Notes
to Financial Statements

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 (as amended) of Bermuda. The principal office of the Company is located at 16th Floor, World Tech Centre, 95 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was engaged in investment holding, trading in equity securities, 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, which is incorporated in the British Virgin Islands ("BVI").

The financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PREPARATION AND CONSOLIDATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which also includes Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 buildings, investment properties and certain financial assets, which have been measured at fair value.

During the current year, the Group included trading in equity securities under "financial assets at fair value through profit or loss" as one of its principal activities and accordingly, the directors considered it more appropriate to reclassify its proceeds from trading in equity securities and related cost under turnover and cost of sales respectively, and also to present the related financial information under a separate segment of "Trading in equity securities" to better reflect the underlying nature of these balances and allow a more appropriate presentation of the Group's results. In the corresponding period in 2006, trading of equity securities incurred has been reclassified. The comparative amounts of segment information have been restated to conform with the current year's presentation.

The consolidated financial statements included the financial statements of the Company and its subsidiaries for the year ended 31st March, 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Notes to Financial Statements (continued)

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting period of the Group. The Group has adopted the new and revised HKFRSs below, which are relevant to its operations in the preparation of the financial statements.

– Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions, which allows the designation of an intragroup transaction as a hedged item when the foreign currency risk of the transaction would affect the consolidated financial statements.

– Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – The Fair Value Option, which amends the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category.

– Amendment to HKAS 39 Financial Instruments: Recognition and Measurement & HKFRS 4 Insurance Contracts –Financial Guarantee Contracts, which requires the recognition of issued financial guarantees at fair value irrespective of the legal form.

– HKFRS-Int 4 Determining whether an Arrangement contains a Lease, which requires application of lease accounting in accordance with HKAS 17 "Leases" on all arrangements that convey the right to use specific assets irrespective of their legal form.

The adoption of these new and revised HKFRSs has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these financial statements.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1st January, 2007
Amendment to HKAS 1	Presentation of Financial Statements – Capital Disclosures	1st January, 2007
HK(IFRIC)-Int 8	Scope of HKFRS 2	1st May, 2006
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	1st June, 2006
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	1st November, 2006
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions	1st March, 2007
HK(IFRIC)-Int 12	Service Concession Arrangements	1st January, 2008
HKFRS 8	Operating Segments	1st January, 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations would be in the period of initial application, but yet in a position to state whether these amendments, new standards and new interpretations would have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) sale of securities, on a trade date basis;

(c) rental income, on a straight line basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets;

(e) dividend income, when the 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 results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associate:

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results of an associate is included in the consolidated income statement. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Impairment of assets:

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows, that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of assets: (CONT'D)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the year in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that 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 such impairment loss is credited to the income statement in the period in which is arises.

Related parties:

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment:

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment: (CONT'D)

Buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each property, plant and equipment to its residual value over its estimated useful life. The principal annual rates are used for this purpose are as follows:

Buildings	The shorter of the lease terms and 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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal of when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties:

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases:

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 property, plant and equipment 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement 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 income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss:

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairments losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Impairment of financial assets:

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost:

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assets carried at cost:

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discontinued at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets:

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put opinion (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings:

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest-bearing loans and borrowings: (CONT'D)

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments:

The Group invests in certain derivative financial instruments, such as forward exchange contracts, for trading purpose. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss for the year.

Financial guarantee contracts:

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with HKAS 18 Revenue.

Income tax:

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income tax: (CONT'D)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 income statement 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 income statement 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.

Foreign currencies:

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in the terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Notes to Financial Statements (continued)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies: (CONT'D)

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.

Equity share-based payment transactions:

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (Employee share-based compensation reserve).

At the time when the share options are exercised, the amount previously recognised in employee share-based compensation reserve will be transferred to share premium. When the share options are still not exercised at the expiry date, the amount previously recognised in employee share-based compensation reserve will be transferred to retained profits.

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.

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 income statement.

Dividends:

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Notes to Financial Statements (continued)

6. SUMMARY ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Impairment assessment for trade receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectability and an aging analysis of trade receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

7. 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) Trading in equity securities comprise proceeds from trading in equity securities and investment income from equity securities.

