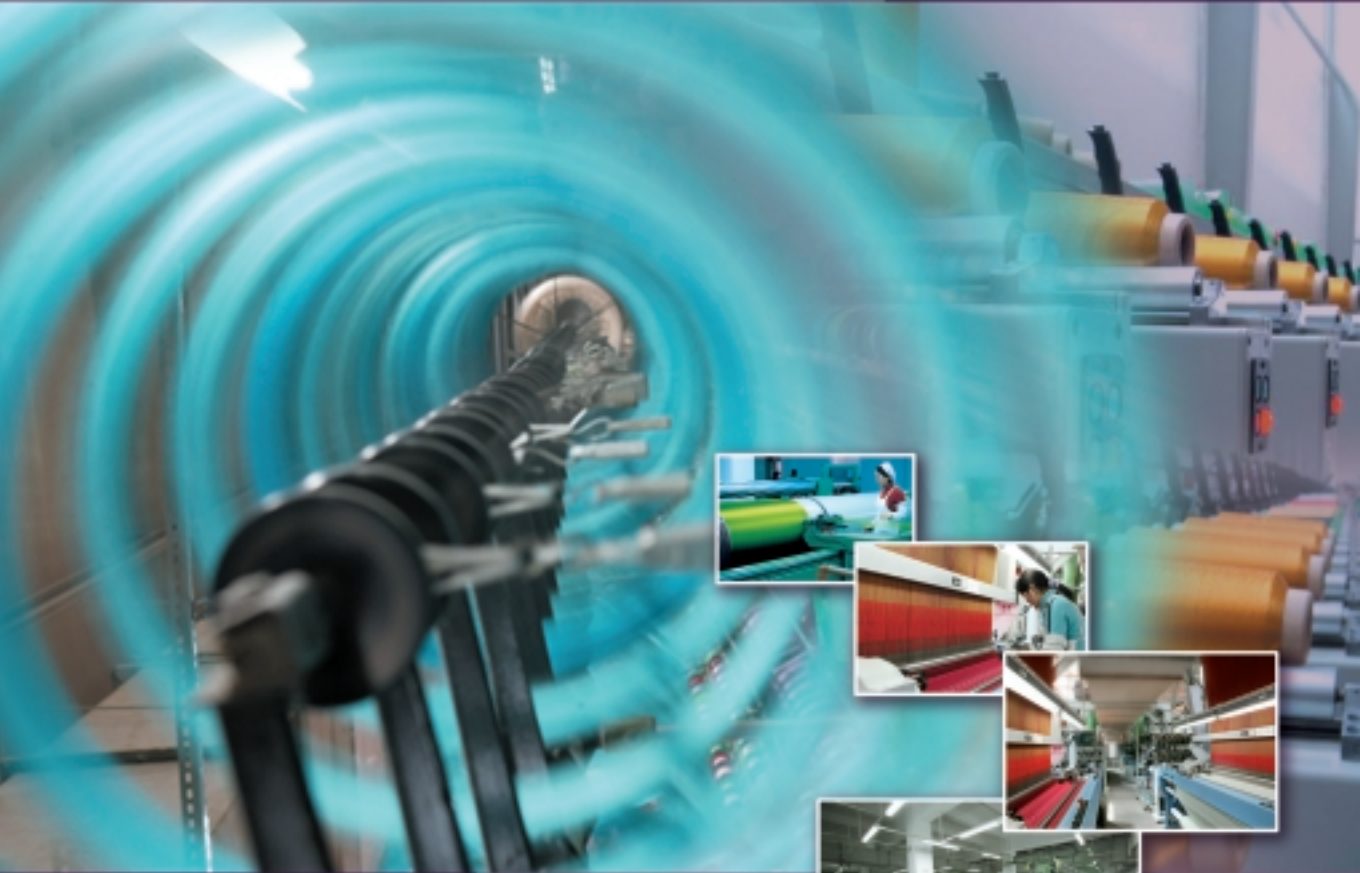




High Fashion International Limited
達利國際有限公司

Interim Report 2004



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Chairman's Statement

Results

Turnover for the first half year of 2004 was HK\$980 million, compared to HK\$985 million in 2003. Net profit for the first half of 2004 increased to HK\$32 million, from HK\$11 million in 2003. Our results reflect improvement in management of costs and the performance of our retail business.

