

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31st March, 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the year ended 31st March, 2005 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st March, 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 18 to 53.

An interim dividend of HK2.5 cents per ordinary share was paid on 6th December, 2004. The directors recommend the payment of a final dividend of HK3.0 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 19th August, 2005. This recommendation has been incorporated in the financial statements.

PROPOSED BONUS ISSUE

The Board has recommended a bonus share issue (the "Proposed Bonus Issue") of new shares (individually a "Bonus Share" and collectively the "Bonus Shares") to the shareholders of the Company on the basis of one (1) Bonus Share of HK\$0.1 for every two (2) issued ordinary shares held by such shareholders whose names appear on the Register of Members of the Company on 19th August 2005. The Bonus Shares will be fully paid at par and will rank pari passu with the existing issued ordinary shares of the Company in all respects from the date of issue, except that they will not rank for the recommended final dividend or the Proposed Bonus Issue. The Proposed Bonus Issue is conditional upon:

- (i) an ordinary resolution being passed to approve the Proposed Bonus Issue at the 2005 Annual General Meeting being duly passed; and
- (ii) the listing of and permission to deal in the Bonus Shares being granted by the Listing Committee of The Stock Exchange of Hong Kong Limited.

Application will be made to the Listing Committee of The Stock Exchange of Hong Kong Limited for listing of, and permission to deal in, the Bonus Shares to be issued pursuant to the Proposed Bonus Issue after the ordinary resolution referred in (i) above has been duly passed at the 2005 Annual General Meeting.

A circular setting out further details of the Proposed Bonus Issue will be despatched to shareholders as soon as practicable.

**SUMMARY OF FINANCIAL INFORMATION**

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	2005 HK\$'000	Year ended 31st March			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
TURNOVER	184,271	117,774	73,447	145,428	155,570
PROFIT FROM OPERATING ACTIVITIES	43,569	42,868	18,799	16,676	16,537
Finance costs	(396)	(544)	(573)	(657)	(229)
PROFIT BEFORE TAX	43,173	42,324	18,226	16,019	16,308
Tax	(2,346)	(2,224)	(1,400)	4,077	(857)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	40,827	40,100	16,826	20,096	15,451

ASSETS AND LIABILITIES

	2005 HK\$'000	As at 31st March			
		2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
FIXED ASSETS	19,738	16,600	17,704	20,554	23,392
INVESTMENT PROPERTIES	20,480	2,700	6,035	8,210	9,150
OTHER INVESTMENTS	112,724	143,457	33,466	62,976	60,259
HELD-TO-MATURITY SECURITIES	–	–	40,856	–	–
CURRENT ASSETS	207,418	170,086	140,039	139,801	165,633
TOTAL ASSETS	360,360	332,843	238,100	231,541	258,434
CURRENT LIABILITIES	91,471	62,991	10,735	5,357	43,750
NON-CURRENT LIABILITIES	1,724	73	487	502	48
TOTAL LIABILITIES	93,195	63,064	11,222	5,859	43,798
NET ASSETS	267,165	269,779	226,878	225,682	214,636

REPORT OF THE DIRECTORS (Continued)

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Company and the Group are set out in notes 14 and 15 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year.

Details of movements in the Company's share options during the year are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st March, 2005, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$198,023,000 as computed in accordance with the Companies Act 1981 of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK\$48,252,000 as at 31st March, 2005, may be distributed in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 38% of the total sales for the year and sales to the largest customer included therein amounted to 22%.

Purchases from the Group's five largest suppliers accounted for 91% of the total purchases for the year and purchases from the largest supplier included therein amounted to 36%.

None of the directors of the Company, any of their associates or any shareholders (which, to the best knowledge of the directors own more than 5% of the Company's issued share capital), had any beneficial interests in the Group's five largest customers or five largest suppliers.



USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING OF SHARES IN OCTOBER 1997

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in October 1997, after deduction of related expenses, amounted to approximately HK\$88,000,000. Up to 30th September, 2001, part of the proceeds were applied in the following areas.

