



**RISING DEVELOPMENT HOLDINGS LIMITED**

**麗盛集團控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**INTERIM REPORT**

**2002**

**FOR THE SIX MONTHS ENDED**

**30TH SEPTEMBER 2002**

## UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of Rising Development Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2002 together with the comparative figures for the corresponding period in 2001. These interim consolidated financial statements have not been audited but have been reviewed by the Company's Audit Committee.

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002

		(Unaudited)	
		Six months ended	
		30th September	
		2002	2001
	Note	HK\$'000	HK\$'000
TURNOVER	2	45,489	63,648
Cost of sales		<u>(31,639)</u>	<u>(42,536)</u>
Gross profit		13,850	21,112
Other revenue		10,500	5,239
Selling and distribution expenses		(951)	(1,892)
Operating and administrative expenses		(7,236)	(10,012)
Unrealised loss on investments in listed equity securities		<u>(1,255)</u>	<u>(1,772)</u>
PROFIT FROM OPERATING ACTIVITIES	3	14,908	12,675
Finance costs		<u>(502)</u>	<u>(657)</u>
PROFIT BEFORE TAXATION		14,406	12,018
Taxation	4	<u>(1,218)</u>	<u>(1,010)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		13,188	11,008
Dividends	5	<u>(4,381)</u>	<u>(3,983)</u>
RETAINED PROFIT FOR THE PERIOD		<u>8,807</u>	<u>7,025</u>
EARNINGS PER SHARE	6		
Basic		<u>HK3.31 cents</u>	<u>HK2.76 cents</u>
Diluted		<u>HK3.31 cents</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
AS AT 30th SEPTEMBER 2002 AND 31ST MARCH 2002

		(Unaudited) 30th September 2002 HK\$'000	(Audited) 31st March 2002 HK\$'000
	Note		
<b>NON-CURRENT ASSETS</b>			
Fixed assets		19,458	20,554
Investment properties		8,210	8,210
Other investments	9	–	62,976
		<u>27,668</u>	<u>91,740</u>
<b>CURRENT ASSETS</b>			
Inventories		20,682	22,876
Prepayments, deposits and other receivables		3,894	32,129
Trade receivables	7	15,014	6,688
Other investments	9	1,722	4,777
Cash and cash equivalents		175,695	73,331
		<u>217,007</u>	<u>139,801</u>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		6,693	–
Trade payables	8	3,554	2,211
Other payables and accruals		4,552	2,526
Current portion of finance lease payable		15	15
Tax payables		1,808	605
		<u>16,622</u>	<u>5,357</u>
<b>NET CURRENT ASSETS</b>		<u>200,385</u>	<u>134,444</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		228,053	226,184
<b>NON-CURRENT LIABILITIES</b>			
Finance lease payable		47	54
Deferred tax		448	448
		<u>495</u>	<u>502</u>
		<u>227,558</u>	<u>225,682</u>
<b>Financed by:</b>			
Share capital	10	39,826	39,826
Reserves		183,351	178,687
Proposed dividend		4,381	7,169
		<u>227,558</u>	<u>225,682</u>
Shareholders' funds		<u>227,558</u>	<u>225,682</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2002**

	(Unaudited)	
	Six months ended	
	30th September 2002	30th September 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from operating activities	44,164	31,320
Net cash from investing activities	65,376	5,025
Net cash (used in)/from financing activities	(7,176)	3,805
	<hr/>	<hr/>
Net increase in cash and cash equivalents	102,364	40,150
Cash and cash equivalents at 1st April	73,331	36,057
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<b>175,695</b>	<b>76,207</b>
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	175,695	76,503
Interest-bearing bank borrowings repayable within 3 months	-	(296)
	<hr/>	<hr/>
	<b>175,695</b>	<b>76,207</b>
	<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

Six months ended 30th September, 2002

	Share capital	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	39,826	48,252	5,830	1,871	118	4,143	118,473	218,513
Realized on disposals of investment in listed debt securities	-	-	-	-	-	(4,143)	-	(4,143)
Net profit for the period	-	-	-	-	-	-	13,188	13,188
At 30th September 2002	<u>39,826</u>	<u>48,252</u>	<u>5,830</u>	<u>1,871</u>	<u>118</u>	<u>-</u>	<u>131,661</u>	<u>227,558</u>

(Unaudited)