The board of directors declared an interim dividend of HK 3 cents per share.

Private Label and Manufacturing Operations

We have started to reconfigure our resources to become more customer focused for the purpose of expanding our silk business as well as non-silk business. Our Xinchang weaving mill and Kaidi printing mill have successfully added new dimensions to their products and developed their businesses further.

Branded Label

We continued to introduce newer and trendier silk knit products and give closer attention to our key customer groups in USA. Our silk knitwear business showed encouraging improvement since my last report. Against a background of increasing competition, the improving US economy continues to offer exciting opportunities for our branded label business.

Retail Business

Theme delivered a net profit of HK\$0.4 million compared to a net loss of HK\$13.6 million in the first half of 2003. The results reflect underlying substantial improvement in key areas of merchandising, product design and cost management.

Theme has changed its Chinese company name to 榮暉國際集團有限公司. Theme has found its new identity in the highly competitive retail marketplace of Greater China. The management of Theme is committed to quickly re-emerge Theme as a respected brand name and deliver reasonable return to its shareholders.

Chairman's Statement

Prospects

It is clear that 2005 will be a year full of new and exciting opportunities for us to expand into non-silk businesses when the quota system restricting the global textile and clothing trade ends on 1 January 2005. Tremendous potentials do exist in the broad diversification of our businesses and markets as well as our wide customer base.

Appreciation

I want to thank our shareholders, customers, suppliers as well as our staff and management for their continuous support to us.

Lam Foo Wah

Chairman

Hong Kong, 14 September 2004

Management Discussion and Analysis

Results

Turnover for the six months ended 30 June 2004 amounted to HK\$980 million. Net profit attributable to shareholders for the six months ended 30 June 2004 was HK\$32 million, compared with a reported profit of HK\$11 million for the last corresponding period. Basic earnings per share was HK9.6 cents. Net asset value per share was HK\$1.88.

Review of Operations

The segmental information is as follows:–

	Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	Turnover		Contribution	
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
By principal activity:				
Manufacturing and trading	892,700	888,470	41,162	44,736
Retail	87,388	96,561	(588)	(17,822)
	<u>980,088</u>	<u>985,031</u>	<u>40,574</u>	<u>26,914</u>

The turnover and profit contribution of our core manufacturing and trading business remain stable. The retail performance improved remarkably, especially in profit margin. Operating loss on retail was substantially reduced from HK\$18 million to HK\$0.6 million.

Liquidity and Financial Resources

The Group's total outstanding bank borrowings were substantially reduced to HK\$231 million compared to HK\$367 million at 31 December 2003. Our gearing ratio of non-current liabilities to shareholders' funds was 1% at the balance sheet date. Current ratio was 1.3.

The Group's total cash and bank balances were HK\$181 million at the balance sheet date. Based on the comfortable cash position and the ample unutilised banking facilities available, the Group had a very strong working capital and liquidity to meet its operating needs.

Management Discussion and Analysis

The Group's receivables were mainly denominated in US dollars. Bank borrowings were denominated in US dollars, Hong Kong dollars and Renminbi. Since the Hong Kong dollar is pegged to the US dollar, the Group considers that its foreign exchange risk is minimal. The Group had no borrowings at fixed interest rates during the period.

The Group had no material contingent liabilities other than trade bills discounted in the ordinary course of business. Barring the pledge of trade receivables of certain subsidiaries of HK\$39 million and on land and building with net book value of HK\$2 million, there were no other charges on the Group's assets.

The decrease in deposit, prepayments and other receivables at the balance sheet date was mainly due to reduction in Chinese Value Added Tax receivables from HK\$125 million to HK\$38 million at the balance sheet date.

Human Resource

The total number of employees of the Group including jointly-controlled entities as at the balance sheet date was about 10,100. Other than the competitive remuneration package offered to the employees, share options may also be granted to selected employees based on the Group's performance. No share options were granted to employees during the period.

Capital Expenditure

The Group invested HK\$22 million in knitting and printing and dyeing machineries in Hangzhou, PRC in the first half of 2004. Save this, there was no material capital expenditure.

