

FIRST SIGN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM 2004
REPORT

(For the six months ended 31st December, 2004)

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, 2004 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31st December,	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Notes		
Turnover	2	2,806	3,711
Cost of sales		<u>(2,048)</u>	<u>(2,902)</u>
Gross profit		758	809
Other operating income	3	12,823	18,101
Gain on disposal of an investment property		–	2,854
Gain on disposal of other investments		8,720	6,665
Net unrealised gain (loss) on revaluation of other investments		11,873	(3,307)
Unrealised gain on foreign exchange		6,489	1,774
Selling expenses		(3,009)	(3,005)
Administrative expenses		<u>(10,918)</u>	<u>(15,220)</u>
Profit from operations	4	26,736	8,671
Share of losses of associates		<u>(1,096)</u>	<u>(4,482)</u>
Profit before taxation		25,640	4,189
Taxation	5	<u>–</u>	<u>–</u>
Net profit for the period		<u>25,640</u>	<u>4,189</u>
Dividend	6	<u>–</u>	<u>–</u>
Earnings per share	7	<u>2.1 cents</u>	<u>0.3 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		At 31st December, 2004 (Unaudited) <i>HK\$'000</i>	At 30th June, 2004 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		6,096	7,531
Investment properties		4,410	4,410
Investments in securities		20,087	20,099
Interests in associates		16,560	17,656
		47,153	49,696
CURRENT ASSETS			
Inventories		7,345	3,101
Trade debtors	8	147	278
Other debtors, prepayments and deposits		19,548	9,446
Investments in securities		383,169	307,247
Bank balances and cash		199,217	453,610
		609,426	773,682
CURRENT LIABILITIES			
Trade creditors	9	89	43
Other creditors, accrued charges and deposits received		3,820	1,731
Tax liabilities		17,614	17,614
		21,523	19,388
NET CURRENT ASSETS		587,903	754,294
		635,056	803,990
CAPITAL AND RESERVES			
Share capital	10	121,609	121,609
Reserves	11	513,447	682,381
		635,056	803,990
		635,056	803,990

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31st December,	
	2004	2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Total equity as at 1st July	803,990	818,713
Repurchase of own shares	–	(2)
Net profit for the period	25,640	4,189
Prior year final dividend paid	(194,574)	(18,259)
	<hr/>	<hr/>
Total equity as at 31st December	<u>635,056</u>	<u>804,641</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH USED IN OPERATING ACTIVITIES	(73,544)	(124,073)
NET CASH INFLOW FROM INVESTING ACTIVITIES	13,725	37,935
NET CASH USED IN FINANCING ACTIVITIES	(194,574)	(18,260)
DECREASE IN CASH AND CASH EQUIVALENTS	(254,393)	(104,398)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>453,610</u>	<u>487,168</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>199,217</u>	<u>382,770</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>199,217</u>	<u>382,770</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 Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The interim consolidated financial statements for the period ended 31st December, 2004 are unaudited but 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, 2004.

(2) Segmental information

(a) Business segments

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

Principal activities are as follows:

- | | | |
|-----------------------------------|---|---|
| Garment operation | – | 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 development | – | production and trading of health food products |

Segment information about these businesses is presented below:

SIX MONTHS ENDED 31ST DECEMBER, 2004

	Garment Operation (Unaudited) <i>HK\$'000</i>	Proprietary Trading in Securities (Unaudited) <i>HK\$'000</i>	Health Products Development (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
TURNOVER				
External sales	2,806	–	–	2,806
RESULTS				
	(6,057)	400	–	(5,657)
Income from investments				12,030
Gain on disposal of other investments				8,720
Net unrealised gain on revaluation of other investments				11,873
Unrealised gain on foreign exchange				6,489
Unallocated corporate expenses				(6,719)
Profit from operations				26,736
Share of losses of associates			(1,096)	(1,096)
Profit before taxation				25,640
Taxation				–
Net profit for the period				25,640

