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 Rising Global Asset Limited (formerly known as Fung Kong Worldwide Limited), which is incorporated in the British Virgin Islands ("BVI").

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRS") (hereinafter collectively referred to as "new HKFRS") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005 except for the adoption of HKAS 40 "Investment property" ("HKAS 40").

HKAS 40 introduces both cost model and fair value model for the measurement of investment property. Under the fair value model, HKAS 40 requires fair value changes be recognised to the profit and loss account in the period in which they arise. The Group has elected to apply the fair value model in measuring its investment properties and recognise the fair value changes to the profit and loss account in the period in which they arise. As a result of the adoption of HKAS 40, the Group's profit attributable to the shareholders for the year ended 31st March, 2005 included an amount of HK$5,071,000, representing the increase in fair value of investment properties in the current period. There was no effect on the Group's results for the prior accounting periods with respect to the early adoption of HKAS 40.

For those new HKFRSs that the Group has not early adopted in the financial statements for the year ended 31st March, 2005, the Group has commenced considering the potential impact of those new HKFRSs but is not yet in a position to determine whether those HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Those HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

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.

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

Basis of consolidation:
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st March, 2005. 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.

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.

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

Goodwill/Negative goodwill: *(continued)*

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.

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 at 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.

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

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.

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, which are properties held to earn rental income and/or for capital appreciation, are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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.

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.

Other investments:

Other investments comprise:

(i) Listed securities and unlisted equity securities which are held for non-trading purpose are stated at fair value at the balance sheet date. Such listed and unlisted 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.

(iii) Equity-linked notes are debt securities with a maturity of usually less than one year, whose return is linked to the share price performance of a certain Hong Kong or overseas listed reference equity. The Group purchases such equity-linked notes at a discount and receives the full nominal amount of the notes (the "Nominal Value") at the maturity date, provided that the closing price of the particular reference equity on the maturity date is above a predetermined strike price (the "Strike Price"). If the closing price of the reference equity on the maturity date is at or below the Strike Price, the Group is obliged to redeem the equity-linked notes in exchange for shares in the underlying reference equity.

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

Other investments: *(continued)*

(iii) *(continued)*

The equity-linked notes are stated at the cost of the notes plus the cumulative amortisation of the difference between their purchase price and the Nominal Value at the maturity date. Where a loss on redemption is anticipated due to the quoted market price of the particular reference equity at the balance sheet date having fallen below the Strike Price, provisions are made for any portion of the notes' carrying value which is not expected to be recoverable. The net gains or losses so arising are credited or charged to the profit and loss account for the period in which they arise.

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 slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads based on a normal level of operating activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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

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.

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.

The Group enters into foreign currency forward contracts to hedge specific foreign currency commitments and foreign currency monetary assets and liabilities. Gains and losses on contracts that hedge specific foreign currency commitments are deferred and are added to, or deducted from, the amount of the relevant transaction at the end of the period. Any gain or loss arising on other forward contracts is taken to 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.

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

Foreign currencies: *(continued)*

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.

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.

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

Dividends: *(continued)*

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

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.

2005	Manufacture and sales of fur garments *HK$'000*	Trading of fur skins *HK$'000*	Investments and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment revenue:					
Sales to external customers	**72,358**	**111,913**	**–**	**–**	**184,271**
Intersegment sales	**–**	**47,876**	**–**	**(47,876)**	**–**
Other revenue	**1,082**	**2,038**	**16,455**	**(4,049)**	**15,526**
Total revenue	**73,440**	**161,827**	**16,455**	**(51,925)**	**199,797**
Segment results	**11,206**	**10,551**	**22,270** (note)		**44,027**
Interest income					**892**
Unallocated expenses					**(1,350)**
Profit from operating activities					**43,569**
Finance costs					**(396)**
Profit before tax					**43,173**
Tax					**(2,346)**
Net profit attributable to shareholders					**40,827**

Note: Segment result includes surplus on revaluation of investment properties of HK$5,071,000.