Condensed Consolidated Financial Statements

The Board of Directors of High Fashion International Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 together with the comparative figures set out as follows:-

Condensed Consolidated Profit and Loss Account

	<i>Notes</i>	Six months ended	
		30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
TURNOVER	2	980,088	985,031
Cost of sales		<u>(714,953)</u>	<u>(712,606)</u>
Gross profit		265,135	272,425
Other operating income		9,120	8,910
Selling and distribution expenses		(108,189)	(126,306)
Administrative expenses		<u>(125,492)</u>	<u>(128,115)</u>
PROFIT FROM OPERATIONS	2, 3	40,574	26,914
Finance costs	4	(10,790)	(14,068)
Share of results of jointly-controlled entities		<u>566</u>	<u>499</u>
PROFIT BEFORE TAXATION		30,350	13,345
Taxation	5	<u>1,219</u>	<u>(2,199)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>31,569</u>	<u>11,146</u>
INTERIM DIVIDEND		<u>9,881</u>	<u>3,257</u>
EARNINGS PER SHARE	6		
Basic		<u>9.63 cents</u>	<u>3.43 cents</u>
Diluted		<u>9.47 cents</u>	<u>3.39 cents</u>

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet

	<i>Notes</i>	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		373,620	370,229
Investment properties		34,500	34,500
Trademarks		5,015	5,361
Interests in jointly-controlled entities		12,234	9,632
Interests in associates		(605)	(608)
Long term investments		13,793	13,793
Deferred tax assets		1,769	1,769
		<hr/> 440,326	<hr/> 434,676
CURRENT ASSETS			
Cash and bank balances		180,826	182,581
Certificate of deposits		10,000	10,000
Bills receivable		6,652	9,953
Trade receivables	7	232,995	261,837
Inventories		285,261	271,515
Deposits, prepayments and other receivables		119,029	190,303
		<hr/> 834,763	<hr/> 926,189
CURRENT LIABILITIES			
Bank loans and overdrafts		230,806	343,782
Finance leases and hire purchase contracts payables		223	274
Bills payable		2,406	8,617
Trade payables and accrued purchases	8	233,582	219,749
Other payables and accruals		160,997	145,909
Tax payable		2,075	2,975
Amounts due to jointly-controlled entities		11,872	5,590
		<hr/> 641,961	<hr/> 726,896

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(Continued)*

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
NET CURRENT ASSETS	192,802	199,293
TOTAL ASSETS LESS CURRENT LIABILITIES	633,128	633,969
NON-CURRENT LIABILITIES		
Bank loans	–	23,400
Finance leases and hire purchase contracts payables	181	267
Provision for long service payments	2,679	3,153
Deferred tax liabilities	2,012	2,012
	4,872	28,832
MINORITY INTERESTS	9,000	9,000
	619,256	596,137
CAPITAL AND RESERVES		
Issued capital	32,935	32,740
Reserves	576,440	553,575
Proposed dividend	9,881	9,822
	619,256	596,137

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued share capital HK\$'000	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds HK\$'000	Capital reserve HK\$'000	Investment		Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000
						Capital redemption reserve HK\$'000	property revaluation reserve HK\$'000			
At 1 January 2004	32,740	293,354	859	6,266	6,061	4,703	3,359	238,973	9,822	596,137
Exchange realignments	-	-	420	-	-	-	-	-	-	420
Net profit for the period	-	-	-	-	-	-	-	31,569	-	31,569
Final dividend for 2003 declared and paid	-	-	-	-	-	-	-	(34)	(9,822)	(9,856)
Exercise of share options	195	791	-	-	-	-	-	-	-	986
Proposed interim dividend for 2004	-	-	-	-	-	-	-	(9,881)	9,881	-
At 30 June 2004	32,935	294,145	1,279	6,266	6,061	4,703	3,359	260,627	9,881	619,256
At 1 January 2003										
- as originally stated	32,438	292,131	666	5,940	6,061	4,703	213	215,506	3,249	560,907
- prior year adjustment (note)	-	-	-	-	-	-	-	3,608	-	3,608
- as restated	32,438	292,131	666	5,940	6,061	4,703	213	219,114	3,249	564,515
Exchange realignments	-	-	(1,304)	-	-	-	-	-	-	(1,304)
Net profit for the period	-	-	-	-	-	-	-	11,146	-	11,146
Final dividend for 2002 declared and paid	-	-	-	-	-	-	-	-	(3,249)	(3,249)
Exercise of share options	91	369	-	-	-	-	-	-	-	460
Transfer from retained profits	-	-	-	66	-	-	-	(66)	-	-
Proposed interim dividend for 2003	-	-	-	-	-	-	-	(3,257)	3,257	-
At 30 June 2003	32,529	292,500	(638)	6,006	6,061	4,703	213	226,937	3,257	571,568