	Original planned <i>HK\$'000</i>	Actual application <i>HK\$'000</i>	Unused proceeds at 30/9/2001 <i>HK\$'000</i>
Development of the Group's own brand names	30,000	3,400	26,600
Extension of the existing processing agreement in Dongguan in the People's Republic of China (PRC) for manufacturing of cashmere garments	15,000	–	15,000
Developing and financing the establishment of retail outlets in the PRC	10,000	1,200	8,800
Setting up of fur and leather dry cleaning facilities	5,000	–	5,000
Acquiring new equipment, fixtures and machinery	10,000	6,300	3,700
Additional working capital	18,000	18,000	–
	<u>88,000</u>	<u>28,900</u>	<u>59,100</u>

The total unused proceeds as at 30th September, 2001 were approximately HK\$59.1 million.

Reference is made to the Group's announcement made on 10th December, 2001. The Board changed the use of proceeds and allocated and applied the unused proceeds of HK\$59.1 million as at 30th September, 2001 in the following manner:

	Proposed application at 10/12/2001 <i>HK\$'000</i>	Actual application <i>HK\$'000</i>	Unused proceeds at 31/3/2003 <i>HK\$'000</i>
Increasing the general working capital of the Group	20,000	20,000	–
Development of the Group's own brand names and promotion of the Group's products	5,100	3,948	1,152
Acquiring new machinery, factory and office equipment, and fixtures and furniture	6,000	2,053	3,947
Developing and financing the establishment of trading business in the PRC, including but not limited to garments, handbags and other related products	28,000	–	28,000
	<u>59,100</u>	<u>26,001</u>	<u>33,099</u>

REPORT OF THE DIRECTORS (Continued)

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING OF SHARES IN OCTOBER 1997 (continued)

The total unused proceeds as at 31st March, 2003 were approximately HK\$33.1 million.

With a view to improving the turnover and profitability of our existing business, the Group considered necessary to rethink its business strategy in relation to these areas of business and investment. More working capital was required for fur garment business and setting up different channels of distribution, which were considered to be more profitable.

Since the above announcement made on 10th December, 2001, the Group had carefully studied the trading business in the PRC for more than one year and found that the value added tax and tariff were not lowered as expected and distribution cost was higher than anticipated before. It might not be in the best interest of the Group and therefore no material amount was spent in this business. As a result, fund for the trading business in the PRC with fewer profit margins would then be reduced.

In view of the above, the Board announced on 15th July, 2003 and considered that it was in the best interest of the Group and its shareholders to further change the use of proceeds, and allocated and applied the above unused proceeds of HK\$33.1 million in the following manner:

	Proposed application at 15/7/2003 <i>HK\$'000</i>	Actual application <i>HK\$'000</i>	Unused proceeds at 31/3/2005 <i>HK\$'000</i>
Increasing the general working capital of the Group	25,100	17,759	7,341
Development of the Group's own brand name and promotion of the Group's products	4,500	3,711	789
Developing and financing the establishment of trading business in the PRC, including but not limited to garments, handbags and other related products	2,000	2,000	–
Acquiring new machinery, factory and office equipment, and fixtures and furniture	1,500	1,364	136
	<u>33,100</u>	<u>24,834</u>	<u>8,266</u>



DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Ng Ngan Lung, Freddy

Mr. Chong Hong Sang, Kenneth

Mr. Mui Chi Hung, Clarence

Mr. William Carl Frick

(Resigned on 9th August, 2004)

After the balance sheet date, Mr. Chong Hong Sang, Kenneth was appointed as the Chief Executive Officer of the Company.