2004	Manufacture and sales of fur garments *HK$'000*	Trading of fur skins *HK$'000*	Investments and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
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	64,042	91,704	32,917	(39,533)	149,130
Segment results	7,369	6,445	29,556		43,370
Interest income					778
Unallocated expenses					(1,280)
Profit from operating activities					42,868
Finance costs					(544)
Profit before tax					42,324
Tax					(2,224)
Net profit attributable to shareholders					40,100

4. SEGMENT INFORMATION *(continued)*

(a) Business segments: *(continued)*

2005	Manufacture and sales of fur garments *HK$'000*	Trading of fur skins *HK$'000*	Investments and others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	**51,004**	**51,551**	**274,573**	**(16,768)**	**360,360**
Segment liabilities	**(28,147)**	**(38,211)**	**(39,850)**	**16,768**	**(89,440)**
Unallocated liabilities					**(3,730)**
Finance lease payable	**(25)**	**–**	**–**		**(25)**
Total liabilities					**(93,195)**
Other segment information:					
Depreciation	**1,978**	**–**	**–**		**1,978**
Capital expenditure	**669**	**–**	**–**		**669**
Realized profit on other investments	**–**	**–**	**3,505**		**3,505**
Unrealized gain on investments in listed equity securities	**–**	**–**	**8,098**		**8,098**
Surplus on revaluation of investment properties	**–**	**–**	**5,071**		**5,071**
2004					
Segment assets	53,235	81,498	238,831	(40,721)	332,843
Segment liabilities	(29,191)	(68,438)	(1,488)	40,721	(58,396)
Unallocated liabilities					(4,628)
Finance lease payable	(40)	–	–		(40)
Total liabilities					(63,064)
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		100

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

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.

2005	**Hong Kong, Macau and Mainland China** *HK$'000*	**Japan** *HK$'000*	**North America** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:					
Sales to external customers	**119,908**	**23,809**	**21,399**	**19,155**	**184,271**
Segment results	**34,059**	**3,687**	**3,314**	**2,967**	**44,027**
Other segment information:					
Segment assets	**358,941**	**856**	**317**	**246**	**360,360**
Capital expenditure	**669**	**–**	**–**	**–**	**669**
2004					
Segment revenue:					
Sales to external customers	57,813	27,110	18,875	13,976	117,774
Segment results	36,357	3,171	2,208	1,634	43,370
Other segment information:					
Segment assets	331,583	610	512	138	332,843
Capital expenditure	695	–	–	–	695

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:

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sales of fur skins and fur garments	**184,271**	117,774
Other revenue		
Gross rental income	**284**	226
Interest income from investments in listed debt securities	**7,708**	8,359
Investment income on equity-linked notes	**–**	589
Bank interest income	**891**	778
Other interest income	**1**	–
Dividend income from listed equity securities	**1,358**	1,086
Gain on disposal of investment property	**–**	180
Gain on disposal of other fixed assets	**–**	120
Realized profit on other investments	**3,505**	15,684
Exchange gain	**–**	2,403
Service income	**–**	169
Net unrealized profit from transfer of held-to-maturity securities into other investments	**–**	883
Others	**2,671**	1,657
	16,418	32,134
	200,689	149,908

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

6. PROFIT FROM OPERATING ACTIVITIES

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

	2005	2004
	HK$'000	*HK$'000*
Cost of inventories sold	**148,094**	90,994
Depreciation		
– Owned assets	**1,963**	2,540
– Leased assets	**15**	15
	1,978	2,555
Minimum lease payments under operating lease on land and buildings	**545**	595
Pension contributions	**154**	133
Less: Forfeited contributions	**(50)**	(58)
Net pension contributions	**104**	75
Auditors' remuneration	**250**	250
Staff costs (excluding directors' remuneration)	**8,185**	8,127
Surplus on revaluation of investment properties in Hong Kong – note 15	**(5,071)**	(100)
Gross rental income	**(284)**	(226)
Less: Outgoings	**41**	38
Net rental income	**(243)**	(188)
Other operating expenses comprise:		
Provision for bad debts	**852**	238
Exchange loss	**998**	–
	1,850	238

7. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**30**	420
Interest on trust receipts loans	**233**	124
Interest on other loans	**133**	–
Total finance costs	**396**	544

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2005 **HK$'000**	2004 *HK$'000*
Hong Kong profits tax		
– current year	**1,604**	2,624
– underprovision in respect of prior years	**930**	–
	2,534	2,624
Deferred – note 25	**(188)**	(400)
Total tax charge for the year	**2,346**	2,224

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:

