



FIRST SIGN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

(For the six months ended 31st December, 2002)

INTERIM RESULTS

The Board of Directors of First Sign International 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 31st December, 2002 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31st December,	
		2002 (Unaudited)	2001 (Unaudited and restated)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2		
Continuing operations		5,727	92,630
Discontinuing operation		–	278
		<u>5,727</u>	<u>92,908</u>
Cost of sales		<u>4,962</u>	<u>92,401</u>
Gross profit		765	507
Other revenue		39,561	29,157
Selling expenses		(4,615)	(1,903)
Administration expenses		<u>(26,231)</u>	<u>(19,612)</u>
PROFIT FROM OPERATING ACTIVITIES			
Continuing operations		8,972	8,056
Discontinuing operation		<u>508</u>	<u>93</u>
		9,480	8,149
Share of losses of associates		<u>(124)</u>	<u>–</u>
PROFIT BEFORE TAXATION	3	9,356	8,149
Tax	4	<u>–</u>	<u>–</u>
PROFIT BEFORE MINORITY INTERESTS		9,356	8,149
Minority interests		<u>(17)</u>	<u>–</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>9,339</u>	<u>8,149</u>
Dividend		<u>–</u>	<u>–</u>
Earnings per share	5	<u>0.8 cents</u>	<u>0.7 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 31st December, 2002 (Unaudited) <i>HK\$'000</i>	At 30th June, 2002 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	6	37,461	41,861
Investments in securities		26,343	31,911
Interests in associates		167	225
Intangible asset (Discontinuing operation)		–	545
		63,971	74,542
CURRENT ASSETS			
Inventories		3,338	2,415
Trade debtors	7	1,006	366
Other debtors, prepayments and deposits		47,099	13,432
Tax recoverable		168	–
Investments in securities		547,636	550,266
Bank balances and cash		120,648	153,904
		719,895	720,383
CURRENT LIABILITIES			
Trade creditors	8	2,825	6,520
Other creditors, accrued charges and deposits received		2,125	17,478
Tax liabilities		17,614	17,654
		22,564	41,652
NET CURRENT ASSETS		697,331	678,731
MINORITY INTEREST		(17)	–
		761,285	753,273
CAPITAL AND RESERVES			
Share capital	9	122,068	122,890
Reserves		639,217	630,383
		761,285	753,273

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31st December 2002 (Unaudited)						
	Share	Share	Capital	Special	Capital	Accumulated	Total
	Capital	premium	redemption	reserve	reserve	profits	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances at 1st July, 2002	122,890	240,521	2,186	1,000	18	386,658	753,273
Repurchase of own shares	(822)	(505)	822	-	-	(822)	(1,327)
Net profit for the period	-	-	-	-	-	9,339	9,339
	<u>122,068</u>	<u>240,016</u>	<u>3,008</u>	<u>1,000</u>	<u>18</u>	<u>395,175</u>	<u>761,285</u>
Balances at 31st December, 2002	<u>122,068</u>	<u>240,016</u>	<u>3,008</u>	<u>1,000</u>	<u>18</u>	<u>395,175</u>	<u>761,285</u>
	Six months ended 31st December 2001 (Unaudited)						
	Share	Share	Capital	Special	Capital	Accumulated	Total
	Capital	premium	redemption	reserve	reserve	profits	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances at 1st July, 2001	124,914	242,903	162	1,000	18	381,268	750,265
Repurchase of own shares	(1,496)	(1,746)	1,496	-	-	(1,496)	(3,242)
Net profit for the period	-	-	-	-	-	8,149	8,149
	<u>123,418</u>	<u>241,157</u>	<u>1,658</u>	<u>1,000</u>	<u>18</u>	<u>387,921</u>	<u>755,172</u>
Balances at 31st December, 2001	<u>123,418</u>	<u>241,157</u>	<u>1,658</u>	<u>1,000</u>	<u>18</u>	<u>387,921</u>	<u>755,172</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31st December	
	2002	2001
	(Unaudited)	(Unaudited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		
Continuing operations	(49,799)	(26,816)
Discontinuing operation	(18,784)	519
	<u>(68,583)</u>	<u>(26,297)</u>
NET CASH INFLOW FROM INVESTING ACTIVITIES		
Continuing operations	36,580	4,037
Discontinuing operation	74	208
	<u>36,654</u>	<u>4,245</u>
NET CASH OUTFLOW FROM FINANCING		
Continuing operations	(1,327)	(3,241)
Discontinuing operation	–	–
	<u>(1,327)</u>	<u>(3,241)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(33,256)	(25,293)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>153,904</u>	<u>187,792</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>120,648</u>	<u>162,499</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>120,648</u>	<u>162,499</u>

