



RISING DEVELOPMENT HOLDINGS LIMITED
麗盛集團控股有限公司
(Incorporated in Bermuda with limited liability)

INTERIM REPORT
2005

FOR THE SIX MONTHS ENDED
30TH SEPTEMBER 2005

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 2005 together with the comparative figures for the corresponding period in 2004. 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 2005

		(Unaudited)	
		Six months ended	
		30th September	
		2005	2004
	Note	HK\$'000	HK\$'000
TURNOVER	3	96,533	123,356
Cost of sales		<u>(78,645)</u>	<u>(97,418)</u>
Gross profit		17,888	25,938
Other revenue		7,944	6,369
Other gains	4	4,495	5,317
Selling and distribution expenses		(2,339)	(2,087)
Operating and administrative expenses		(8,291)	(7,642)
Non-operating expenses		<u>(119)</u>	<u>(1,279)</u>
PROFIT FROM OPERATING ACTIVITIES	4	19,578	26,616
Finance costs	5	(1,198)	(177)
Share of loss of an associated company		<u>(27)</u>	<u>-</u>
PROFIT BEFORE TAX		18,353	26,439
Taxation	6	<u>(1,202)</u>	<u>(1,380)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		<u>17,151</u>	<u>25,059</u>
PROPOSED INTERIM DIVIDEND	7	<u>7,306</u>	<u>9,957</u>
EARNINGS PER SHARE	8		
Basic		<u>HK2.82 cents</u>	<u>HK6.29 cents</u>
Diluted		<u>N/A</u>	<u>HK6.25 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2005 AND 31ST MARCH 2005

		(Unaudited) 30th September 2005	(Audited) 31st March 2005 (Restated)
	Note	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	9	19,338	19,738
Investment properties		20,480	20,480
Interest in an associated company		51	–
Available-for-sale financial assets	10	132,504	–
Other investments	10	–	112,724
		<u>172,373</u>	<u>152,942</u>
CURRENT ASSETS			
Inventories		57,486	49,374
Prepayments, deposits and other receivables		4,932	3,035
Trade receivables	11	8,555	2,490
Financial assets at fair value through profit or loss	12	102,561	–
Other investments	12	–	83,264
Cash and bank balances		50,722	69,255
		<u>224,256</u>	<u>207,418</u>
CURRENT LIABILITIES			
Short-term bank loans			
– secured		41,392	36,899
– unsecured		14,976	10,300
Trust receipt loans, secured		19,483	8,000
Other loans, secured		19,207	6,195
Trade payables	13	738	657
Other payables and accruals		16,224	25,675
Current portion of finance lease payable		15	15
Tax payable		4,577	3,730
		<u>116,612</u>	<u>91,471</u>
NET CURRENT ASSETS		<u>107,644</u>	<u>115,947</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		280,017	268,889
NON-CURRENT LIABILITIES			
Finance lease payable		2	10
Deferred tax		2,564	2,564
		<u>2,566</u>	<u>2,574</u>
		<u>277,451</u>	<u>266,315</u>
CAPITAL AND RESERVES			
Share capital	14	60,879	39,826
Reserves		216,572	214,541
Proposed final dividend		–	11,948
		<u>277,451</u>	<u>266,315</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	(Unaudited)	
	Six months ended	
	30th September 2005	30th September 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in)/from operating activities	(4,250)	5,325
Net cash (used in)/from investing activities	(24,281)	34,470
Net cash from/(used in) financing activities	9,998	(35,054)
Net (decrease)/increase in cash and cash equivalents	(18,533)	4,741
Cash and cash equivalents at 1st April	69,255	47,947
Cash and cash equivalents at 30th September	<u>50,722</u>	<u>52,688</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>50,722</u>	<u>52,688</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)									
	Six months ended 30th September 2005									
	Share capital	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Exchange fluctuation reserve	Investment revaluation reserve	Statutory reserve fund	Retained profits	Proposed final dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2005										
As previously reported	39,826	48,252	5,830	9,099	118	4,226	12	147,854	11,948	267,165
Change in accounting policy – HKAS – Int.21 (note 2)	-	-	-	-	-	-	-	(850)	-	(850)
As restated	39,826	48,252	5,830	9,099	118	4,226	12	147,004	11,948	266,315
Shares issued under share option scheme	760	1,534	-	-	-	-	-	-	-	2,294
Issue of bonus shares	20,293	(20,293)	-	-	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	3,866	-	-	-	3,866
2005 final dividend paid	-	-	-	-	-	-	-	(227)	(11,948)	(12,175)
Profit for the period	-	-	-	-	-	-	-	17,151	-	17,151
At 30th September 2005	<u>60,879</u>	<u>29,493</u>	<u>5,830</u>	<u>9,099</u>	<u>118</u>	<u>8,092</u>	<u>12</u>	<u>163,928</u>	<u>-</u>	<u>277,451</u>