	Group			
	2005		2004	
	HK$'000	**%**	*HK$'000*	%
Profit before tax	**43,173**		42,324	
Tax at the statutory tax rate	**7,555**	**17.50**	7,407	17.50
Effect of opening deferred tax of increase in rates	**–**	**–**	30	0.07
Income not subject to tax	**(5,339)**	**(12.37)**	(5,232)	(12.36)
Expenses not deductible for tax	**210**	**0.49**	10	0.02
Overprovision of profits tax for the year	**9**	**0.02**	–	–
Underprovision of profits tax in respect of prior years	**930**	**2.15**	–	–
Utilization of tax losses	**(1,004)**	**(2.33)**	–	–
Others	**(15)**	**(0.03)**	9	0.02
Tax charge at the Group's effective rate	**2,346**	**5.43**	2,224	5.25

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$25,449,000 (2004: HK$36,903,000) (note 27).

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

10. DIVIDENDS

	Group and Company	
	2005	2004
	HK$'000	*HK$'000*
Interim – HK2.5 cents (2004: HK1.2 cents) per ordinary share	**9,957**	4,779
Proposed final – HK3.0 cents (2004: HK4.3 cents) per ordinary share	**11,948**	17,125
Proposed special – HKNil cent (2004: HK4.5 cents) per ordinary share	**–**	17,922
	11,948	35,047
	21,905	39,826

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:

	2005	2004
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**330**	270
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors	**3,100**	3,545
Independent non-executive directors	**–**	–
Retirement benefits contributions:		
Executive directors	**36**	46
Independent non-executive directors	**–**	–
Discretionary bonuses and/or performance-related bonuses	**–**	–
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	3,466	3,861

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

	Number of directors	
	2005	2004
Nil – HK$1,000,000	**7**	7

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

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2004: five) directors, details of whose remuneration are disclosed above. The details of the remuneration of one (2004: nil) remaining non-director, highest paid employee for the year are as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**635**	–
Retirement benefits scheme contributions	**12**	–
	647	–

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$40,827,000 (2004: HK$40,100,000) and on the weighted average of 398,264,000 (2004: 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$40,827,000 (2004: HK$40,100,000) and on the weighted average of 398,264,000 (2004: 398,264,000) ordinary shares in issue during the year plus the weighted average of 3,342,000 (2004: 1,737,000) ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

14. FIXED ASSETS

Group

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:					
At beginning of year	14,200	5,663	3,089	8,826	31,778
Additions	–	105	47	517	669
Disposals	–	–	–	(261)	(261)
Surplus on revaluation	11,590	–	–	–	11,590
Transfer to investment properties (note)	(7,290)	–	–	–	(7,290)
At end of year	18,500	5,768	3,136	9,082	36,486
Analysis of cost or valuation:					
At cost	–	5,768	3,136	9,082	17,986
At valuation	18,500	–	–	–	18,500
	18,500	5,768	3,136	9,082	36,486
Accumulated depreciation:					
At beginning of year	–	4,528	2,766	7,884	15,178
Provided during the year	263	1,027	107	581	1,978
Disposals	–	–	–	(145)	(145)
Written back on revaluation	(263)	–	–	–	(263)
At end of year	–	5,555	2,873	8,320	16,748
Net book value:					
At 31st March, 2005	**18,500**	**213**	**263**	**762**	**19,738**
At 31st March, 2004	14,200	1,135	323	942	16,600

Note: On 31st October, 2004, the Group ended owner-occupation of certain portions of a leasehold property and resolved that such properties are to be held to be leased out under operating leases. Accordingly, such portions were transferred from leasehold land and buildings to investment properties at fair value of HK$7,290,000 on 31st October, 2004. The fair value was determined by Castores Magi (Hong Kong) Limited, an independent firm of professional valuers on an open market, existing use basis.

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, 2005, amounted to HK$15,000 (2004: HK$30,000).

14. FIXED ASSETS *(continued)*

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

At 31st March, 2005, 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$18,500,000 (2004: HK$14,200,000). The surplus arising on revaluation, amounting to HK$11,590,000 (2004: HK$1,200,000), has been credited to the fixed asset revaluation reserve (note 27).

Had the Group's leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$7,580,000 (2004: HK$12,682,000).

15. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Valuation:		
At beginning of year	**2,700**	6,035
Additions during the year	**5,419**	–
Transfer from leasehold land and buildings (note 14)	**7,290**	–
Disposals during the year	**–**	(3,435)
Surplus on revaluation	**5,071**	100
At end of year	**20,480**	2,700

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

	2005	2004
	HK$'000	*HK$'000*
Medium term leases	**20,480**	2,700

At 31st March, 2005, 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$20,480,000 (2004: HK$2,700,000). The surplus arising on revaluation, amounting to HK$5,071,000 (2004: HK$100,000), has been credited to the profit and loss account (note 6).

The Group's investment properties are leased or held to be leased out to third parties under operating leases, further summary details of which are included in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

16. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**83,368**	83,368
Due from subsidiaries	**5,144**	47
Loans to subsidiaries	**13,793**	39,937
Loans from subsidiaries	**(7,956)**	(2,152)
Due to subsidiaries	**(25,355)**	(24,443)
	68,994	96,757

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
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

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)*				
Frede Derick Limited	Hong Kong	Ordinary HK$100	100%	Dormant
Rising Manufacturing Limited	Hong Kong/ PRC	Ordinary HK$10,000	100%	Manufacturing and trading of fur garments
Cepa Distribution Limited	Hong Kong	Ordinary HK$5,000 Non-voting deferred** HK$1,000,000	100%	Property investment
Wellike Services Co., Limited	Hong Kong	Ordinary HK$10,000	100%	Dormant
Wing Lee Agency Limited	Hong Kong	Ordinary HK$100	100%	Provision of agency services
Cepa Network Limited	Hong Kong	Ordinary HK$10,000	100%	Dormant
Mega Asset 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.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

17. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**42,445**	74,286
Work in progress	**3,193**	2,659
Finished goods	**3,736**	4,534
	49,374	81,479

At 31st March, 2005, inventories of HK$Nil (2004: HK$1,814,000) are stated at their net realizable value.

18. TRADE RECEIVABLES

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

	Group			
	2005		2004	
	HK$'000	**%**	*HK$'000*	%
Current to 30 days	**768**	**31**	612	17
31 days to 60 days	**280**	**11**	398	11
Over 60 days	**1,442**	**58**	2,580	72
	2,490	**100**	3,590	100

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

19. OTHER INVESTMENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At market value:				
Equity securities listed in Hong Kong	**63,601**	58,368	**63,601**	58,368
Equity securities listed outside Hong Kong	**7,884**	–	**7,884**	–
Debt securities listed outside Hong Kong	**97,040**	117,169	**97,040**	117,169
	168,525	175,537	**168,525**	175,537
At fair value:				
Equity securities unlisted in Hong Kong	**7,800**	–	**–**	–
At amortised cost:				
Equity-linked notes	**19,663**	–	**19,663**	–
	195,988	175,537	**188,188**	175,537
Other investments analysed for reporting purposes as:				
Current				
– trading listed equity securities	**63,601**	32,080	**63,601**	32,080
– equity-linked notes	**19,663**	–	**19,663**	–
	83,264	32,080	**83,264**	32,080
Non-current				
– non-trading listed debt securities	**97,040**	117,169	**97,040**	117,169
– non-trading listed equity securities	**7,884**	26,288	**7,884**	26,288
– non-trading unlisted equity securities	**7,800**	–	**–**	–
	112,724	143,457	**104,924**	143,457
	195,988	175,537	**188,188**	175,537

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**14,547**	3,537	**6,094**	606
Time deposits	**54,708**	44,410	**54,708**	44,410
	69,255	47,947	**60,802**	45,016

21. BANKING FACILITIES

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

The trust receipt loans, short-term bank loans and other loans amounting to HK$8,000,000, HK$36,899,000 and HK$6,195,000 respectively (2004: trust receipt loans of HK$18,094,000, short-term bank loan of HK$Nil and other loan of HK$Nil) have been utilized by the Group at 31st March, 2005.

22. TRADE PAYABLES

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

	Group			
	2005		2004	
	HK$'000	**%**	*HK$'000*	%
Current to 30 days	**449**	**68**	6,823	86
31 days to 60 days	**28**	**4**	380	5
Over 60 days	**180**	**28**	699	9
	657	**100**	7,902	100

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Customers' deposits	**23,977**	28,969	**–**	–
Others	**1,698**	3,383	**668**	688
	25,675	32,352	**668**	688

24. 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 two years (2004: three years).