Note: The adoption of the SSAP 12 (revised) "Income Taxes" represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Condensed Consolidated Financial Statements

Condensed Consolidated Cash Flow Statement

	Six months ended	
	30 June 2004 (Unaudited) <i>HK\$'000</i>	30 June 2003 (Unaudited) <i>HK\$'000</i>
Net cash inflow from operating activities	181,734	146,948
Net cash outflow from investing activities	(27,811)	(5,729)
Net cash outflow from financing activities	(155,846)	(83,234)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,923)	57,985
Cash and cash equivalents at beginning of period	179,635	136,040
Effect of foreign exchange rate changes, net	492	(1,177)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	178,204	192,848
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	180,826	169,997
Non-pledged time deposits with original maturity of less than three months when acquired	–	25,000
Bank overdrafts, unsecured	(2,622)	(2,149)
	<hr/>	<hr/>
	178,204	192,848
	<hr/>	<hr/>

Condensed Consolidated Financial Statements

Notes to Condensed Consolidated Financial Statements

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

2. Segment information

	Six months ended			
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	Turnover		Contribution	
HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
By principal activity:				
Manufacturing and trading	892,700	888,470	41,162	44,736
Retail	87,388	96,561	(588)	(17,822)
	<u>980,088</u>	<u>985,031</u>	<u>40,574</u>	<u>26,914</u>
By geographical area:				
United States of America	672,807	767,976	34,754	40,763
Europe	112,433	60,045	(2,882)	(5,941)
Greater China	184,686	151,398	7,786	(8,610)
Others	10,162	5,612	916	702
	<u>980,088</u>	<u>985,031</u>	<u>40,574</u>	<u>26,914</u>

3. Profit from operations

The Group's profit from operations is arrived at after charging:

	Six months ended	
	30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Depreciation of fixed assets	22,901	18,934
Amortisation of trademarks	<u>346</u>	<u>346</u>

Condensed Consolidated Financial Statements

4. Finance costs

	Six months ended	
	30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	6,339	8,482
Interest on finance leases and hire purchase contracts	22	42
Factoring expenses	1,562	2,047
Bank charges	2,867	3,497
	<u>10,790</u>	<u>14,068</u>

5. Taxation

	Six months ended	
	30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Group:		
Current Tax – Elsewhere	(2,150)	(2,192)
Overprovision in prior periods – Hong Kong	3,441	–
	<u>1,291</u>	<u>(2,192)</u>
Share of tax attributable to jointly-controlled entities	(72)	(7)
Tax credit/(charge) for the period	<u>1,219</u>	<u>(2,199)</u>

No Hong Kong Profits Tax has been provided for in the current and prior periods as the Group has no assessable profit arising in Hong Kong for both periods. Taxes on profits arising elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$31,569,000 (Six months ended 30 June 2003: HK\$11,146,000) and the weighted average of 327,912,044 (Six months ended 30 June 2003: 324,940,003) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the period of HK\$31,569,000 (Six months ended 30 June 2003: HK\$11,146,000). The weighted average number of ordinary shares used in the calculation is 327,912,044 (Six months ended 30 June 2003: 324,940,003) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 5,563,505 (Six months ended 30 June 2003: 4,116,945) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

Condensed Consolidated Financial Statements

7. Trade receivables

An aged analysis of the trade receivables as at the reporting date is as follows:

	30 June 2004 (Unaudited) <i>HK\$'000</i>	31 December 2003 (Audited) <i>HK\$'000</i>
Current to 90 days	217,387	252,006
91 to 180 days	4,843	7,790
181 to 360 days	9,843	1,922
Over 360 days	922	119
	<hr/>	<hr/>
	232,995	261,837

The Group allows an average credit period of 30 to 90 days to its trade debtors.