Independent non-executive directors

Ms. Ho Man Kay, Angela

Mr. Chan Wing Yuen, Hubert

Mr. Fan Sai Yee

(Appointed on 30th September, 2004)

In accordance with clauses 111(A) and 115 of the Company's bye-laws, Ms. Ho Man Kay, Angela and Mr. Fan Sai Yee will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

EMPLOYEE BENEFITS

Details of the employee benefits of the Group and the employer's costs on employee benefits charged to the profit and loss account for the year are set out in notes 3 and 6 to the financial statements, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and facilities from Hong Kong banks. As at 31st March, 2005, the Group had cash and cash equivalents of approximately HK\$69,255,000. As at 31st March, 2005, the Group had bank borrowings and other borrowing amounting to HK\$55,199,000 and HK\$6,195,000 respectively and the shareholders' funds amounting to HK\$267,165,000.

As far as financial position is concerned, the Group continues to adopt a cautious policy. There are no long-term debts and the Group has sufficient funds for future business expansions and diversification in investments.

EMPLOYEES

As at 31st March, 2005, the Group employed around 20 employees in Hong Kong and approximately 300 employees in the Mainland. The Group's remuneration policies are based primarily on prevailing market wages and the performance of individual employees. Fringe benefits, including provident fund, Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus programme for its management and staff with awards determined annually based upon the performance of the Group and individual employees. Information on the share option scheme and the Group's remuneration expenses are set out in the Report of the Directors and notes 6, 11, 12 and 26 to the financial statements respectively.

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March, 2005, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

(a) Long positions in ordinary shares of HK\$0.1 each of the Company

Name of director	<i>Note</i>	Personal interests	Corporate interests
Mr. Ng Ngan Lung	1	Nil	240,000,000
	2	Nil	33,720,000
Mr. Chong Hong Sang		<u>4,000,000</u>	<u>Nil</u>

Notes:

- 240,000,000 shares are owned by Rising Global Asset Limited (formerly known as Fung Kong Worldwide Limited), a company incorporated in the British Virgin Islands. Its entire issued share capital is owned by Mr. Ng Ngan Lung.
- 33,720,000 shares are owned by Silver Sound Assets Limited, a company incorporated in the British Virgin Islands. Its entire issued share capital is owned by Mr. Ng Ngan Lung.

(b) Long positions in underlying shares – share options

Details of the interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, none of the directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above and in the share option scheme disclosures in note 26 to the financial statements, at no time during the year or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 26 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31st March, 2005, according to the register of interest in shares and short positions required to be kept by the Company under Section 336 of the SFO, the Company has been notified that the following shareholders were interest in 5% or more of the share capital of the Company:

Name of shareholders	Note	Number of shares held	Percentage of holding
Rising Global Asset Limited (formerly known as Fung Kong Worldwide Limited)	1	240,000,000	60.26%
Silver Sound Assets Limited	2	33,720,000	8.47%

Notes:

1. The entire issued share capital of Rising Global Asset Limited (formerly known as Fung Kong Worldwide Limited) is held and beneficially owned by Mr. Ng Ngan Lung.
2. The entire issued share capital of Silver Sound Assets Limited is held and beneficially owned by Mr. Ng Ngan Lung.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest and short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Executive directors

Mr. Ng Ngan Lung, Freddy, aged 43, is the Chairman of the Company. He is one of the founders of the Group and has more than 23 and 19 years of experience in the fur industry and leather industry, respectively. He is responsible for the Group's corporate policy, planning and development, corporate management policy and sales and marketing.

Mr. Chong Hong Sang, Kenneth, aged 45, is the Deputy Chairman and Chief Executive Officer of the Company. He holds an Master's degree of Business Administration from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Chong has more than 20 years of experience in the PRC trade business. Mr. Chong is responsible for the corporate management, sales and marketing, and the Group's business development in the PRC.