(b) Investments comprise dividend and interest income from investments and gain or loss on investments other than equity securities.

(c) Manufacture and sales of fur garments.

(d) Trading of fur skins.

(e) Others comprise rental income from investment properties and the Group's management services business, which provide management services to Group companies.

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)

7. SEGMENT INFORMATION (CONT'D)

(a) Business segments:

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

2007	Trading in equity securities HK$'000	Investments HK$'000	Manufacture and sales of fur garments HK$'000	Trading of fur skins HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue:							
Sales to external customers	76,945	–	56,919	225,712	–	–	359,576
Intersegment sales	–	–	–	31,310	–	(31,310)	–
Income from investments	17,944	23,104	–	–	–	–	41,048
Other revenue	-	–	1,191	2,511	4,337	(3,822)	4,217
Total revenue	94,889	23,104	58,110	259,533	4,337	(35,132)	404,841
Segment results	23,775	21,161	7,397	14,345	4,959		71,637
Interest income							626
Unallocated expenses							(1,397)
Profit from operating activities							70,866
Finance costs							(7,346)
Share of loss of an associate							(10)
Profit before tax							63,510
Tax							170
Profit attributable to shareholders							63,680
2006 (restated)							
Segment revenue:							
Sales to external customers	44,600	–	71,155	92,526	–	–	208,281
Intersegment sales	–	–	–	39,934	–	(39,934)	–
Income from investments	14,192	16,086	–	–	–	–	30,278
Other revenue	–	–	807	2,027	5,104	(4,388)	3,550
Total revenue	58,792	16,086	71,962	134,487	5,104	(44,322)	242,109
Segment results	19,044	16,086	9,156	5,622	6,279		56,187
Interest income							1,169
Unallocated expenses							(1,496)
Profit from operating activities							55,860
Finance costs							(2,782)
Share of loss of an associate							(48)
Profit before tax							53,030
Tax							(6,604)
Profit attributable to shareholders							46,426

Notes to Financial Statements (continued)

7. SEGMENT INFORMATION (CONT'D)

(a) Business segments: (CONT'D)

2007	Trading in equity securities *HK$'000*	Investments *HK$'000*	Manufacture and sales of fur garments *HK$'000*	Trading of fur skins *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment assets	134,157	241,458	38,604	16,407	42,365	(25,913)	447,078
Segment liabilities	–	(87,893)	(38,385)	(2,908)	(15,975)	25,913	(119,248)
Unallocated liabilities							(479)
Total liabilities							(119,727)
Other segment information:							
Depreciation	–	–	457	11	15		483
Capital expenditure	–	–	13	46	74		133
Loss on disposal of property, plant and equipment	–	–	44	–	–		44
Net realised gain on investments in available-for-sale financial assets	–	2,571	–	–	–		2,571
Unrealised gain on investments in financial assets at fair value through profit or loss	14,271	–	–	–	–		14,271
Fair value gains on investment properties	–	3,280	–	–	–		3,280
2006 (restated)							
Segment assets	122,273	158,688	44,490	59,551	54,357	(10,450)	428,909
Segment liabilities	–	(62,616)	(36,814)	(47,680)	(4,953)	10,450	(141,613)
Unallocated liabilities							(6,937)
Finance lease payable	–	–	(10)	–	–		(10)
Total liabilities							(148,560)
Other segment information:							
Depreciation	–	–	606	–	–		606
Capital expenditure	–	–	64	–	–		64
Gain on disposal of property, plant and equipment	–	–	124	–	–		124
Net realised gain on investments in available-for-sale financial assets	–	6,256	–	–	–		6,256
Unrealised gain on investments in financial assets at fair value through profit or loss	11,453	–	–	–	–		11,453
Fair value gains on investment properties	–	4,530	–	–	–		4,530

Note: As described in note 2, a separate segment of "Trading in equity securities" was included to better reflect the Group's principal activities for the current year.