Notes to the Condensed Consolidated Financial Statements

(1) Principal accounting policies and basis of presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 (Interim Financial Reporting) issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The interim consolidated financial statements for the period ended 31st December, 2002 are unaudited and have been reviewed by the Audit Committee of the Company.

The principal accounting policies and methods of computation used in the preparation of the interim consolidated financial statements are consistent with those adopted in the annual report for the year ended 30th June 2002 except the Group has adopted the following new and revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (Revised)	:	“Presentation of Financial Statements”
SSAP 11 (Revised)	:	“Foreign Currency Translation”
SSAP 15 (Revised)	:	“Cash Flow Statement”
SSAP 33	:	“Discontinuing Operations”
SSAP 34	:	“Employee Benefits”

Except for the adoption of SSAP 33 which resulted in the reclassification of certain figures in the condensed consolidated income statement and segmented information for the previous period, the adoption of these new and revised SSAPs has not resulted in any changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

(2) Segmental information

(a) Business segments

For management purposes, the Group is currently organised into four operating divisions - namely garment trading, proprietary trading in securities, securities broking and health products operation. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Garment trading	–	sourcing, manufacturing, processing, wholesaling, marketing and selling of garments.
Proprietary trading in securities	–	investments in listed and unlisted equity securities and future contracts and options
Health products operation	–	health products projects
Securities broking	–	discontinuing operation

Segment information about these businesses is presented below:

SIX MONTHS ENDED 31ST DECEMBER, 2002

	Garment Trading <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinuing) <i>HK\$'000</i>	Health Products Operation <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE						
External sales	5,727	-	-	-	-	5,727
Other revenue	4,320	411	970	-	(470)	5,231
	<u>10,047</u>	<u>411</u>	<u>970</u>	<u>-</u>	<u>(470)</u>	<u>10,958</u>
SEGMENT RESULTS	<u>(7,373)</u>	<u>110</u>	<u>508</u>	<u>-</u>	<u>(450)</u>	<u>(7,205)</u>
Income from investments						35,784
Unallocated corporate expenses						(19,099)
Profit from operating activities						9,480
Share of losses of associates						(124)
Profit before taxation						9,356
Taxation						-
Profit before minority interests						9,356
Minority interests						(17)
Net profit from ordinary activities attributable to shareholders						<u>9,339</u>

SIX MONTHS ENDED 31ST DECEMBER, 2001 (RESTATED)

	Garment Trading <i>HK\$'000</i>	Proprietary Trading in Securities <i>HK\$'000</i>	Securities Broking (discontinuing) <i>HK\$'000</i>	Health Products Operation <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE						
External sales	2,936	89,694	278	-	-	92,908
Inter-segment sale (purchase)	-	(223)	447	-	(224)	-
Other revenue	4,593	511	232	-	(317)	5,019
	<u>7,529</u>	<u>89,982</u>	<u>957</u>	<u>-</u>	<u>(541)</u>	<u>97,927</u>

Inter-segment sales are charged at prevailing market rates.

SEGMENT RESULTS	<u>31</u>	<u>(590)</u>	<u>93</u>	<u>-</u>	<u>-</u>	<u>(466)</u>
Income from investments						31,234
Unallocated corporate expenses						(22,619)
Profit before taxation						8,149
Taxation						-
Net profit from ordinary activities attributable to shareholders						<u>8,149</u>

(b) *Geographical segments*

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the good/services:

	Sales revenue by geographical market		Contribution to (loss) profit from operation	
	Six months ended		Six months ended	
	31st December		31st December	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	17	90,186	(16,479)	12,285
People's Republic of China	5,710	2,722	(8,289)	(4,136)
Unallocated	–	–	34,248	–
	<u>5,727</u>	<u>92,908</u>	<u>9,480</u>	<u>8,149</u>

On 21st October 2002, the Stock Exchange of Hong Kong Limited approved the Group's disposal of the Stock Exchange Trading Right to Stockmartnet Financial Services Limited. The consideration of approximately HK\$1,160,000 was received in February 2003.