REPORT OF THE DIRECTORS (Continued)

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)**Executive directors** (continued)

Mr. Mui Chi Hung, Clarence, aged 38, is also the Financial Controller and Company Secretary of the Company. He holds a degree of Management with a major in Accounting from The University of Lethbridge, Canada and an Master's degree of Professional Accounting from The Hong Kong Polytechnic University. He is a certified public accountant in the United States and an associate member of The Hong Kong Institute of Certified Public Accountants. He has more than 13 years of experience in auditing, financing and accounting. Prior to joining the Group, Mr. Mui served as the Chief Accountant of a publicly listed company in Hong Kong. Mr. Mui is responsible for the Group's financial and corporate management.

Independent non-executive directors

Ms. Ho Man Kay, Angela, aged 42, is the partner of Messrs. P. C. Woo & Co. Solicitors & Notaries. Prior to joining her present firm, Ms. Ho was the managing director of the corporate finance arm of Kingsway Group, Kingsway Capital Limited. She has been a practising lawyer in Hong Kong since 1989, specialising in corporate commercial law and is also admitted as a solicitor in England, the Australian Capital Territory, Queensland, New South Wales, Victoria of Australia and Singapore. Ms. Ho has been appointed as a Hong Kong delegate to 9th All China Women Federation Congress and was President of the Hong Kong Federation of Women Lawyers for the previous 3 years. Ms. Ho is also an adjudicator of the Registration of Persons Tribunal.

Mr. Chan Wing Yuen, Hubert, aged 47, is an independent non-executive director of the Company. Mr. Chan holds a Higher Diploma from the Hong Kong Polytechnic. Mr. Chan had spent ten years with The Stock Exchange of Hong Kong Limited where he held the position of Director of Mainland Affairs Department of the Listing Division. He was a Director and Deputy General Manager of Guangdong Investment Limited. In addition, he was the Director of Compliance and Company Secretary of Sunevision Holdings Limited. Currently, he is the Chief Executive Officer of Interchina Holdings Company Limited. He is a member of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries, The Hong Kong Securities Institute and The Hong Kong Institute of Directors Limited.

Mr. Fan Sai Yee, J.P., aged 59, was appointed an independent non-executive director of the Company in September 2004. He is the Managing Partner of Fan, Chan & Co., a firm of Certified Public Accountants. He is also a fellow member of The Hong Kong Institute of Certified Public Accountants (Practising), The Institute of Chartered Secretaries & Administrators, CPA Australia, The Hong Kong Institute of Directors and an associate member of The Taxation Institute of Hong Kong.

Mr. Fan has been in public practice for 29 years. He has extensive experience in corporate consulting and tax advisory services and corporate secretarial matters. He has served as a member of a number of Government appointed advisory committees including the Administrative Appeals Board, the Airport Consultative Committee, Town Planning Appeal Board, Mental Health Review Tribunal, Consumer Council, Air Transport Licensing Authority, Transport Advisory Committee and Transport Tribunal. He was elected as one of the Ten Outstanding Young Person of Hong Kong in 1986.

Senior management

Mr. William Carl Frick, aged 54 is a director of Rising Manufacturing Macao Commercial Offshore Limited and joined the Group in 1995. He is responsible for the trading function and management of overseas operations and has more than 26 years of experience in the fur and leather industry.



BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP (continued)

Senior management (continued)

Ms. Chui May Ling, aged 48, is the general manageress of the fur garment division and joined the Group in February, 1997. She is responsible for the sales and marketing functions. She graduated from Oda Design College, Japan, with a certificate of Fashion Styling. She has more than 20 years of experience in the garment and fashion industry.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions as defined under the Rules Governing the Listing of Securities on the Stock exchange (the "Listing Rules").

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange which was still in force prior to 1st January 2005 and remains applicable to the year under review.

CORPORATE GOVERNANCE

The Company has received annual confirmation from each of the independent non-executive directors concerning their independence to the company and considers that each of the independent non-executive directors is independent to the Company.

AUDIT COMMITTEE

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31st March, 2005. The audit committee comprises three independent non-executive directors of the Company.

AUDITORS

Li, Tang, Chen & Co. retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Ngan Lung
Chairman

Hong Kong, 15th July, 2005