	(Unaudited)									
	Six months ended 30th September 2004									
	Share capital	Share premium account	Contributed surplus	Fixed asset revaluation reserve	Exchange fluctuation reserve	Investment revaluation reserve	Statutory reserve fund	Retained profits	Proposed final dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2004										
As previously reported	39,826	48,252	5,830	1,631	118	12,662	12	126,401	35,047	269,779
Change in accounting policy – HKAS – Int.21 (note 2)	-	-	-	-	-	-	-	(18)	-	(18)
As restated	39,826	48,252	5,830	1,631	118	12,662	12	126,383	35,047	269,761
Realized on disposal of listed debt securities	-	-	-	-	-	(3,315)	-	-	-	(3,315)
Realized on disposal of listed equity securities	-	-	-	-	-	(1,880)	-	-	-	(1,880)
Deficit on revaluation	-	-	-	-	-	(2,728)	-	-	-	(2,728)
2004 final and special dividends paid	-	-	-	-	-	-	-	-	(35,047)	(35,047)
Profit for the period	-	-	-	-	-	-	-	25,059	-	25,059
At 30th September 2004	<u>39,826</u>	<u>48,252</u>	<u>5,830</u>	<u>1,631</u>	<u>118</u>	<u>4,739</u>	<u>12</u>	<u>151,442</u>	<u>-</u>	<u>251,850</u>

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and the Hong Kong Accounting Standards (“HKASs”) 34 “Interim Financial Reporting” and other relevant HKASs and Interpretations, and the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, land and buildings and investment properties, which are measured at fair values.

The accounting policies and basis of preparation adopted in these condensed interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005 except the early adoption of HKAS 40 in the financial statements for the year ended 31st March 2005. The application of the new HKFRSs has resulted in a change in the presentation of the profit and loss account, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Financial instruments

In the current period, the Group has applied HKAS 32 “Financial instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

At 31st March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice (“SSAP”) 24. Under SSAP 24, investments in debt or equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” under other investments are measured at fair value. Unrealised gains or losses of “trading securities” are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1st April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” that are not part of the hedging relationship and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in fixed assets and measured using the revaluation model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. Since the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as fixed assets.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation (SSAP-Interpretation 20). In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets", which removes the presumption that the carrying amounts of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 2 for the financial impact).

2. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The financial effects of the application of the new HKFRSs as at 31st March 2005 and 1st April 2005 are summarized below:

	As at 31st March 2005 (As originally stated) HK\$'000	Adjustment HK\$'000	As at 31st March 2005 (As restated) HK\$'000	Adjustment HK\$'000	As at 1st April 2005 (As restated) HK\$'000
Deferred tax liabilities and effect on assets and liabilities	(1,714)	(850)	(2,564)	-	(2,564)
Retained profits and effect on equity	(147,854)	850	(147,004)	-	(147,004)

The financial effect of the application of the new HKFRSs to the Group's equity as at 1st April 2004 is summarized below:

	As originally stated HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Retained profits and effect on equity	(126,401)	18	(126,383)

3. SEGMENT INFORMATION

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

(a) Business segments:

2005	(Unaudited) 6 months ended 30th September 2005				Consolidated HK\$'000
	Manufacture and sales of fur garments HK\$'000	Trading of fur skins HK\$'000	Investments and others HK\$'000	Elimination HK\$'000	
Segment revenue:					
Sales to external customers	42,265	54,268	-	-	96,533
Intersegment	-	25,966	-	(25,966)	-
Other revenue	588	954	6,649	(861)	7,330
Total revenue	<u>42,853</u>	<u>81,188</u>	<u>6,649</u>	<u>(26,827)</u>	<u>103,863</u>
Segment results	6,937	3,298	9,381		19,616
Unallocated expenses					(652)
Interest income					614
Profit from operating activities					19,578
Finance costs					(1,198)
Share of loss of an associated company					(27)
Profit before tax					18,353
Taxation					(1,202)
Profit attributable to shareholders					<u>17,151</u>

2004	(Unaudited) 6 months ended 30th September 2004				Consolidated HK\$'000
	Manufacture and sales of fur garments HK\$'000	Trading of fur skins HK\$'000	Investments and others HK\$'000	Elimination HK\$'000	
Segment revenue:					
Sales to external customers	40,830	82,526	-	-	123,356
Intersegment	-	29,854	-	(29,854)	-
Other revenue	555	1,109	11,994	(3,908)	9,750
Total revenue	<u>41,385</u>	<u>113,489</u>	<u>11,994</u>	<u>(33,762)</u>	<u>133,106</u>
Segment results	9,345	9,518	8,008		26,871
Unallocated expenses					(578)
Interest income					323
Profit from operating activities					26,616
Finance costs					(177)
Profit before tax					26,439
Taxation					(1,380)
Profit attributable to shareholders					<u>25,059</u>

(b) Geographical segments:

2005	(Unaudited)				Consolidated HK\$'000
	6 months ended 30th September 2005				
	Hong Kong and Mainland China HK\$'000	Japan HK\$'000	North America HK\$'000	Others HK\$'000	
Segment revenue:					
Sales to external customers	56,123	11,655	19,089	9,666	96,533
Segment results	16,712	838	1,372	694	19,616
2004	(Unaudited)				Consolidated HK\$'000
	6 months ended 30th September 2004				
Segment revenue:					
Sales to external customers	83,487	14,996	14,109	10,764	123,356
Segment results	17,746	3,432	3,229	2,464	26,871

4. PROFIT FROM OPERATING ACTIVITIES

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

	6 months ended 30th September	
	2005	2004
	HK\$'000	HK\$'000
Crediting		
Rental income	(175)	(134)
Interest income from:		
Other investments	–	(3,916)
Available-for-sale financial assets	(4,013)	–
Bank interest income	(614)	(323)
Dividend income from listed investments	(1,512)	(640)
Other gains:		
Net realised gain on investments in listed equity securities	–	(1,533)
Net realised gain on other long term investments	–	(2,171)
Unrealised gain on investments in:		
Listed equity securities	–	(1,613)
Financial assets at fair value through profit or loss	(4,495)	–
	(4,495)	(5,317)
Charging		
Cost of inventories sold	78,645	97,418
Depreciation	442	977
Loss on disposal of fixed assets	–	8
Operating lease rentals on land and buildings	313	266
Staff costs (including directors' remuneration)	6,366	5,656

5. FINANCE COSTS

	6 months ended 30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on short term bank loans and overdrafts	765	103
Interest on trust receipt loans	324	72
Interest on other loans	109	2
	<u>1,198</u>	<u>177</u>

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

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

	6 months ended 30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	<u>1,202</u>	<u>1,380</u>

There was no material unprovided deferred tax for the period.

7. PROPOSED INTERIM DIVIDEND

	6 months ended 30th September	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed – HK1.2 cents (2004: HK2.5 cents) per ordinary share	<u>7,306</u>	<u>9,957</u>

The Board has resolved to declare an interim dividend of HK1.2 cents (2004: HK2.5 cents) per share payable to all the shareholders whose names appear on the Register of Members of the Company on Friday, 30th December 2005. The interim dividend will be paid on or about Wednesday, 4th January 2006.