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

	Group			
	Minimum lease payments 2005 *HK$'000*	Minimum lease payments 2004 *HK$'000*	**Present value of minimum lease payments 2005 *HK$'000***	Present value of minimum lease payments 2004 *HK$'000*
Amounts payable:				
Within one year	**15**	15	**15**	15
In the second year	**10**	15	**10**	15
In the third to fifth year inclusive	**–**	10	**–**	10
Total minimum finance lease payments	**25**	40	**25**	40
Future finance charges	**–**	–		
Total net finance lease payables	**25**	40		
Portion classified as current liabilities	**(15)**	(15)		
Long term portion	**10**	25		

25. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities:

	Group		
	Accelerated/ (decelerated) tax depreciation	**Revaluation of leasehold properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2003	448	–	448
Credited to profit and loss account during the year including a charge of HK$30,000 due to the effect of a change in tax rate	(400)	–	(400)
At 31st March, 2004 and 1st April, 2004	48	–	48
Credited to profit and loss account	(188)	–	(188)
Charged to equity	–	1,854	1,854
At 31st March, 2005	**(140)**	**1,854**	**1,714**

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

The Group has unrecognised tax losses of approximately HK$4,060,000 (2004: HK$9,443,000), which subject to approval from the Hong Kong Inland Revenue Department, can be carried forward to offset against future taxable income with no expiry date.

26. SHARE CAPITAL

Share

	Number of shares of HK$0.10 each	**Amount**
		HK$'000
Authorised:		
At beginning of year and 31st March, 2005	1,000,000,000	100,000
Issued and fully paid:		
At beginning of year and 31st March, 2005	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.

26. 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, 2004	Lapsed during the year	Number of share options outstanding at 31st March, 2005	Initial exercise price	Exercisable period
				HK$	
Mr. Ng Ngan Lung	5,000,000	–	5,000,000	0.29	7/1/1998 – 31/12/2007
Mr. William Carl Frick (Resigned on 9/8/2004)	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	7,600,000	–	7,600,000		

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.

27. 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 *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1st April, 2003	48,252	83,168	1,763	102,285	235,468
Realised on disposal of listed debt securities	–	–	(1,763)	–	(1,763)
Surplus on revaluation	–	–	12,662	–	12,662
Net profit for the year – note 9	–	–	–	36,903	36,903
Dividend – note 10	–	–	–	(39,826)	(39,826)
At 31st March, 2004 and 1st April, 2004	48,252	83,168	12,662	99,362	243,444
Realised on disposal of listed debt and equity securities	–	–	(6,612)	–	(6,612)
Deficit on revaluation	–	–	(1,824)	–	(1,824)
Net profit for the year – note 9	–	–	–	25,449	25,449
Dividend – note 10	–	–	–	(21,905)	(21,905)
At 31st March, 2005	**48,252**	**83,168**	**4,226**	**102,906**	**238,552**

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.

28. 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 two (2004: 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:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**136**	34
In the second to fifth year, inclusive	**17**	–
	153	34

(b) As lessee

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to five (2004: five) years.

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

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**423**	397
In the second to fifth year, inclusive	**183**	297
	606	694

NOTES TO FINANCIAL STATEMENTS *(Continued)*
31st March, 2005

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group had the following commitment at the balance sheet date:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital commitments for the acquisition of other investment: Authorised, but not contracted for	**–**	6,240	**–**	–
Commitments to purchase foreign currencies	**49,745**	–	**49,745**	–
	49,745	6,240	**49,745**	–

30. 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, 2005, trust receipt loans and short-term bank loans amounting to HK$8,000,000 and HK$47,199,000 respectively (2004: trust receipt loans of HK$18,094,000 and short-term bank loan of HK$Nil) have been utilised by the Group.

31. LITIGATION

On 15th May, 2003, the Company's wholly-owned subsidiary, Rising Development Limited issued a Writ of Summors under High Court Action No. 1737 of 2003 against a former tenant to claim the sum of HK$673,000 (2004: HK$673,000) under the tenancy agreement to recover rent together with electricity, loss and damages of the property incurred. Such case had been transferred from High Court to the District Court during the year. 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.

32. COMPARATIVE FIGURES

Certain comparative figures of operating and administrative expenses have been reclassified under other operating expenses to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15th July, 2005.