Six months ended 30th September, 2001

	Share capital	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Exchange reserve	Investment revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001	39,826	48,252	5,830	2,747	-	4,469	109,529	210,653
Exchange difference arising on translation of subsidiaries	-	-	-	-	118	-	-	118
Surplus on revaluation of investment in listed debt securities	-	-	-	-	-	977	-	977
Net profit for the period	-	-	-	-	-	-	11,008	11,008
At 30th September 2001	<u>39,826</u>	<u>48,252</u>	<u>5,830</u>	<u>2,747</u>	<u>118</u>	<u>5,446</u>	<u>120,537</u>	<u>222,756</u>

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and investment properties and other investments, and in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting” and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The principal accounting policies and basis of presentation used in the preparation of the interim financial statements are consistent with those used in the annual audited financial statements for the year ended 31st March 2002. The following recently-issued and revised SSAPs and related interpretations are effective for the first time for the current period’s financial statements:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 25 (revised)	Interim financial reporting
SSAP 34	Employee benefits

The adoption of the new and revised SSAPs does not have any material impact to the financial results of the Group for the current or prior accounting periods.

### 2. SEGMENT INFORMATION

The following tables present revenue, profit and expenditure information for the Group’s business and geographical segments:

#### (a) Business segments:

2002	6 months ended 30th September 2002				Consolidated HK\$’000
	Manufacture and sales of fur garments HK\$’000	Trading of fur skins HK\$’000	Others HK\$’000	Elimination HK\$’000	
Segment revenue:					
Sales to external customers	31,760	13,729	-	-	45,489
Intersegment	-	20,913	-	(20,913)	-
Other revenue	380	-	9,899	(348)	9,931
Total revenue	<u>32,140</u>	<u>34,642</u>	<u>9,899</u>	<u>(21,261)</u>	<u>55,420</u>
Segment results	5,350	931	8,460		14,741
Unallocated expenses					(402)
Interest Income					<u>569</u>
Profit from operating activities					14,908
Finance costs					<u>(502)</u>
Profit before taxation					14,406
Taxation					<u>(1,218)</u>
Net profit attributable to shareholders					<u>13,188</u>

2001	6 months ended 30th September 2001				Consolidated HK\$'000
	Manufacture and sales of fur garments HK\$'000	Trading of fur skins HK\$'000	Others HK\$'000	Elimination HK\$'000	
Segment revenue:					
Sales to external customers	46,781	16,867	–	–	63,648
Intersegment	–	26,914	–	(26,914)	–
Other revenue	182	10	3,838	–	4,030
Total revenue	<u>46,963</u>	<u>43,791</u>	<u>3,838</u>	<u>(26,914)</u>	<u>67,678</u>
Segment results	9,065	969	2,010		12,044
Unallocated expenses					(578)
Interest Income					1,209
Profit from operating activities					12,675
Finance costs					(657)
Profit before taxation					12,018
Taxation					(1,010)
Net profit attributable to shareholders					<u>11,008</u>

**(b) Geographical segments:**

2002	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	14,435	19,190	9,484	2,380	45,489
Segment results	<u>9,509</u>	<u>3,233</u>	<u>1,598</u>	<u>401</u>	<u>14,741</u>
2001					
Segment revenue:					
Sales to external customers	18,093	32,327	9,846	3,382	63,648
Segment results	<u>3,217</u>	<u>6,264</u>	<u>1,908</u>	<u>655</u>	<u>12,044</u>

### 3. PROFIT FROM OPERATING ACTIVITIES

This is stated after (crediting) and charging the following:

	<b>6 months ended 30th September</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Gain on disposal of fixed assets	–	(3)
Rental income	(319)	(518)
Interest income from other investments	(454)	(2,058)
Bank interest income	(569)	(1,209)
Realised profit on investments in listed equity securities	(58)	–
Net realised profit on other long term investments	(3,764)	–
Dividend income from listed equity securities	(4,809)	–
Charging		
Depreciation	1,198	1,229
Operating lease rentals on lands and buildings	279	318
Staff cost including directors' remuneration	4,643	7,228

### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>6 months ended 30th September</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	<u>1,218</u>	<u>1,010</u>

There was no material unprovided deferred tax for the period.

### 5. DIVIDENDS

	<b>6 months ended 30th September</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed HK1.1 cents (2001: HK1 cent) per ordinary share	<u>4,381</u>	<u>3,983</u>

The Board has resolved to declare an interim dividend of HK1.1 cents (2001: HK1 cent) per share payable to all the shareholders whose names appear on the Register of Members of the Company on Monday, 30th December 2002. The interim dividend will be paid on or about Tuesday, 7th January 2003.



## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$13,188,000 (2001: HK\$11,008,000). The basic earnings per share is based on the weighted average of 398,264,000 (2001: 398,264,000) ordinary shares in issue during the period.

Diluted earnings per share is based on the weighted average of 398,264,000 ordinary shares in issue during the period plus the weighted average of 58,000 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

## 7. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	30th September 2002		31st March 2002	
	HK\$'000	%	HK\$'000	%
0-30 Days	9,165	61	661	10
31-60 Days	3,151	21	260	4
More than 60 Days	2,698	18	5,767	86
	<u>15,014</u>	<u>100</u>	<u>6,688</u>	<u>100</u>

## 8. TRADE PAYABLES

The ageing analysis of trade payables is as follow:

	30th September 2002		31st March 2002	
	HK\$'000	%	HK\$'000	%
0-30 Days	834	24	768	35
31-60 Days	37	1	406	18
More than 60 Days	2,683	75	1,037	47
	<u>3,554</u>	<u>100</u>	<u>2,211</u>	<u>100</u>

## 9. OTHER INVESTMENTS

	30th September 2002	31st March 2002
	HK\$'000	HK\$'000

At market value:

Equity securities listed in Hong Kong	1,722	4,777
Debt securities listed outside Hong Kong	<u>—</u>	<u>62,976</u>

At 30th September 2002, the Group's other investments with carrying values of approximately HK\$222,000 (31st March 2002: HK\$32,304,000) were pledged to secure certain banking facilities granted to the Group.

## 10. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.1 each at 1st April 2002 and 30th September 2002	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid</i>		
at 1st April 2002 and 30th September 2002	<u>398,264,000</u>	<u>39,826</u>

## 11. CONTINGENT LIABILITIES

At 30th September 2002, the Group did not have any significant contingent liabilities. The Company has given guarantees in favour of certain banks to the extent of HK\$50,000,000 (31st March 2002: HK\$52,000,000) in respect of banking facilities granted to certain subsidiaries of the Company.

## 12. COMPARATIVE FIGURES

Due to the adoption of certain new and revised SSAPs during the period, certain comparative figures have been reclassified to conform the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the midst of an uncertain world economy, the Group's turnover for the first 6 months dropped from HK\$63.6 million to HK\$45.4 million, or a reduction of 28%. The decrease was due to customers buying more lower unit price items as well as the Group's decision to streamline certain operations in Hong Kong. On the other hand, our Korean orders showed a healthy growth. During the past 6 months, fur skin trading recorded a satisfactory performance. Profit attributable to shareholders actually increased from HK\$11 million to HK\$13.2 million, an improvement of 20%. The better profit figure was both a result of timely disposal of some investments and a significant cost reduction associated with the streamlining operation mentioned above. As such, earnings per share increased from HK2.76 cents to HK3.31 cents.

The streamlining operation in Hong Kong enabled the Group to significantly cut its expenses. This is a critical move for the Group in order to stay competitive and be profitable. This exercise had affected on our turnover during this period but we believe that it will pay off handsomely in the next few years.

## **PROSPECT**

After several rounds of interest rate cut, recent economic data had indicated some good signs for the U.S. and other markets. But whether this will develop into a meaningful recovery is still unknown at this point in time. The lack of consumer confidence, the possibility of conflicts in the Middle East and the outbreak of terrorist activities worldwide have made the recovery course even more unpredictable. However, we believe the Group is more ready than ever to take up the challenge. For the garment manufacturing division, we will continue to develop and serve our existing markets such as U.S.A. and Japan but at the same time, we will put up additional resources to develop the Korean and Russian markets. For the fur skin trading division, we will attempt to do more brokerage and other related business. Our expertise and connection in this market should give us some competitive edge. The Group would like to see better results for this line of business in the future.

The Group continued to enjoy good liquidity. But during this extremely low interest rate environment, to achieve a reasonable yield is getting more and more difficult. The Group will follow its traditional conservative approach to invest its liquidity in a balanced and diversified portfolio.

The Group will continue to look for new business opportunities in Hong Kong and China, to a lesser degree, other parts of the world. Any such new business opportunity will be reviewed and examined to ensure that it fits into the Group's overall business strategy and the best interest of shareholders.