SIX MONTHS ENDED 31ST DECEMBER, 2003

	Garment Operation (Unaudited) <i>HK\$'000</i>	Proprietary Trading in Securities (Unaudited) <i>HK\$'000</i>	Health Products Development (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
TURNOVER				
External sales	3,711	–	–	3,711
RESULTS				
	(7,526)	455	–	(7,071)
Other operating income				396
Income from investments				17,107
Gain on disposal of an investment property				2,854
Gain on disposal of other investments				6,665
Net unrealised loss on revaluation of other investments				(3,307)
Unrealised gain on foreign exchange				1,774
Unallocated corporate expenses				(9,747)
Profit from operations				8,671
Share of losses of associates			(4,482)	(4,482)
Profit before taxation				4,189
Taxation				–
Net profit for the period				4,189

(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 goods/services:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	Six months ended 31st December,		Six months ended 31st December,	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	67	140	(1,366)	2,441
The PRC	2,739	3,571	(4,291)	(6,405)
Europe – Luxemburg	–	–	31,978	10,129
Others	–	–	415	2,506
	<u>2,806</u>	<u>3,711</u>	<u>26,736</u>	<u>8,671</u>

(3) **Other operating income**

	Six months ended 31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on:		
– bank deposits	2,253	1,308
– Investments in securities	10,144	16,331
Rental income from investment properties, net of insignificant outgoings	350	385
Sundry income	76	77
	<u>12,823</u>	<u>18,101</u>

(4) **Profit from operations**

Profit from operations arrived at after charging /(crediting):

	Six months ended 31st December,	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation and amortisation of property, plant and equipment	2,108	2,627
(Gain) loss on disposal of property, plant and equipment	<u>(35)</u>	<u>79</u>

(5) **Taxation**

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong incurred tax losses for both period.

No provision for taxation in other jurisdiction has been made in the financial statements as profits generated by those subsidiaries are not taxable.

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams.

(6) Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31st December, 2004 (31st December, 2003: Nil).

(7) Earnings per share

The calculation of basic earnings per share for the six months ended 31st December, 2004 is based on the unaudited net profit for the period of HK\$25,640,000 (31st December, 2003: HK\$4,189,000) and the weighted average number of 1,216,090,400 shares (31st December, 2003: 1,217,240,400 shares) in issue during the period.

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

(8) 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, 2004 (Unaudited) HK\$'000	At 30th June, 2004 (Audited) HK\$'000
0-30 days	–	184
31-60 days	–	94
Over 60 days	147	–
	<u>147</u>	<u>–</u>
Total	<u><u>147</u></u>	<u><u>278</u></u>

(9) Trade creditors

The age analysis of trade creditors is as follows:

	At 31st December, 2004 (Unaudited) HK\$'000	At 30th June, 2004 (Audited) HK\$'000
0-30 days	28	–
31-60 days	18	–
Over 60 days	43	43
	<u>43</u>	<u>43</u>
Total	<u><u>89</u></u>	<u><u>43</u></u>

(10) Share capital

	Number of shares		Share capital	
	At 31st December, 2004 (Unaudited)	At 30th June, 2004 (Audited)	At 31st December, 2004 (Unaudited) HK\$'000	At 30th June, 2004 (Audited) HK\$'000
Ordinary shares of HK\$0.10 each				
<i>Authorised</i>				
At beginning and end of period	2,000,000,000	2,000,000,000	200,000	200,000
<i>Issued and fully paid</i>				
At beginning of period	1,216,090,400	1,217,240,400	121,609	121,724
Shares repurchased	–	(1,150,000)	–	(115)
At end of period	1,216,090,400	1,216,090,400	121,609	121,609

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

(11) Reserves*Six months ended 31st December, 2004*

	Share premium reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Dividend reserve (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balances at 1st July, 2004	239,544	3,467	1,000	18	(115)	997	194,574	242,896	682,381
Net profit for the period	–	–	–	–	–	–	–	25,640	25,640
Prior year final dividend paid	–	–	–	–	–	–	(194,574)	–	(194,574)
Balances at 31st December, 2004	239,544	3,467	1,000	18	(115)	997	–	268,536	513,447