(3) **Profit before taxation**

Profit before taxation is arrived at after charging/(crediting):

	Six months ended	
	31st December	
	2002	2001
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible asset	21	34
Depreciation and amortisation of property, plant and equipment	5,056	1,905
Loss on disposal of property, plant and equipment	–	1,158
Gain on disposal of other investments	(11,685)	(10,584)

(4) **Taxation**

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for the period.

(5) **Earnings per share**

The calculation of basic earnings per share for the six months ended 31st December, 2002 is based on the unaudited profit attributable to shareholders of HK\$9,339,000 (2001: HK\$8,149,000) and the weighted average number of 1,222,601,079 shares (2001: 1,242,106,679 shares) in issue during the period.

No diluted earnings per share is presented as there were no dilutive potential shares outstanding during the period.

(6) **Fixed assets**

During the period, the Group spent approximately HK\$836,000 on plant and equipment in the PRC and Hong Kong. As at 31st December, 2002, the Group did not have any capital commitments.

(7) **Trade debtors**

The Group allows an average credit period of 45 days to its trade customers.

The age analysis of trade debtors is as follows:

	At 31st December, 2002 (Unaudited) HK\$'000	At 30th June, 2002 (Audited) HK\$'000
0-30 days	909	227
31-60 days	49	111
Over 60 days	48	28
Total	<u>1,006</u>	<u>366</u>

(8) **Trade creditors**

The age analysis of trade creditors is as follows:

	At 31st December, 2002 (Unaudited) HK\$'000	At 30th June, 2002 (Audited) HK\$'000
0-30 days	182	135
31-60 days	46	2,767
Over 60 days	2,597	3,618
Total	<u>2,825</u>	<u>6,520</u>

(9) **Share Capital**

	Number of shares of HK\$0.10 each		Share capital	
	31.12.2002	30.6.2002	31.12.2002 HK\$'000	30.6.2002 HK\$'000
<i>Authorised</i>				
At beginning and end of period	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid</i>				
At beginning of period	1,228,896,400	1,249,144,400	122,890	124,914
Shares repurchased	<u>(8,218,000)</u>	<u>(20,248,000)</u>	<u>(822)</u>	<u>(2,024)</u>
At end of period	<u>1,220,678,400</u>	<u>1,228,896,400</u>	<u>122,068</u>	<u>122,890</u>

During the period, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Total Consideration (Note)
		Highest HK\$	Lowest HK\$	HK\$'000
July 2002	902,000	0.180	0.170	158
August 2002	1,414,000	0.180	0.170	244
September 2002	2,122,000	0.155	0.150	329
October 2002	2,216,000	0.155	0.145	345
November 2002	802,000	0.155	0.155	126
December 2002	762,000	0.169	0.155	125
	<u>8,218,000</u>			<u>1,327</u>

Note: The total consideration included the purchase price, brokerage, transaction levy, trading fee, contract stamp, stock withdrawal fee and CCASS charge.

The above shares were cancelled upon repurchase.

The directors believe that the repurchase are in the best interests of the Company and its shareholders and will lead to an enhancement of the net assets and the earnings per share of the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

(10) Contingent liabilities

At 31st December, 2002, the Company has given guarantee to banks in respect of general banking facilities granted to its subsidiaries amounting to HK\$43.4 million (30th June, 2002: HK\$20 million). At 31st December, 2002, no facilities was utilised by subsidiaries (30th June, 2002: Nil).

(11) Related party transactions

During the period, the Group did not enter into any transactions with related parties who are not members of the Group.

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the six months ended 31st December, 2002 (2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a profit of HK\$9,339,000 for the period under review, it represents a growth of 14.6% when compared with last year. The Group's turnover amounted to HK\$5,727,000 which was 93.8% lower than the previous period's figure.

Business Review and Prospects

In the period under review, the Group's turnover was wholly derived from garment trading. The activity reported marked improvement when compared with the corresponding previous season. With increasing brand awareness and value for money products, the Group is confident that its spring/summer 2003 collection will be well received by the consumers.