The interim dividend was declared after the balance sheet date and hence was not accrued on that date.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$17,151,000 (2004: HK\$25,059,000). The basic earnings per share is based on the weighted average of 608,796,000 (2004: 398,264,000) ordinary shares in issue during the period.

No dilute earnings per share was presented for the six months ended 30th September 2005 as there were no potential ordinary shares in existence during the period.

For the six months ended 30th September 2004, the calculation of diluted earnings per share was based on the weighted average of 398,264,000 ordinary shares in issue during the period plus the weighted average of 2,804,000 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

9. FIXED ASSETS

During the six months ended 30th September 2005, the Group acquired items of plant, machinery and equipment with a cost of HK\$41,000 (six months ended 30th September 2004: HK\$187,000). No items of plant, machinery and equipment were disposed of during the six months ended 30th September 2005 (six months ended 30th September 2004: Items of plant, machinery and equipment with a net book value of HK\$10,635 were disposed, resulting in a loss on disposal of HK\$8,000).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS/OTHER INVESTMENTS

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
At fair value:		
Equity securities listed outside Hong Kong	16,491	7,884
Debt securities listed outside Hong Kong	108,213	97,040
Unlisted shares outside Hong Kong	7,800	7,800
	<u>132,504</u>	<u>112,724</u>
Representing for reporting purposes:		
Non-current		
– Available-for-sale financial assets	132,504	–
– Other investments	–	112,724
	<u>132,504</u>	<u>112,724</u>

11. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30th September 2005		31st March 2005	
	HK\$'000	%	HK\$'000	%
Current to 30 days	6,748	79	768	31
31 days to 60 days	582	7	280	11
Over 60 days	1,225	14	1,442	58
	<u>8,555</u>	<u>100</u>	<u>2,490</u>	<u>100</u>

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	30th September 2005	31st March 2005
	HK\$'000	HK\$'000
At fair value:		
Equity securities listed in Hong Kong	102,561	63,601
At amortised cost:		
Equity-linked notes	–	19,663
	<u>102,561</u>	<u>83,264</u>
Representing for reporting purposes:		
Current		
– Financial assets at fair value through profit or loss	102,561	–
– Other investments	–	83,264
	<u>102,561</u>	<u>83,264</u>

13. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	30th September 2005		31st March 2005	
	HK\$'000	%	HK\$'000	%
Current to 30 days	229	31	449	68
31 days to 60 days	77	10	28	4
Over 60 days	432	59	180	28
	<u>738</u>	<u>100</u>	<u>657</u>	<u>100</u>

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.1 each		
At 1st April 2005	1,000,000,000	100,000
Increase of ordinary shares	2,000,000,000	200,000
	<u>3,000,000,000</u>	<u>300,000</u>
At 30th September 2005	<u>3,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid</i>		
At 1st April 2005	398,264,000	39,826
Shares issued under share option scheme (note a)	7,600,000	760
Issue of bonus shares	202,932,000	20,293
	<u>608,796,000</u>	<u>60,879</u>
At 30th September 2005	<u>608,796,000</u>	<u>60,879</u>

Note (a): During the period, 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.

15. CONTINGENT LIABILITIES/PLEDGE OF ASSETS

At 30th September 2005, the Group's banking facilities were secured by a corporate guarantee given by the Company, certain listed equity and debt securities, its leasehold properties and certain investment properties. At 30th September 2005, trust receipt loans, short-term bank loans and other loans amounting to HK\$19,483,000, HK\$41,392,000 and HK\$19,207,000 respectively (At 31st March 2005: trust receipt loans of HK\$8,000,000, short-term bank loans of HK\$36,899,000 and other loans of HK\$6,195,000) have been utilised by the Group.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified as a result of the adoption of new HKFRSs.