8. Trade payables and accrued purchases

An aged analysis of the trade payables and accrued purchases as at the reporting date is as follows:

	30 June 2004 (Unaudited) <i>HK\$'000</i>	31 December 2003 (Audited) <i>HK\$'000</i>
Trade payables:		
Current to 90 days	194,415	108,960
91 to 180 days	11,672	7,406
181 to 360 days	9,831	13,280
Over 360 days	5,281	13,477
	<hr/>	<hr/>
	221,199	143,123
Accrued purchases	12,383	76,626
	<hr/>	<hr/>
	233,582	219,749

Condensed Consolidated Financial Statements

9. Related party transactions

The Group had the following material transactions with related parties during the period:

	Notes	Six months ended	
		30 June 2004 (Unaudited) HK\$'000	30 June 2003 (Unaudited) HK\$'000
Purchases of finished goods			
from jointly-controlled entities	(i)	27,856	11,268
Professional fees paid to Wilkinson & Grist	(ii)	42	60

Notes:

- (i) The purchases of finished goods were made according to the published prices and conditions offered to the major customers of the supplier, except that a longer credit period was usually granted.
- (ii) The professional fees related to the provision of legal advisory services and were charged according to the fee rates and conditions similar to those offered to other customers of Wilkinson & Grist. Mr. Chan Wah Tip, Michael, a director of the Company, is a partner of Wilkinson & Grist.

10. Contingent liabilities

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Bank guarantees given in lieu of utility, property rental and other service deposits	1,121	1,121
Bills discounted with recourse	7,796	12,043
Trade receivables factored with recourse	32	23
	<u>8,949</u>	<u>13,187</u>

Other Information

Dividend

The Board of Directors declared an interim dividend of HK3 cents (Six months ended 30 June 2003: interim dividend of HK1 cent) per share on the shares in issue aggregating a total of HK\$9,881,000 (Six months ended 30 June 2003: HK\$3,257,000), which will be payable on or about 18 October 2004 to shareholders whose names appear on the Register of Members on 8 October 2004.

Closure of Register of Members

The Register of Members will be closed from 5 October 2004 (Tuesday) to 8 October 2004 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's sub-registrar and transfer agent in Hong Kong, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on 4 October 2004 (Monday).

Corporate Governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months period to 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2004 have not been reviewed by external auditors but the audit committee of the Company.

For the six months period to 30 June 2004, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the six months ended 30 June 2004, and they all confirmed that they have fully complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the six months ended 30 June 2004, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

Other Information

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2004.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2004, the interests and short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) and have been recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which have been notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules, were as follows:

(i) Long Positions in the Company's Shares and Underlying Shares

Name of director	Notes	Number of ordinary shares held and nature of interests			Underlying shares (Note 4)	Total	Percentage of the Company's issued share capital
		Personal	Family	Other			
Lam Foo Wah	1,2	-	-	128,289,986	3,800,000	132,089,986	40.11%
Ip Weng Kun	3	-	-	5,627,848	1,500,000	7,127,848	2.16%
So Siu Hang, Patricia		2,104,309	-	-	720,000	2,824,309	0.86%
Hui Yip Wing		-	2,652,007	-	-	2,652,007	0.81%
Wong Shing Loong, Raymond		2,600,000	-	-	1,000,000	3,600,000	1.09%

Other Information

(ii) Long position in shares of associated corporation

Name of director	Note	Name of associated corporation	Relationship with the Company	Number of ordinary shares held	Capacity and nature of interest	Percentage of the associated corporation's issued capital
Lam Foo Wah	5	High Fashion Knitters Limited	Subsidiary	5,339,431	Through controlled corporations	35.60%

Notes:

1. Mr. Lam Foo Wah is deemed to have an interest in 93,372,419 ordinary shares which are beneficially owned by Hinton Company Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
2. Mr. Lam Foo Wah is deemed to have an interest in 34,917,567 ordinary shares which are beneficially owned by High Fashion Charitable Foundation Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Lam is regarded as a founder of the trust.
3. Mr. Ip Weng Kun is deemed to have an interest in 5,627,848 ordinary shares which are beneficially owned by Major Rank Holdings Limited, the entire issued share capital of which is held under a related discretionary trust. Mr. Ip is regarded as a founder of the trust.
4. Details of the interests of directors and chief executives of the Company in the underlying shares of equity derivatives in respect of options granted to them are stated in the "Share Options" section below.
5. These shares are held through three companies beneficially owned by Mr. Lam Foo Wah.

