaining non-director, highest paid employees for the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	-	488
Retirement benefits scheme contributions	-	12
	<hr/>	<hr/>
	-	500
	<hr/> <hr/>	<hr/> <hr/>

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\$40,100,000 (2003: HK\$16,826,000) and on the weighted average of 398,264,000 (2003: 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\$40,100,000 (2003: HK\$16,826,000) and on the weighted average of 398,264,000 (2003: 398,264,000) ordinary shares in issue during the year plus the weighted average of 1,737,000 (2003: 180,000) ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.



Notes to Financial Statements

31st March, 2004

14. 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	13,000	6,544	2,784	9,483	31,811
Additions	–	79	305	311	695
Disposals	–	(960)	–	(968)	(1,928)
Surplus on revaluation	1,200	–	–	–	1,200
At end of year	<u>14,200</u>	<u>5,663</u>	<u>3,089</u>	<u>8,826</u>	<u>31,778</u>
Analysis of cost or valuation:					
At cost	–	5,663	3,089	8,826	17,578
At valuation	<u>14,200</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,200</u>
	<u>14,200</u>	<u>5,663</u>	<u>3,089</u>	<u>8,826</u>	<u>31,778</u>
Accumulated depreciation:					
At beginning of year	–	4,451	2,567	7,089	14,107
Provided during the year	260	1,037	199	1,059	2,555
Disposals	–	(960)	–	(264)	(1,224)
Written back on revaluation	(260)	–	–	–	(260)
At end of year	<u>–</u>	<u>4,528</u>	<u>2,766</u>	<u>7,884</u>	<u>15,178</u>
Net book value:					
At 31st March, 2004	<u>14,200</u>	<u>1,135</u>	<u>323</u>	<u>942</u>	<u>16,600</u>
At 31st March, 2003	<u>13,000</u>	<u>2,093</u>	<u>217</u>	<u>2,394</u>	<u>17,704</u>

*Notes to Financial Statements*

31st March, 2004

14. FIXED ASSETS (continued)**Company**

	Motor vehicle HK\$'000
Cost:	
At beginning of year	850
Disposal during the year	(850)
	<hr/>
At end of year	–
	<hr/>
Accumulated depreciation:	
At beginning of year	170
Provided during the year	85
Written back on disposal	(255)
	<hr/>
At end of year	–
	<hr/>
Net book value:	
At 31st March, 2004	–
	<hr/> <hr/>
At 31st March, 2003	680
	<hr/> <hr/>

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, 2004, amounted to HK\$30,000 (2003: HK\$44,000).

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

At 31st March, 2004, 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\$14,200,000 (2003: HK\$13,000,000). The surplus arising on revaluation, amounting to HK\$1,200,000 (2003: deficit of HK\$1,700,000), has been credited 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\$12,682,000 (2003: HK\$12,963,000).



Notes to Financial Statements

31st March, 2004

15. INVESTMENT PROPERTIES

	2004 HK\$'000	Group 2003 HK\$'000
Valuation:		
At beginning of year	6,035	8,210
Disposals during the year	(3,435)	(1,900)
Surplus/(deficit) on revaluation	100	(275)
	<u>2,700</u>	<u>6,035</u>

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

	2004 HK\$'000	2003 HK\$'000
A long term lease	–	950
Medium term leases	2,700	5,085
	<u>2,700</u>	<u>6,035</u>

At 31st March, 2004, 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\$2,700,000 (2003: HK\$6,035,000). The surplus arising on revaluation, amounting to HK\$100,000 (2003: deficit of HK\$275,000), has been credited to the profit and loss account (note 6).

The Group's investment properties are leased to third parties under operating leases, further summary details of which are included in note 29 to the financial statements.

16. INTERESTS IN SUBSIDIARIES

	2004 HK\$'000	Company 2003 HK\$'000
Unlisted shares, at cost	83,368	83,368
Due from subsidiaries	47	40,104
Loans to subsidiaries	39,937	21,284
Loans from subsidiaries	(2,152)	(20,242)
Due to subsidiaries	(24,443)	(13,313)
	<u>96,757</u>	<u>111,201</u>

*Notes to Financial Statements*

31st March, 2004

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	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
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



Notes to Financial Statements

31st March, 2004

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)				
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 (Formerly known as Silverton Fur & Leather Trading Company Limited)	Hong Kong	Ordinary HK\$5,000 Non-voting deferred** HK\$1,000,000	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
Cepa Network Limited	Hong Kong	Ordinary HK\$10,000	100%	Dormant
Mega Asset Developments 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.