Notes to Financial Statements (continued)

7. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments:

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

2007	**Hong Kong and Mainland China** *HK$'000*	**Japan** *HK$'000*	**North America** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:					
Sales to external customers	308,795	17,680	19,830	13,271	359,576
Segment results	65,037	2,298	2,577	1,725	71,637
2006 (restated)					
Segment revenue:					
Sales to external customers	143,877	19,252	24,172	20,980	208,281
Segment results	47,901	2,476	3,110	2,700	56,187

	Hong Kong and Mainland China *HK$'000*	**Japan** *HK$'000*	**North America** *HK$'000*	**Others** *HK$'000*	**Consolidated** *HK$'000*
2007					
Other segment information:					
Segment assets	446,557	328	169	24	447,078
Capital expenditure	133	–	–	–	133
2006 (restated)					
Other segment information:					
Segment assets	427,708	449	497	255	428,909
Capital expenditure	64	–	–	–	64

Notes to Financial Statements (continued)

8. TURNOVER, OTHER INCOME AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and proceeds from trading in equity securities during the year.

An analysis of the Group's turnover, other income and gains is as follows:

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Turnover		
Sales of fur skins and fur garments	**282,631**	163,681
Proceeds from trading in equity securities	**76,945**	44,600
	359,576	208,281
Other income and gains		
Income from investments:		
Interest income from investments in available-for-sale financial assets	**16,512**	9,244
Dividend income from available-for-sale financial assets	**27**	87
Dividend income from financial assets at fair value through profit or loss	**3,672**	2,739
Net realised gain on investments in available-for-sale financial assets	**2,571**	6,256
Net realised gain on investments in equity-linked notes	**–**	337
Unrealised gain on investments in financial assets at fair value through profit or loss	**14,271**	11,453
Net realised and unrealised gain on derivative financial instruments	**3,995**	162
	41,048	30,278
Others:		
Gross rental income	**486**	384
Gain on disposal of property, plant and equipment	**–**	124
Bank interest income	**584**	1,168
Other interest income	**42**	1
Reversal of revaluation deficit on buildings for own use previously recognised in income statement	**648**	157
Exchange gain	**923**	677
Provision for bad debts written back	**–**	572
Others	**2,160**	1,636
	4,843	4,719
	405,467	243,278

Notes to Financial Statements (continued)

9. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**6,833**	1,833
Interest on trust receipts loans	**513**	648
Interest on other loans	**–**	301
Total finance costs	**7,346**	2,782

10. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories sold	**242,963**	134,267
Depreciation		
– Owned assets	**483**	591
– Leased assets	**–**	15
	483	606
Recognition of prepaid land lease payments	**23**	23
Minimum lease payments under operating lease on land and buildings	**544**	639
Pension contributions	**139**	172
Less: Forfeited contributions	**(21)**	(67)
Net pension contributions	**118**	105
Auditors' remuneration	**335**	320
Staff costs (excluding directors' remuneration)	**7,786**	9,678
Gross rental income	**(486)**	(384)
Less: Outgoings	**103**	68
Net rental income	**(383)**	(316)
Write-down of inventories	**2,826**	3,348
Loss on disposal of property, plant and equipment	**44**	–
Exchange loss	**4**	–

Notes to Financial Statements (continued)

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current year	**4,213**	3,410
– (over)/underprovision in respect of prior years	**(4,992)**	2,311
	(779)	5,721
Deferred – note 32	**609**	883
Income tax (credit)/expense	**(170)**	6,604

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

	Group			
	2007		2006	
	HK$'000	**%**	*HK$'000*	%
Profit before tax	**63,510**		53,030	
Tax at the statutory tax rate	**11,114**	**17.50**	9,280	17.50
Income not subject to tax	**(7,184)**	**(11.31)**	(4,380)	(8.26)
Expenses not deductible for tax	**901**	**1.42**	227	0.42
(Under)/overprovision of profits tax for the year	**(19)**	**(0.03)**	(199)	(0.38)
(Over)/underprovision of profits tax in respect of prior years	**(4,992)**	**(7.86)**	2,311	4.36
Unrecognised tax loss	**69**	**0.11**	–	–
Utilisation of tax losses	**–**	**–**	(686)	(1.29)
Unrecognised temporary difference	**(88)**	**(0.14)**	–	–
Others	**29**	**0.05**	51	0.10
Income tax (credit)/expense at the Group's effective rate	**(170)**	**(0.26)**	6,604	12.45

Notes to Financial Statements (continued)

12. PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

The profit for the year attributable to shareholders dealt with in the financial statements of the Company is HK$61,147,000 (2006: HK$49,877,000) (note 34).