We welcome Mr. Kenneth Kiu, our new CEO who joined the Group on 1st October 2002. Mr. Kiu has extensive experience in the investment and finance field. We believe Mr. Kiu will make a positive contribution to the Group's existing business, investment portfolio and the identification of new business opportunity.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally derives cash for operation from internal cash flow and facilities from Hong Kong banks. As at 30th September 2002, the Group has cash and cash equivalents of HK\$175,695,000 (31st March 2002: HK\$73,331,000). As at 30th September 2002, the Group's bank loan amounted to HK\$6,693,000 (31st March 2002: HK\$Nil), and shareholders' funds amounted to HK\$227,558,000 (31st March 2002: HK\$225,682,000). Accordingly, the gearing ratio is 3% (31st March 2002: 0%).

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

## FOREIGN EXCHANGE EXPOSURE

The Group's business are mainly conducted in US Dollars and Renminbi, with minimal exposure to fluctuations in foreign exchanges.

## EMPLOYEES

As at 30th September 2002, the Group employed around 340 employees in both Hong Kong and the Mainland. The Group continues to provide remuneration package, including share options to its employees based on prevailing market conditions.

## DIRECTORS' INTERESTS IN SHARES

As at 30th September 2002, the interests of the directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

### (a) Interest in the Company

Name of director	Notes	Personal interests	Corporate interests
Mr. Ng Ngan Lung	1	Nil	240,000,000
	2	Nil	33,720,000
Mr. William Carl Frick		834,000	Nil

Notes:

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

**(b) Interests in an associated corporation**

As mentioned above, Mr. Ng Ngan Lung beneficially owned 3,200 shares in the share capital of Fung Kong Worldwide Limited, the Company's holding company.

The following non-voting deferred shares in the subsidiaries were held:

<b>Subsidiary</b>	<b>Mr. Ng Ngan Lung (personal interests)</b>
Rising Development Limited	3,000,000
Silverton Fur & Leather Trading Company Limited	3,000

Saved as disclosed above, none of the directors, chief executives or their associates had any other interest in the share capital of the company or any of its associated corporations as defined in the SDI Ordinance.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

Apart from as disclosed under the heading "Directors' interests in shares" above and "Share option scheme" below, 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 children under 18 years of age, 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**

On 9th October 1997, the company adopted a Share Option Scheme (the "Scheme") which would lapse on 8th October 2007, pursuant to which the directors may, at their discretion to grant to selective employees of the Group including the directors to subscribe for shares of the Company up to a maximum aggregate number of shares equal to 10 per cent of the total issued shares of the company. The purpose of the Scheme is to allow grantee the opportunity to obtain equity interest in the company. No grantee would be granted option which would exceed 25 per cent of the total option available. The grant is subject to acceptance within 21 days of the offer. The consideration payable for the option is HK\$1.00. The exercisable price of the option is determined by the directors which shall be not less than the higher of the nominal value of the share or 80 per cent of the average five business days' closing price of the shares on The Stock Exchange of Hong Kong Limited immediate preceding the date of the grant.

The following table discloses movements in the Company's share options during the year and options outstanding at the beginning and end of the year.

Directors	Number of share options outstanding at 1st April 2002	Number of share options outstanding at 30th September 2002	Initial exercise price HK\$	Exercisable period
Mr. Ng Ngan Lung	5,000,000	5,000,000	0.29	7/1/1998 – 31/12/2007
Mr. William Carl Frick	1,000,000	1,000,000	0.29	23/2/1998 – 31/12/2007
Mr. Chong Hong Sang	1,000,000	1,000,000	0.38	8/8/2001 – 31/12/2007
Employee	750,000	750,000	0.29	7/1/1998 – 31/12/2007
Total	<u>7,750,000</u>	<u>7,750,000</u>		

No share options were exercised by the Directors to subscribe for a share in the Company during the period.

#### **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 period.

#### **SUBSTANTIAL SHAREHOLDERS**

At 30th September 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of SDI Ordinance:

Name	Number of shares held	Percentage of holding
Fung Kong Worldwide Ltd.	240,000,000	60.26%

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 30th December 2002 to Friday, 3rd January 2003 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Hong Kong not later than 4:00 p.m. on Friday, 27th December 2002.

## **REPURCHASE OF SHARES**

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

## **CODE OF BEST PRACTICE**

Except for the Company's independent non-executive directors not being appointed for a specific terms, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September 2002, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

## **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 unaudited consolidated interim financial statements for the six months ended 30th September 2002.

On Behalf of the Board  
**Ng Ngan Lung**  
*Chairman*

Hong Kong, 11th December 2002