*Notes to Financial Statements*

31st March, 2004

16. INTERESTS IN SUBSIDIARIES (continued)

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.

17. INVENTORIES

	2004 HK\$'000	Group 2003 HK\$'000
Raw materials	74,286	28,658
Work in progress	2,659	2,691
Finished goods	4,534	3,140
	<u>81,479</u>	<u>34,489</u>

At 31st March, 2004, inventories of HK\$1,814,000 (2003: HK\$237,000) are stated at their net realizable value.

18. TRADE RECEIVABLES

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

	2004		Group 2003	
	HK\$'000	%	HK\$'000	%
Current to 30 days	612	17	1,745	27
31 days to 60 days	398	11	93	1
Over 60 days	2,580	72	4,618	72
	<u>3,590</u>	<u>100</u>	<u>6,456</u>	<u>100</u>

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



Notes to Financial Statements

31st March, 2004

19. OTHER INVESTMENTS

	Group and Company	
	2004 HK\$'000	2003 HK\$'000
At market value:		
Equity securities listed in Hong Kong	58,368	23,244
Debt securities listed outside Hong Kong	117,169	33,466
	<u>175,537</u>	<u>56,710</u>
Other investments analysed for reporting purposes as:		
Current		
– trading listed equity securities	32,080	23,244
Non-current		
– non-trading listed debt securities	117,169	33,466
– non-trading listed equity securities	26,288	–
	<u>143,457</u>	<u>33,466</u>
	<u>175,537</u>	<u>56,710</u>

20. HELD-TO-MATURITY SECURITIES

	Group and Company	
	2004 HK\$'000	2003 HK\$'000
Held-to-maturity securities, at amortized cost		
– listed overseas	–	40,856
Due within 1 year	–	–
Due after 1 year	–	40,856
	<u>–</u>	<u>40,856</u>

During the year, held-to-maturity securities at a total amortised cost of HK\$40,856,000 were transferred to other investments at market value to reflect the Group's intention to hold the investments for non-trading purpose, resulting in an unrealised gain at the date of transfer of HK\$883,000 (2003: HK\$Nil) which has been credited to the profit and loss account for the year ended 31st March, 2004.

*Notes to Financial Statements*

31st March, 2004

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Cash and bank balances	3,537	3,205	606	294
Time deposits	44,410	68,696	44,410	68,696
	<u>47,947</u>	<u>71,901</u>	<u>45,016</u>	<u>68,990</u>

22. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by a corporate guarantee given by the Company.

The trust receipt loans amounting to HK\$18,094,000 (2003: HK\$Nil) have been utilized by the Group at 31st March, 2004.

23. TRADE PAYABLES

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

	2004		Group		2003	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Current to 30 days	6,823	86	3,177	56		
31 days to 60 days	380	5	318	6		
Over 60 days	699	9	2,223	38		
	<u>7,902</u>	<u>100</u>	<u>5,718</u>	<u>100</u>		

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Customers' deposits	28,969	1,431	–	–
Others	3,383	1,566	688	330
	<u>32,352</u>	<u>2,997</u>	<u>688</u>	<u>330</u>



Notes to Financial Statements

31st March, 2004

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 three years (2003: 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 2004 HK\$'000	Minimum lease payments 2003 HK\$'000	Group Present value of minimum lease payments 2004 HK\$'000	Present value of minimum lease payments 2003 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	10	24	10	24
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease payments	40	54	40	54
Future finance charges	–	–		
	<hr/>	<hr/>		
Total net finance lease payables	40	54		
Portion classified as current liabilities	(15)	(15)		
	<hr/>	<hr/>		
Long term portion	25	39		

*Notes to Financial Statements*

31st March, 2004

26. DEFERRED TAX LIABILITIES

At the balance sheet date, the Group has provided for deferred tax liabilities of approximately HK\$48,000 (2003: HK\$448,000). SSAP 12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements, and the change of accounting policy has no significant impact on the opening balances. Accordingly, no prior year adjustment has been made.