13. DIVIDENDS

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Interim – HK1.3 cents (2006: HK1.2 cents) per ordinary share	**7,914**	7,306
Proposed final – HK1.9 cents (2006: HK1.8 cents) per ordinary share	**11,558**	10,958
	19,472	18,264
Adjustment to 2006 final dividend	**–**	227
	19,472	18,491

14. 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 Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**390**	390
Other emoluments		
Basic salaries, housing benefits, other allowances and benefits in kind	**2,253**	2,173
Discretionary bonuses	**129**	443
Share-based payments	**–**	–
Retirement benefits contributions	**36**	35
	2,418	2,651
	2,808	3,041

Notes to Financial Statements (continued)

14. DIRECTORS' REMUNERATION (CONT'D)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Chan Wing Yuen, Hubert	**120**	120
Ho Man Kay, Angela	**135**	150
Fan Sai Yee	**135**	120
	390	390

There was no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

(b) Executive directors

2007	**Fees**	**Salaries, allowances and other benefits in kind**	**Discretionary bonuses**	**Retirement benefits contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Ng Ngan Lung, Freddy	**–**	**1,200**	**–**	**12**	**1,212**
Mui Chi Hung, Clarence	**–**	**702**	**120**	**12**	**834**
Chui May Ling, Margaret	**–**	**351**	**9**	**12**	**372**
	–	**2,253**	**129**	**36**	**2,418**

2006					
Ng Ngan Lung, Freddy	–	925	–	12	937
Chong Hong Sang, Kenneth (i)	–	585	360	10	955
Mui Chi Hung, Clarence	–	629	83	12	724
Chui May Ling, Margaret (ii)	–	34	–	1	35
	–	2,173	443	35	2,651

Notes:

(i) Resigned on 23rd February, 2006

(ii) Appointed on 23rd February, 2006

Notes to Financial Statements (continued)

14. DIRECTORS' REMUNERATION (CONT'D)

(c) The number of directors whose emoluments fell within the following band is as follows:

	Number of directors	
	2007	2006
Nil – HK$1,000,000	**5**	7
HK$1,000,000 – HK$1,500,000	**1**	–

No directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals during the year included three (2006: three) directors, details of whose emoluments are disclosed above. The details of the remuneration of two (2006: two) remaining individuals, highest paid employees for the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**970**	1,253
Retirement benefits contributions	**21**	12
	991	1,265

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Nil – HK$1,000,000	**2**	2

None of the highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements (continued)

16. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit from ordinary activities attributable to shareholders for the year of approximately HK$63,680,000 (2006: HK$46,426,000) and on the weighted average of 608,671,000 (2006: 604,833,500) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31st March, 2006 had been adjusted for the bonus issue on 26th August, 2005.

The diluted earnings per share for the year ended 31st March, 2007 is not presented as the company does not have dilutive potential ordinary shares for the year ended 31st March, 2007 (2006: The calculation of diluted earnings per share for the year ended 31st March, 2006 is based on the profit from ordinary activities attributable to shareholders for the year of approximately HK$46,426,000 and on the weighted average of 604,833,500 ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 928,000 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised).

Notes to Financial Statements (continued)

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:					
Balance at 1.4.2005	5,870	5,768	3,136	9,082	23,856
Additions	–	–	21	43	64
Disposals	–	–	–	(2,736)	(2,736)
Surplus on revaluation	40	–	–	–	40
Balance at 31.3.2006	5,910	5,768	3,157	6,389	21,224
Additions	–	70	–	63	133
Disposals	–	–	–	(130)	(130)
Written off	–	–	(391)	(559)	(950)
Surplus on revaluation	530	–	–	–	530
Balance at 31.3.2007	**6,440**	**5,838**	**2,766**	**5,763**	**20,807**
Accumulated depreciation:					
Balance at 1.4.2005	–	5,555	2,873	8,320	16,748
Provided during the year	117	82	78	329	606
Disposals	–	–	–	(2,736)	(2,736)
Written back on revaluation	(117)	–	–	–	(117)
Balance at 31.3.2006	–	5,637	2,951	5,913	14,501
Provided during the year	118	94	78	193	483
Disposals	–	–	–	(72)	(72)
Eliminated on written off	–	–	(270)	(529)	(799)
Written back on revaluation	(118)	–	–	–	(118)
Balance at 31.3.2007	**–**	**5,731**	**2,759**	**5,505**	**13,995**
Net carrying amount					
At 31.3.2007	**6,440**	**107**	**7**	**258**	**6,812**
At 31.3.2006	5,910	131	206	476	6,723