Six months ended 31st December 2003

	Share premium reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Special reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Translation reserve (Unaudited) HK\$'000	Dividend reserve (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Balances at 1st July, 2003	239,778	3,352	1,000	18	(115)	18,259	434,697	696,989
Repurchase of own shares	(2)	–	–	–	–	–	–	(2)
Net profit for the period	–	–	–	–	–	–	4,189	4,189
Prior year final dividend paid	–	–	–	–	–	(18,259)	–	(18,259)
Balances at 31st December, 2003	239,776	3,352	1,000	18	(115)	–	438,886	682,917

(12) Contingent liabilities

As at 31st December, 2003, the Company has given guarantee to banks in respect of general banking facilities granted to its subsidiaries amounting to HK\$23.4 million. No facilities was utilised by the subsidiaries as at 31st December, 2003.

As at 31st December, 2004, neither the Group nor the Company has significant contingent liabilities.

(13) Related party transactions

During the period, the Group paid rental for a Director's accommodation to a landlord in which Mr. Lau Tung Hoi has a beneficial interest. The rental for the period under review amounted to HK\$360,000 (31st December, 2003: HK\$360,000).

The rental was determined with reference to the prevailing market rent when the relevant rental agreement was entered into.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group generated a net profit of HK\$25,640,000 for the period under review, it represented an increase of 5.12 times as compared with that of last year. The profit was arrived at after taking into account of a net unrealised gain on revaluation of other investments of HK\$11,873,000 and unrealized gain on foreign exchange of HK\$6,489,000 in order to comply with Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants. Netting off these unrealised gain in the amount of HK\$18,362,000, the realised profit for the period was HK\$7,278,000.

Business Review and Prospects

Retail business

As reported in our last interim report, the Group has scaled down its own retail operation and concentrated its effort in developing the wholesale business. During this transitional period, the total turnover for the period under review has been decreased by HK\$905,000, representing a decrease of 24.4% as compared with that of last year.

Due to the growing market recognition of the "IXESSE" brand, the Group will implement its localization strategy by providing an attractive consignment package to local department stores. This will be a more effective model to capture the retail sales opportunities with reasonable selling expenses and management resources.

Wholesale business

The Group will continue devoting its effort in expanding the wholesale network by organizing sales meetings in various major cities in the PRC, including Guangzhou, Beijing, Fuzhou, Chongqing, Nanjing, Harbin and Shanxi etc. With the opening of a new flagship store in Beijing, the brand name of "IXESSE" becomes recognized by not only the consumers but also wholesalers. As such, we have received vigorous and favourable feedback and orders from wholesalers in our sales meetings. Since spring and summer are the major wholesale seasons, the Group believes that the improvement on sales performance will be reflected in the next half year.

Focusing on strengthening the brand image, enrichment of product collection and supported by wide-spread sales network, the Board are confident that the sales result for the coming season will be positive and optimistic.

Investment

The Group has maintained its investment portfolio balanced in risks and tenors. At the end of the period under review, the Group reflected a net unrealised gain on other investments of HK\$11,873,000.00. In view of the weak trend of US dollars, the Group also balanced its assets in other stable currencies. As a result, the Group has recorded an unrealised gain on foreign exchange of HK\$6,489,000.00 at the end of the period under review.

Health products

A full series of health products, including WinUBoost, Flu Proof, Bloodves Rejuvenator and Engerize Supreme have been launched into the market. Since the effectiveness of the products has been recognized by the general public, the associated company received great support by consumers in the Grand Product Expo and achieved satisfactory sales result. Certain clinical trial projects on the product function in relation to liver and gall by universities in Hong Kong were in progress. Upon the publication of the proven effect, the Board believes that the sales growth will be progressively surged.

Conclusion

Given that the Group is in strong financial position and in combination of stable business development, the Group is optimistic that there will be satisfactory achievement in the coming years.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2004, the Group had approximately 192 full time employees in Hong Kong and the PRC. The Group remunerates its employees by reference to their performance, experience and prevailing industry practice. Employee benefits provided by the Group include provident fund scheme, medical scheme, discretionary performance-related bonus and share option scheme.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's principal source of funds for the period ended 31st December, 2004 is derived from investment income, total net income so generated amounted to HK\$33 million.