MANAGEMENT DISCUSSION AND ANALYSIS

Results, Business and Operation Review and Prospect

During the first six months, the Group's turnover was HK\$96,533,000, a decrease of 22% compared to the corresponding period last year. Profit attributable to shareholders was HK\$17,151,000, a decrease of 32% compared to the corresponding period last year while earnings per share was HK2.82 cents.

The turnover decreased in the first half year which is mainly due to the decrease in the Company's raw material trading business. The turnover of raw material trading for the period was HK\$54,268,000, a decrease of 34% compared to the corresponding period last year while profit amounted to HK\$3,298,000. Upholding its prudent operating principle, the Company has no intention to engage in short-term speculative trading. Instead, a relatively conservative strategy has been adopted to reduce the risk involved in the trading operation. The substantial accumulative increase in the price of raw materials, coupled with a series of interest rate hikes this year, contributed to a surge in the cost of purchase. Accordingly, the Company adopted effective measures to significantly reduce in the trading volume of raw materials but income also dropped substantially as a result. The Company will continue to operate prudently and adopt effective measures to encounter fluctuations in raw material market.

The overall business of the sales of fur garment recorded a slight increase. During the period, the turnover was HK\$42,265,000, representing an increase of 4% compared to the corresponding period last year. However, due to the increase in cost of raw material, profit only amounted to HK\$6,937,000. Fur apparel remains the global fashion and has been in particular strong demand in Europe and Russia. Notwithstanding the remarkable growth of the Company's business in North America, Europe and Russia, the significant drop in the demand for high-end products in the Japanese market has impeded our overall sales growth. In view of the mixed market development, the Company has not only consolidated the existing market, but also invested more resources to markets with potential growth. Such efforts include market exploration and investigation and the recruitment of additional talents familiar with the Eastern European and the Russian markets. Although these measures will result in a higher short-term operating cost, the Company believes that its business will benefit in the long run.

As regards the investment operation, despite the sustained growth of the global economy during this year, the high oil price and interest rate hikes have contributed to a slow down in the economic growth. We have therefore been facing a relatively tough overall investment environment and a rise in the investment risks. With the Group's continual pursuit of a prudent and diversified investment strategy, the overall growth of the investment portfolio during the period was satisfactory, and a slight increase over the previous year was recorded after taking into account the unrealized investment gain. In the current rising interest rate environment, the Company managed to balance risks and profits. During the period, the Group recorded an investment profit of HK\$9,381,000 an increase of 17% compared to the corresponding period last year. The management will maintain a prudent investing portfolio while keep an eye on the vigorous fluctuations in market prices caused by unforeseeable factors. Therefore, the Company will ensure that all investment is made at tolerable risk levels and the Company has sufficient funding for the operation of other businesses.

In view of the increasingly intense competition in recent years, the Group will use its best endeavours to enhance its competitiveness, control cost, and respond promptly to the market at appropriate times. The management will continue to step up efforts in this respect. Besides developing the fur garment, raw material and investment businesses, the management is proactively exploring ways to diversify the Group's businesses and looking for other long-term businesses that generate stable incomes for the Group. The management is also applying its abundant capital to establish a solid foundation for the development of the Group in the long run and to maximize the returns for the shareholders.

I would like to take this opportunity to express my sincere appreciation of the support from our customers, suppliers and shareholders. I would also thank my fellow directors for their valuable contribution and all the staff members of our Group for their hard and dedicated work.

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 2005, the Group has cash and cash equivalents of approximately HK\$50,722,000 (At 31st March 2005: HK\$69,255,000). As at 30th September 2005, the Group's bank and other borrowings amounting to HK\$75,851,000 and HK\$19,207,000 respectively (At 31st March 2005: bank borrowings of HK\$55,199,000 and other borrowings of HK\$6,195,000), and shareholders' funds amounted to HK\$277,451,000 (At 31st March 2005: HK\$266,315,000). Accordingly, the gearing ratio is 34% (At 31st March 2005: 23%).