The movement in deferred tax liabilities, which comprised accelerated tax depreciation, during the year is as follows:

	2004 HK\$'000	Group 2003 HK\$'000
At 1st April	448	448
Deferred tax credited to the profit and loss account during the year including a charge of HK\$30,000 (2003: HK\$Nil) due to the effect of a change in tax rate	(400)	—
At 31st March	<u>48</u>	<u>448</u>

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

27. SHARE CAPITAL**Share**

	Number of shares of HK\$0.10 each	Amount HK\$'000
Authorised:		
At beginning of year and 31st March, 2004	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At beginning of year and 31st March, 2004	<u>398,264,000</u>	<u>39,826</u>

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



Notes to Financial Statements

31st March, 2004

27. SHARE CAPITAL (continued)

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.

Directors	Number of share options outstanding at 1st April, 2003	Lapsed during the year	Number of share options outstanding at 31st March, 2004	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	600,000	–	600,000	0.29	7/1/1998 – 31/12/2007
Total	<u>7,600,000</u>	<u>–</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.

*Notes to Financial Statements*

31st March, 2004

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.

(b) Company

	Share premium account <i>HK\$'000</i>	Contributed 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, 2002	48,252	83,168	4,087	3,198	138,705
Realised on disposal of listed debt securities	–	–	(4,087)	–	(4,087)
Surplus on revaluation	–	–	1,763	–	1,763
Net profit for the year – note 9	–	–	–	108,247	108,247
Dividends – note 10	–	–	–	(9,160)	(9,160)
	<u>48,252</u>	<u>83,168</u>	<u>1,763</u>	<u>102,285</u>	<u>235,468</u>
At 31st March, 2003 and 1st April, 2003	48,252	83,168	1,763	102,285	235,468
Realised on disposal of listed debts securities	–	–	(1,763)	–	(1,763)
Surplus on revaluation	–	–	12,662	–	12,662
Net profit for the year – note 9	–	–	–	36,903	36,903
Dividends – note 10	–	–	–	(39,826)	(39,826)
	<u>48,252</u>	<u>83,168</u>	<u>12,662</u>	<u>99,362</u>	<u>243,444</u>
At 31st March, 2004	<u>48,252</u>	<u>83,168</u>	<u>12,662</u>	<u>99,362</u>	<u>243,444</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 therefor.

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 therefor. 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.



Notes to Financial Statements

31st March, 2004

29. 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 one 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:

	2004 HK\$'000	Group 2003 HK\$'000
Within one year	34	163
In the second to fifth year, inclusive	—	68
	<u>34</u>	<u>231</u>

(b) As lessee

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms of five years.

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

	2004 HK\$'000	Group 2003 HK\$'000
Within one year	397	393
In the second to fifth year, inclusive	297	622
	<u>694</u>	<u>1,015</u>



Notes to Financial Statements

31st March, 2004

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following commitments at the balance sheet date:

	2004 HK\$'000	Group 2003 HK\$'000
Capital commitments for the acquisition of other investment:		
Authorised, but not contracted for	<u>6,240</u>	<u>—</u>

The Company had no significant commitments at the balance sheet date (2003: Nil).

31. CONTINGENT LIABILITIES

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

The Company has provided corporate guarantees to banks for banking facilities provided to its subsidiaries. At 31st March, 2004, trust receipt loans amounting to HK\$18,094,000 (2003: HK\$Nil) have been utilised by the Group.

32. LITIGATION

On 15th May, 2003, the Company's wholly-owned subsidiary, Rising Development Limited issued a Writ of Summons under High Court Action No. 1737 of 2003 against a former tenant to claim the sum of HK\$673,000 (2003: HK\$Nil) under the tenancy agreement to recover rent together with electricity, loss and damages of the property incurred. The case is being handled by Rising Development Limited's legal advisers.

Adequate provision had been made in the financial statements in connection with this claim.

33. POST BALANCE SHEET EVENT

On 6th May, 2004, the Group disposed of certain of its debt securities to an independent third party for a cash consideration of HK\$16,744,000, resulting in a gain on disposal of approximately HK\$2,171,000.

34. COMPARATIVE FIGURES

Certain comparative figures of operating and administrative expenses have been reclassified under selling and distribution expenses and unrealised loss on investments in listed equity securities to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28th June, 2004.