As at 31st December, 2004, the Group had bank balances and cash of approximately HK\$199,217,000 and investments in securities of approximately HK\$403,256,000, majority of which were debt securities. They were denominated in US dollars and EURO, with maturity period from 2 to 30 years or perpetually callable.

In view of the operation of the Group, the exposure to fluctuation in exchange rates was limited and no hedging activity was considered necessary.

As at 31st December, 2004, the Group did not have any assets charged and did not have any significant contingent liabilities.

USE OF PROCEEDS FROM NEW ISSUE

An analysis of the use of proceeds up to 31st December, 2004 is as follows:

	Up to 30th June, 2004 <i>HK\$'000</i>	Amount incurred in period under review <i>HK\$'000</i>	Accumulated spending <i>HK\$'000</i>
(a) Promote its own brand "IXESSE" in Hong Kong and PRC	5,752	1,248	7,000
(b) Acquire plant and machinery in Hong Kong and PRC	20,202	702	20,904
(c) Develop herbal and health products	7,148	1,096	8,244
Total	<u>33,102</u>	<u>3,046</u>	<u>36,148</u>

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st December, 2004, the interests of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO") as recorded in the register maintained 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 ("Model Code"), were as follows:

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lau Tung Hoi	Held by trust (<i>Note</i>)	867,010,000	71.29%
Ho Yau Ming	Beneficial owner	500,000	0.04%
Yan Miu King	Beneficial owner	370,000	0.03%

Note:

These shares are held by Linwood Services Ltd. ("Linwood"), 48 shares of Linwood (representing 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.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2004, which were 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.

SHARE OPTION SCHEME

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 30th October, 1995, the Company approved a share option scheme (the "Old Scheme") under which the Board may, at its discretion, invite any eligible employees of the Group to take up share options to subscribe for shares of the Company at any time during the ten years from the date of approval of the Old Scheme.

In compliance with the amended Chapter 17 of the Listing Rules, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to an ordinary resolution passed at the annual general meeting of the Company on 20th October, 2004. No option had been granted under the Old Scheme.

Under the New Scheme, all Directors and employees of the Group and consultants, advisors, agents, customers, service providers, contractors, business partners of any members of the Group or any company or other entity in which the Group or any member thereof has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member thereof are eligible to participate in the New Scheme.

No option was granted under the New Scheme during the period ended 31st December, 2004.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, apart from the interests disclosed above in respect of certain Directors, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO.

COMPLIANCE WITH CODE OF BEST PRACTICE AND MODEL CODE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except the non-executive director and independent non-executive directors are not appointed for specific terms as required by paragraph A.4.1 of the Code, but subject to retirement by rotation and re-election at the general meeting in accordance with Bye-laws of the Company.

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the period under review and they all confirmed that they have fully complied with the standard set out in the Model Code.

NON-COMPLIANCE WITH RULE 3.10(1) OF THE LISTING RULES

Rule 3.10(1) of the Listing Rules requires every board of directors of a listed issuer must include at least three independent non-executive directors and each of the independent non-executive director must meet the independence guidelines set out in rule 3.13 of the Listing Rules.

On 7th October, 2004, Mr. Wu Wing Kit, one of the independent non-executive Directors, has been re-designated as a non-executive Director by reason that he was no longer considered as independent under the Listing Rules.

Following the re-designation of Mr. Wu as a non-executive Director, the Company was temporarily unable to strictly comply with rule 3.10(1) of the Listing Rules which requires the Company to retain at all times a minimum of three independent non-executive Directors.

The Company has appointed Mr. Ho Yau Ming to fill in the position of the third independent non-executive Director at the last annual general meeting of the Company held on 20th October, 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with management the auditing, internal control and financial reporting matters including the review of the Interim Financial Statements which have not been audited. The Audit Committee comprises Mr. Wu Wing Kit, the non-executive Director of the Company and Messrs. Lai Kwok Wing, Albert, M.B.E., Man Mo Leung and Ho Yau Ming, the three independent non-executive Directors of the Company.

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

During the six months ended 31st December, 2004, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Lau Tung Hoi
Director

Hong Kong, 18th March, 2005