Notes to Financial Statements (continued)

17. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

At 31st March, 2007, the Group's buildings were revalued on an open market, existing use basis by DTZ Debenham Tie Leung Limited, an independent firm of professional valuers, at HK$6,440,000 (2006: HK$5,910,000). The surplus arising on revaluation, amounting to HK$530,000 (2006: HK$40,000), has been credited to the consolidated income statement.

Had the Group's buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$6,376,000 (2006: HK$6,527,000).

At the balance sheet date, the Group's buildings were pledged to secure general banking facilities granted to the Group.

18. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Valuation:		
At beginning of year	**27,100**	20,480
Additions during the year	**–**	2,090
Surplus on revaluation	**3,280**	4,530
At end of year	**30,380**	27,100

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

	2007	2006
	HK$'000	*HK$'000*
Medium term leases	**30,380**	27,100

At 31st March, 2007, 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$30,380,000 (2006: HK$27,100,000). The surplus arising on revaluation, amounting to HK$3,280,000 (2006: HK$4,530,000), has been credited to the consolidated income statement.

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 35 to the financial statements.

At the balance sheet date, all the Group's investment properties were pledged to secure general banking facilities granted to the Group.

Notes to Financial Statements (continued)

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1st April	**927**	950
Recognised during the year	**(23)**	(23)
Carrying amount at 31st March	**904**	927
Current portion as shown under current assets	**(23)**	(23)
Non-current portion	**881**	904

The leasehold land is held under medium term leases and is situated in Hong Kong.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**83,368**	83,368
Due from subsidiaries	**7,387**	6,855
Loans from subsidiaries	**10,449**	17,015
Loans to subsidiaries	**(9,257)**	(828)
Due to subsidiaries	**(26,082)**	(42,907)
	65,865	63,503

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

Notes to Financial Statements (continued)

20. INTERESTS IN SUBSIDIARIES (CONT'D)

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%	Dormant
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
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

Notes to Financial Statements (continued)

20. INTERESTS IN SUBSIDIARIES (CONT'D)

Name	Place of incorporation/ and operations*	Paid-up share capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
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 Development 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.

21. INTEREST IN AN ASSOCIATE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**20**	30

Particulars of the Group's associate as at 31st March, 2007 are as follows:

Name	Form of business structure	Class of issued shares held	Place of incorporation/ and operations	Percentage of equity attributable to the Group/ proportion of voting power held	Principal activity
HR Investment Company Limited	Incorporated	Ordinary share of HK$1 each	Hong Kong	50	No trading

Notes to Financial Statements (continued)

21. INTEREST IN AN ASSOCIATE (CONT'D)

The following table illustrates the summarized financial information of the Group's associate extracted from its audited accounts:

	2007	2006
	HK$'000	*HK$'000*
Assets	**47**	89
Liabilities	**(7)**	(29)
Loss after tax	**(20)**	(96)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At fair value:				
Equity securities listed outside Hong Kong	**28,517**	1,650	**28,517**	1,650
Debt securities quoted outside Hong Kong	**215,325**	184,585	**215,325**	184,585
	243,842	186,235	**243,842**	186,235
At cost:				
Equity securities unlisted outside Hong Kong	**7,800**	7,800	**–**	–
	251,642	194,035	**243,842**	186,235

At the balance sheet date, the above unlisted equity investments are not stated at fair value but at cost less any impairment loss because they do not have a quoted market price in an active market and the fair value cannot be reliably measured.

Notes to Financial Statements (continued)

23. INVENTORIES

	Group 2007 HK$'000	2006 HK$'000
Raw materials	**3,775**	56,897
Work in progress	**–**	2,165
Finished goods	**6,486**	4,235
	10,261	63,297

All the inventories were stated at cost.

24. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The Group allows an average credit period of 30 to 60 days for its trade debtors. Trade receivables are non-interest-bearing.