Other Information

Save as disclosed above, as at 30 June 2004, none of the directors, chief executives of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the above mentioned Model Code of the Listing Rules. Furthermore, save as disclosed in the "Share Options" section below, at no time during the six months ended 30 June 2004 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share Options

For the six months ended 30 June 2004, details of outstanding share options granted to directors or certain employees on 5 May 1999 under the old share options scheme adopted by the Company on 18 March 1994 (the "Old Scheme") are disclosed below:-

Name of director and employee	Number of Share Options			At 30 June 2004	Exercise price HK\$	Weighted average closing price (Note (i)) HK\$
	At 1 January 2004	Exercised during the period	Cancelled during the period			
Lam Foo Wah	3,800,000	-	-	3,800,000	0.505	-
Ip Weng Kun	1,500,000	-	-	1,500,000	0.505	-
So Siu Hang, Patricia	720,000	-	-	720,000	0.505	-
Wong Shing Loong, Raymond	1,000,000	-	-	1,000,000	0.505	-
Aggregate for directors	7,020,000	-	-	7,020,000		
Aggregate for other employees	2,730,000	1,950,000	360,000	420,000	0.505	1.162
	<u>9,750,000</u>	<u>1,950,000</u>	<u>360,000</u>	<u>7,440,000</u>		

Other Information

Notes:

- (i) The weighted average closing price is the price of the Company's shares disclosed as at the date of exercise of share options over the exercise of all options within the disclosure line.
- (ii) Under the Old Scheme, 40% of the options granted are exercisable during the period from 5 May 2002 to 4 May 2009, a further 30% of the options granted are exercisable during the period from 5 May 2003 to 4 May 2009 and the remaining 30% of the options granted are exercisable during the period from 5 May 2004 to 4 May 2009.
- (iii) On 26 March 2002, the Old Scheme was terminated and a new scheme (the "New Scheme") was adopted by the shareholders of the Company, but without prejudice to any share options previously granted prior to such termination. After the adoption of the New Scheme, no further options can be granted under the Old Scheme. Up to 30 June 2004, no share options were granted under the New Scheme.

Save as disclosed above, no options were granted, exercised, cancelled or lapsed under the Company's share option schemes during the period.

Apart from the Company's share option schemes, during the six months ended 30 June 2004, no rights were granted to the directors, chief executives of the Company, or any of their spouses or children under 18 years of age to subscribe for equity or debt securities of the Company.

Substantial Shareholders

As at 30 June 2004, the interests of the following substantial shareholders, other than directors and chief executives of the Company, in the shares or underlying shares of the Company which have been disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register kept by the Company pursuant to Section 336 of SFO:-

Long Positions in the Company's Ordinary Shares:

Name	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Hinton Company Limited	Beneficially owned	93,372,419	28.35%
High Fashion Charitable Foundation Limited	Beneficially owned	34,917,567	10.60%
Excel Investments Ltd.	Beneficially owned	27,150,000	8.24%

Other Information

Save as disclosed above, as at 30 June 2004, no person, other than the directors and chief executives of the Company, whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or short position in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Members of the Board

As at the date of this interim report, the Board of the Company comprises of (1) executive directors: Mr. Lam Foo Wah, Mr. Ip Weng Kun, Mr. Hui Yip Wing, David, Mr. Wong Shing Loong, Raymond and Ms. So Siu Hang, Patricia; (2) non-executive director: Mr. Chan Wah Tip, Michael; and (3) independent non-executive directors: Mr. Woo King Wai, David and Mr. Wong Shiu Hoi, Peter.