

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, 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and trading in equity securities. Details of the principal activities of the subsidiaries are set out in note 20 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, 2007 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31st March, 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 75.

An interim dividend of HK1.3 cents per ordinary share was paid on 2nd January, 2007. The directors recommend the payment of a final dividend of HK1.9 cents per ordinary share in respect of the year to shareholders whose names appear on the register of members on 11th July, 2007. This recommendation has been incorporated in the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company. The share repurchase has enhanced the net asset value per share and earnings per share, which the directors believe is in the best interests of the Company and the shareholders. Further details of these transactions are set out in note 33(d) to the financial statements.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Company and the Group are set out in notes 17 and 18 to the financial statements, respectively.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the financial statements.

Report of the Directors (continued)

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st March, 2007, the Company's reserves available for cash distribution and/or distribution in specie amounted to approximately HK\$270,693,000 as computed in accordance with the Companies Act of Bermuda. In addition, under the laws of Bermuda, the Company's share premium account, with a balance of approximately HK\$29,380,000 as at 31st March, 2007, 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 51% of the total sales of fur skins and fur garments for the year and sales to the largest customer included therein amounted to 28%.

Purchases from the Group's five largest suppliers accounted for 99% of the total purchases of fur skins and fur garments for the year and purchases from the largest supplier included therein amounted to 68%.

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.

Report of the Directors (continued)

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.

Report of the Directors (continued)

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

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	Actual application	Unused proceeds at 31/3/2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<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>

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.

Report of the Directors (continued)

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

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	Actual application	Unused proceeds at 31/3/2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increasing the general working capital of the Group	25,100	25,100	-
Development of the Group's own brand name and promotion of the Group's products	4,500	4,500	-
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	1,500	-
	<u>33,100</u>	<u>33,100</u>	<u>-</u>

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Ng Ngan Lung, Freddy
Mr. Mui Chi Hung, Clarence
Ms. Chui May Ling, Margaret

(Deputy Chairman & Chief Executive Officer)

Independent non-executive directors

Mr. Fan Sai Yee, JP
Mr. Chan Wing Yuen, Hubert
Ms. Ho Man Kay, Angela

(Chairman)

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

The terms of office of independent non-executive directors are subject to reappointment or retirement by rotation in accordance with the bye-laws of the Company. All of the directors, without limitation to independent non-executive directors, are subject to retirement by rotation and re-election at annual general meetings, in accordance with the Company's bye-laws.

Report of the Directors (continued)

DIRECTORS' SERVICE CONTRACTS

The Board of Directors comprises 6 directors. 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.

Each of the independent non-executive directors of the Company has entered into a service contract with the Company for a term of one year commencing 1st November, 2006. However, such term is subject to their reappointment by the company at general meeting upon retirement by rotation pursuant to the bye-laws of the Company. Pursuant to the terms of the service contracts and subject to approval by the Company at general meeting, each independent non-executive director will be entitled to a fixed sum of HK\$120,000 for each financial year as ordinary remuneration in respect of his/her capacity as a member of the board. In case the independent non-executive director was elected as the chairman of one or more board committee, he/she will be entitled to a fixed fee of HK\$30,000 for each financial year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and in the share option scheme disclosures in note 33 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 33 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

Report of the Directors (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March, 2007, the interests and short positions of the directors and chief executive 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	Note	Capacity	Number of ordinary shares held		Percentage of the issued share capital
			Personal interests	Corporate interests	
Mr. Ng Ngan Lung, Freddy	1	Beneficial owner	Nil	360,000,000	59.18%
	2	Beneficial owner	Nil	50,580,000	8.32%
Mr. Mui Chi Hung, Clarence		Beneficial owner	24,436,000	Nil	4.02%
		Beneficial owner	144,000	Nil	0.02%
Ms. Chui May Ling, Margaret		Beneficial owner	270,000	Nil	0.04%

Notes:

- 360,000,000 shares are owned by Rising Global Asset Limited, a company incorporated in the British Virgin Islands. Its entire issued share capital is owned by Mr. Ng Ngan Lung, Freddy.
- 50,580,000 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, Freddy.

(b) Long positions in underlying shares – share options

Details of the Company's share option scheme are set out in note 33 to the financial statements.

No share options were granted to, or exercised by, the directors and chief executive during the year. There was no outstanding option granted to the directors and chief executive at the beginning and at the end of the year.

Save as disclosed above, none of the directors and chief executive had registered an interest and short position in the shares, underlying share 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. In addition, at no time during the year ended 31st March, 2007 was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the securities of the Company.

Report of the Directors (continued)

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

At 31st March, 2007, 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	<i>Note</i>	Number of shares held	Percentage of holding
Rising Global Asset Limited	1	360,000,000	59.18%
Silver Sound Assets Limited	2	50,580,000	8.32%

Notes:

1. The entire issued share capital of Rising Global Asset Limited is held and beneficially owned by Mr. Ng Ngan Lung, Freddy.
2. The entire issued share capital of Silver Sound Assets Limited is held and beneficially owned by Mr. Ng Ngan Lung, Freddy.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's 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.

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").

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles of all the applicable code provisions of the Code on Corporate Governance Practices (the "Code on CGP") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance practices. During the year, the Company complied with all the Code on CGP and code provision.

Throughout the period, the company has complied with the Stock Exchange Code set out in the Corporate Governance Report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the year.

Report of the Directors (continued)

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 financial statements for the year ended 31st March, 2007.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares required under the Listing Rules.

AUDITORS

Messrs. 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.

ANNUAL REPORT

This Annual Report is printed in English and Chinese and is available on Stock Exchange's corporate website at www.hkex.com.hk under the "Investor relations Corner" and our Company's website at www.hkrising.com. Printed copies in both languages are posted to shareholders.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 5th July, 2007 to 11th July, 2007, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for attending the forthcoming Annual General Meeting ("AGM") and payment of final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4th July, 2007.

Report of the Directors (continued)

ANNUAL GENERAL MEETING

The 2007 AGM will be held on Wednesday, 11th July, 2007. Details of the 2007 AGM are set out in the notice of AGM which constitutes part of the circular to shareholders sent together with this Annual Report. Notice of the AGM and the proxy form are also available on Stock Exchange's corporate website.

On behalf of the Board

Ng Ngan Lung, Freddy

Deputy Chairman and Chief Executive Officer

Hong Kong, 5th June, 2007