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

	Group			
	2007		2006	
	HK$'000	**%**	*HK$'000*	%
Current to 30 days	**335**	**53**	1,136	60
31 days to 60 days	**179**	**29**	447	24
Over 60 days	**115**	**18**	300	16
	629	**100**	1,883	100

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
At fair value:		
Equity securities listed in Hong Kong	**107,538**	106,178

Notes to Financial Statements (continued)

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**4,574**	9,628	**1,545**	1,186
Time deposits	**25,074**	14,909	**25,074**	14,909
	29,648	24,537	**26,619**	16,095

Cash and bank balances include the following amounts denominated in a currency other than the Company's functional currency, HK dollars:

	Group		Company	
	2007	2006	**2007**	2006
Euro dollars	**EUR29,351**	EUR13,357	**EUR16,351**	EUR 272
United States dollars	**US$134,275**	US$1,111,586	**US$32,762**	US$525,119
Renminbi	**RMB349,114**	RMB53,984	**–**	–

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

27. BANKING FACILITIES/BORROWINGS

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

The trust receipt loans and short-term bank loans amounting to HK$Nil and HK$110,982,000 respectively (2006: trust receipt loans of HK$7,727,000 and short-term bank loans of HK$82,300,000) have been utilized by the Group at 31st March, 2007.

All of the bank loans are variable-rate borrowings which carry interest ranging from 0.875% to 5.5% per annum (2006: 3.165% to 5.82% per annum). Interest rates are repricing weekly and monthly. All of the bank loans are repayable within one year.

Notes to Financial Statements (continued)

27. BANKING FACILITIES/BORROWINGS (CONT'D)

Bank borrowings include the following amounts denominated in a currency other than the Group's and Company's functional currency, HK dollars:

	Group		Company	
	2007	2006	**2007**	2006
Japanese Yen	**JPY386,493,549**	–	**JPY386,493,549**	–
United States dollars	**–**	US$1,738,488	**–**	–
Euro dollars	**EUR837,189**	EUR1,416,636	**EUR837,189**	EUR1,416,636

28. TRADE PAYABLES

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

	Group			
	2007		2006	
	HK$'000	***%***	*HK$'000*	*%*
Current to 30 days	**38**	**28**	2,928	94
31 days to 60 days	**36**	**27**	98	3
Over 60 days	**60**	**45**	98	3
	134	**100**	3,124	100

The trade payables are non-interest-bearing and normally settled on 30 to 90 days terms.

29. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due to an investee company	**931**	–	**–**	–
Others	**1,360**	1,248	**211**	581
	2,291	1,248	**211**	581

Amount due to an investee company is unsecured, non-interest bearing and have no fixed terms of repayment.

Notes to Financial Statements (continued)

30. FINANCE LEASE PAYABLE

The Group had no finance lease payable at 31st March, 2007 (2006: The Group leased certain of its furniture and fixtures for its operation and such lease was classified as finance lease and had remaining lease term of one year).

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

	Group			
	Minimum lease payments 2007 HK$'000	Minimum lease payments 2006 HK$'000	**Present value of minimum lease payments 2007 HK$'000**	Present value of minimum lease payments 2006 HK$'000
Amounts payable:				
Within one year	**–**	10	**–**	10
After one year but within two years	**–**	–	**–**	–
Total minimum finance lease payments	**–**	10	**–**	10
Future finance charges	**–**	–		
Total net finance lease payables	**–**	10		
Portion classified as current liabilities	**–**	(10)		
Non-current portion	**–**	–		

Notes to Financial Statements (continued)

31. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Forward exchange contracts	**3,061**	162

The carrying amounts of forward exchange contracts are the same as their fair values.

Major terms of the forward exchange contracts are as follows:

Forward exchange contracts
At 31st March, 2007

Notional amount	**Last expiration dates**	**Contracted exchange rates**	**Fair value gain as at 31st March, 2007** ***HK$'000***
Buy US$10,000,000	**3rd May, 2007**	**HK$7.7332/US$1**	**782**
Buy US$19,434,000	**12th October, 2007**	**HK$7.7185/US$1**	**947**
Buy US$20,000,000	**5th November, 2007**	**HK$7.6970/US$1**	**1,332**
			3,061

At 31st March, 2006

Notional amount	Last expiration dates	Contracted exchange rates	Fair value gain/(loss) as at 31st March, 2006 *HK$'000*
Buy US$19,437,000	20th March, 2007	HK$7.7174/US$1	255
Buy US$10,000,000	20th September, 2006	HK$7.7398/US$1	(93)
			162

The above derivatives are measured at fair value at each balance sheet date, their fair values are determined based on the valuation provided by banks or financial institutions at the balance sheet date.