Proprietary trading in securities was suspended in the period under review due to uncertain market conditions, such activity accounted for approximately 96% of the turnover in the corresponding previous period.

The development of Chinese health and herbal products was progressing. The Group is setting up in Hong Kong its manufacturing facilities which would comply with the proposed Good Manufacturing Practices. Production is expected to commence in the second half year after the renovation of the factory is completed and the required machinery and equipment is installed. The Group is confident that the products would appeal to a broad range of consumers who are becoming more health conscious.

With a clear business focus and a sound financial position, the Board is confident of the future of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2002, the Group employed approximately 230 full time employees in Hong Kong and The People's Republic of China. The Group remunerates its employees based on their performance, experience and prevailing industry practice. Employee benefits provided by the Group include a provident fund scheme, medical scheme, discretionary performance-related bonus and a share option scheme.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity and financial resources remained sound. At 31st December, 2002, the Group had cash and bank balances of approximately HK\$120.6 million and other investments at a value of approximately HK\$574 million. Investments in securities comprised of equity securities of approximately HK\$6.4 million and debt securities of approximately HK\$567.6 million. All the debt securities held by the Group were of good investment grades. They were denominated in US dollars and with maturity dates from 2 to 30 years or perpetual callable.

The Group had imported-related and other banking facilities of approximately HK\$43.4 million provided by its principal bankers in Hong Kong.

DIRECTORS' INTERESTS

As at 31st December, 2002, the interest of the Directors in the shares of the Company as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Number of ordinary shares	
	Corporate Interest	Personal Interest
Mr. Lau Tung Hoi	815,360,000 ⁽¹⁾	–
Mr. Lung Tze Lam	815,360,000 ⁽²⁾	–
Mr. Tong Yat Chong	–	370,000

Notes:

- (1) These shares are held by Linwood Services Ltd. ("Linwood"), 32 shares of Linwood (representing two-third of the entire issued share capital of Linwood) are owned by Money Belt Worldwide Limited ("Money Belt"). Money Belt is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by HSBC International Trustee Limited as trustee of a discretionary trust, the discretionary objects of which include Mr. Lau Tung Hoi and his family members.
- (2) These shares are owned by Linwood, 8 shares of Linwood (representing one-sixth of the entire issued share capital of Linwood) are beneficially owned by Mr. Lung Tze Lam.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTIONS

The Company's share option scheme ("the Scheme") was adopted pursuant to a resolution passed on 30th October, 1995 for the primary purpose of providing incentives to directors and eligible employees and will expire on 30th October, 2005. Under the Scheme, the Board of Directors of the Company may at their discretion grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company from time to time. The maximum number of shares, which may be granted under the Scheme, shall not exceed 10% of the nominal amount of the share of the Company in issue at any point in time, excluding the shares issued pursuant to the Scheme.

The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 2.5% of shares of the Company in issue at any point in time. Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per each grant of the share option. Options may be exercised at any time from a period of 3 years commencing on the expiry of 1 year from the date of grant of the share option or the 10th anniversary of the Scheme, whichever the earlier.

The subscription price of the share option is determined by the Board of the Directors of the Company, and the amount will not be less than the higher of 80% of the average closing price of the Company's shares on the Stock Exchange for the five business days immediately preceding the date of grant or the nominal value of the shares.

No options under the Scheme were granted or exercised since the adoption of the Scheme and no options were outstanding as at 31st December 2002.

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2002, the register required to be kept by the Company pursuant to section 16(1) of the SDI Ordinance shows that, apart from the interests disclosed above in respect of Messrs. Lau Tung Hoi and Lung Tze Lam, the Company has not been notified of any persons who were directly or indirectly interested in 10% or more of the shares of the Company.

THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company was in compliance with the code of best practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited Interim Financial Statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Details of the repurchases of shares made by the Company on The Stock Exchange during the six months period ended 31st December, 2002 are set out in Note 9 on the unaudited interim financial results. Save as disclosed in the said Note 9, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of shares of the Company during the period.

On behalf of the Board
Lau Tung Hoi
Director

Hong Kong, 18th March, 2003