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 trading businesses are mainly conducted in US Dollars and Renminbi. There is no significant fluctuation in the exchange rate in Hong Kong dollar and Renminbi. The Group believes that the risk of exposure to exchange rate is minimal.

Employees

As at 30th September 2005, the Group employed around 300 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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2005, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

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

Name of director	Notes	Capacity	Number of ordinary shares held		Percentage of the issued share capital*
			Personal interests	Corporate interests	
Mr. Ng Ngan Lung	1	Beneficial owner	Nil	360,000,000	59.13%
	2	Beneficial owner	Nil	50,580,000	8.31%
		Beneficial owner	7,500,000	Nil	1.23%
Mr. Chong Hong Sang		Beneficial owner	8,250,000	Nil	1.36%

Notes:

1. 360,000,000 ordinary shares are owned by Rising Global Asset Limited (formerly known as Fung Kong Worldwide Limited), a company incorporated in the British Virgin Islands. Its entire issued share capital is owned by Mr. Ng Ngan Lung.
 2. 50,580,000 ordinary 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.
- * The percentage has been calculated based on the total number of ordinary shares of the Company in issue as at 30th September 2005 (i.e. 608,796,000).

(b) Long positions in underlying shares - share options

Details of the interests of directors in share options of the Company are disclosed under the section "Share Option Scheme" in this report.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' interests and short positions in shares, underlying shares and debentures" above and "Share option scheme" below, at no time during the period 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 in 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

The Share Option Scheme (the "Scheme") adopted on 9th October 1997 was terminated at the annual general meeting of the Company held on 30th July 2004. A new share option scheme which complied with the amended Chapter 17 of the Listing Rules was adopted at the same annual general meeting held on 30th July 2004. No share option has been granted by the Company under the new share option scheme.

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

Directors	Number of share options outstanding at 1st April 2005	Exercised during the period	Number of share options outstanding at 30th September 2005	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. Chong Hong Sang	1,000,000	(1,000,000)	-	0.38	8/8/2001 – 31/12/2007
Employee	600,000	(600,000)	-	0.29	7/1/1998 – 31/12/2007
Employee	1,000,000	(1,000,000)	-	0.29	23/2/1998 – 31/12/2007
Total	<u>7,600,000</u>	<u>(7,600,000)</u>	<u>-</u>		

All share options were exercised by the Directors and employees to subscribe for shares 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

As at 30th September 2005, according to the register of interest in shares and short positions required to be kept by the Company under section 336 of the SFO, the Company has been notified that the following shareholder were interest in 5% or more of the share capital of the Company:

Name	Note	Number of shares held	Percentage of holding
Rising Global Asset Limited (formerly known as Fung Kong Worldwide Ltd.)	1	360,000,000	59.13%
Silver Sound Assets Ltd.	2	50,580,000	8.31%

Notes:

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

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 28th December 2005 to Friday, 30th December 2005 (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 G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23rd December 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules on the Stock Exchange throughout the accounting period covered by the interim report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

REMUNERATION COMMITTEE

A Remuneration Committee has been established by the Company in accordance with the requirements of the Code. The Remuneration Committee comprises Mr. Ng Ngan Lung, the Chairman of the Company, and three independent non-executive directors, Ms. Ho Man Kay, Mr. Chan Wing Yuen and Mr. Fan Sai Yee. Ms. Ho Man Kay is the chairman of the Remuneration Committee. The duties of the Committee are to make recommendations to the Board on the Group's policy and structure for the remuneration of directors and senior management, including granting of share options to employees under the Company's share option scheme.

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 2005.

On Behalf of the Board
Ng Ngan Lung
Chairman

Hong Kong, 12th December 2005

As at the date of this report, the executive directors are Mr. Ng Ngan Lung, Freddy, Mr. Chong Hong Sang, Kenneth, Mr. Mui Chi Hung, Clarence and the independent non-executive directors are Ms. Ho Man Kay, Angela, Mr. Chan Wing Yuen, Hubert and Mr. Fan Sai Yee.