Notes to Financial Statements (continued)

32. 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 tax depreciation	**Revaluation of properties**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2005	400	1,071	1,471
Charged to consolidated income statement	90	793	883
At 31st March, 2006 and 1st April, 2006	490	1,864	2,354
Charged to consolidated income statement	(18)	627	609
At 31st March, 2007	472	2,491	2,963

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$96,000 (2006: HK$64,000), which is subject to approval from the Hong Kong Inland Revenue Department, can be carried forward to offset against future taxable income with no expiry date.

Notes to Financial Statements (continued)

33. SHARE CAPITAL

Share

	Number of shares of HK$0.10 each	Amount HK$'000
Authorised:		
At 1st April, 2005	1,000,000,000	100,000
Increase of ordinary shares *(Note a)*	2,000,000,000	200,000
At 31st March, 2006 and 31st March, 2007	3,000,000,000	300,000
Issued and fully paid:		
At 1st April, 2005	398,264,000	39,826
Shares issued under share option scheme *(Note b)*	7,600,000	760
Issue of bonus shares *(Note c)*	202,932,000	20,293
At 31st March, 2006	608,796,000	60,879
Repurchase of shares *(Note d)*	(500,000)	(50)
At 31st March, 2007	**608,296,000**	**60,829**

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

Notes:

(a) Increase in authorised share capital

By an ordinary resolution passed at the annual general meeting held on 26th August, 2006, the Company's authorised ordinary share capital was increased to HK$300,000,000 by the creation of an additional 2,000,000,000 ordinary shares of HK$0.10 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(b) During the year ended 31st March, 2006 the Company issued and allotted 7,600,000 ordinary shares of HK$0.1 each of the Company for cash at HK$0.29 and HK$0.38 per share respectively as a result of the exercise of share options.

(c) A bonus issue on the basis of one (1) bonus share for every two (2) ordinary shares held by the shareholders whose names appear on the Register of Members at the close of business on 19th August, 2005 was approved by the shareholders at the annual general meeting of the Company held on 26th August, 2005. On 26th August, 2005, the company issued 202,932,000 new shares of HK$0.1 each pursuant to the bonus issue.

Notes to Financial Statements (continued)

33. SHARE CAPITAL (CONT'D)

Share (CONT'D)

(d) During the year, the Company purchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$'000*
December, 2006	500,000	0.33	0.32	163

The repurchased shares were cancelled and accordingly, the issued share capital of the company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of HK$113,000 was charged against the share premium account.

Share options scheme

On 30th July, 2004, the share option scheme adopted by the Company on 9th October, 1997 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted by the shareholders of the Company. As a result, the Company can no longer grant any further options under the Old Scheme. However, all options granted prior to the termination of the Old Scheme will remain in full force and effect. The purpose of the New Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group. Eligible participants of the New Scheme include employees (including executive directors), the non-executive directors (including independent non-executive directors), suppliers of goods or services, customers, shareholders of the Group and persons or entity that provides research, development or other technological support to the Group. Unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from date of adoption.

Pursuant to the New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issuable under share options to each eligible participant within any 12 month period is limited to 1% of the Company's shares in issue at any time. The offer of a grant of share options may be accepted within 28 days from the date of the offer with consideration of HK$1.00 being payable by the grantee. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors, but may not be less than the highest of (1) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option; (2) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant of the option; and (3) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option has been granted by the Company under the New Scheme during the years ended 31st March, 2006 and 31st March, 2007.

Notes to Financial Statements (continued)

34. 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 30 of the financial statements.

(b) Company

	Share premium account	Contributed surplus	Investment revaluation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2005	48,252	83,168	4,226	102,906	238,552
Shares issued under share option scheme	1,534	–	–	–	1,534
Issue of bonus shares	(20,293)	–	–	–	(20,293)
Realised on disposal of available-for-sale financial assets	–	–	(2,204)	–	(2,204)
Deficit on revaluation	–	–	(2,414)	–	(2,414)
Final dividend paid	–	–	–	(227)	(227)
Profit for the year – *note 12*	–	–	–	49,877	49,877
Dividend – *note 13*	–	–	–	(18,264)	(18,264)
At 31st March, 2006 and 1st April, 2006	**29,493**	**83,168**	**(392)**	**134,292**	**246,561**
Shares repurchased	**(113)**	**–**	**–**	**–**	**(113)**
Realised on disposal of available-for-sale financial assets	**–**	**–**	**(1,652)**	**–**	**(1,652)**
Gain on revaluation	**–**	**–**	**4,009**	**–**	**4,009**
Profit for the year – *note 12*	**–**	**–**	**–**	**61,147**	**61,147**
Dividend – *note 13*	**–**	**–**	**–**	**(19,472)**	**(19,472)**
At 31st March, 2007	**29,380**	**83,168**	**1,965**	**175,967**	**290,480**

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 therefore.

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 therefore. Under the Companies Act 1981 (as amended) of Bermuda, the Company may make distributions to its members out of the contributed surplus under certain circumstances.

Notes to Financial Statements (continued)

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to two 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 receivable under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**154**	299
In the second to fifth years, inclusive	**–**	90
	154	389

(b) As lessee

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

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**–**	469
In the second to fifth years, inclusive	**–**	664
	–	1,133

Notes to Financial Statements (continued)

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments at the balance sheet date:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted but not provided for:				
Acquisition of property	**8,820**	–	**–**	–

37. CONTINGENT LIABILITIES

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

As at 31st March, 2007, there were contingent liabilities in respect of guarantees given to banks by the Company to secure a banking facilities made available to wholly owned subsidiaries.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued is the facility drawn down by the subsidiaries of HK$23,300,000 (2006: HK$39,410,000).

The Company has not recognised any deferred income in respect of the guarantees as their fair values cannot be reliably measured and their transaction prices were HK$Nil (2006: HK$Nil).

38. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following significant transactions with related parties:

Compensation of key management personnel of the Group and of the Company:

The emoluments of directors and other members of key management of the Group and the Company during the year were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Short-term benefits	**2,772**	3,006	**390**	390
Post-employment benefits	**36**	35	**–**	–
	2,808	3,041	**390**	390

Further details of directors' emoluments are included in note 14 to the financial statements.

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to Financial Statements (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. However, management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant cash flow interest rate risk exposure should the need arise.

Foreign currency risk

Certain subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. In order to mitigate the foreign currency risk, foreign currency forward contract are entered into in respect of highly probable foreign currency forecast sales or purchases in accordance with the Group's risk management policies.

Certain trade receivables and payables and borrowings of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Group does not have a significant concentration of credit risk. In addition, certain customers are required to pay customers' deposits and receivable balances are monitored on an ongoing basis and therefore the Group's exposure to bad debts is not significant.

Liquidity risk

For the management of the Group's liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. Management reviews and monitors its working capital requirements regularly.

Fair value

The fair values of cash and cash equivalents, trade receivables, prepayments, deposits and other receivables, other loans, trade payables, other payables and accruals are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of bank borrowings approximate to their fair values.

As set out in note 20, the Company had amounts due from/to subsidiaries. It is not practical to estimate the fair values of the amounts due to the related party nature of these instruments.

Notes to Financial Statements (continued)

40. COMPARATIVE FIGURES

During the year, the Group included trading in equity securities under "financial assets at fair value through profit or loss" as one of its principal activities and accordingly, reclassify its proceeds from trading in equity securities and related costs under turnover and cost of sales respectively, and also to present the related financial information under a separate segment of "Trading in equity securities" to better reflect the underlying nature of these balances and allow a more appropriate presentation of the Group's results. The comparative amounts have been restated to conform with the current year's presentation.

In addition, derivative financial instruments included in prepayments, deposits and other receivables as at 31st March, 2006 and customers' deposits included in other payables and accruals as at 31st March, 2006 have been separately stated in the balance sheet to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5th June, 2007.