FIRST SIGN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 933)

INTERIM REPORT

2005

(For the six months ended 31st December, 2005)

INTERIM RESULTS

The Board of Directors of First Sign International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31st December, 2005 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31st December,	
		2005	**2004**
		(Unaudited)	**(Unaudited and restated)**
	Notes	*HK$'000*	*HK$'000*
Turnover	*3*	1,578	2,806
Cost of sales		(793)	(2,048)
Gross profit		785	758
Other operating income	*4*	18,760	12,823
Unrealised gain on change in fair value on investment properties		690	–
Net realised gain on financial assets measured at fair value through profit or loss		1,354	8,720
Net unrealised (loss)/gain on financial assets measured at fair value through profit or loss		(5,962)	11,873
Unrealised (loss)/gain on foreign exchange		(3,890)	6,489
Selling expenses		(1,946)	(3,009)
Administrative expenses		(10,912)	(10,918)
Share of losses of associates		–	(1,096)
(Loss)/profit before taxation		(1,121)	25,640
Taxation	*5*	(121)	–
(Loss)/profit for the period	*6*	(1,242)	25,640
Dividend	*7*	–	–
Basic (loss)/earnings per share	*8*	(0.1) cent	2.1 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 31st December, 2005 (Unaudited) *HK$'000*	At 30th June, 2005 (Audited and restated) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	2,540	4,411
Investment properties	*9*	7,740	7,050
Convertible note receivable	*10*	20,000	20,000
Available-for-sale investments	*11*	2,270	–
Investments in securities	*11*	–	170
Interests in associates	*12*	–	–
		32,550	31,631
CURRENT ASSETS			
Inventories		9,010	5,435
Trade receivables	*13*	2	220
Other receivables, prepayments and deposits		4,981	5,390
Financial assets measured at fair value through profit or loss		277,249	–
Investments in securities		–	299,904
Bank balances and cash		301,037	295,159
		592,279	606,108
CURRENT LIABILITIES			
Trade payables	*14*	65	57
Other payables, accrued charges and deposits received		5,259	1,726
Tax payables		17,614	17,614
		22,938	19,397
NET CURRENT ASSETS		569,341	586,711
NET ASSETS		601,891	618,342
CAPITAL AND RESERVES			
Share capital	*15*	121,609	121,609
Reserves		479,524	496,096
		601,133	617,705
NON-CURRENT LIABILITY			
Deferred tax liabilities	*16*	758	637
		601,891	618,342

CONDENSED STATEMENT OF CHANGES IN EQUITY

Six months ended 31st December, 2005

	Attributable to equity holders of the parent										
	Share Capital	Share premium	Capital redemption reserve	Special reserve	Capital reserve	Translation reserve	Investment property revaluation reserve	Investment revaluation reserve	Dividend reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st July, 2005, as originally stated	121,609	239,544	3,467	1,000	18	(115)	3,637	–	18,241	230,941	618,342
Effect of changes in accounting policies *(note 2)*	–	–	–	–	(18)	–	(3,637)	–	–	3,018	(637)
As restated	121,609	239,544	3,467	1,000	–	(115)	–	–	18,241	233,959	617,705
Exchange differences arising on translation of foreign operations	–	–	–	–	–	811	–	–	–	–	811
Unrealised gain on change in fair value of available-for-sale investments	–	–	–	–	–	–	–	2,100	–	–	2,100
Loss for the period	–	–	–	–	–	–	–	–	–	(1,242)	(1,242)
Prior year final dividend paid	–	–	–	–	–	–	–	–	(18,241)	–	(18,241)
At 31st December, 2005	121,609	239,544	3,467	1,000	–	696	–	2,100	–	232,717	601,133

Six months ended 31st December, 2004

	Attributable to equity holders of the parent										
	Share Capital	Share premium	Capital redemption reserve	Special reserve	Capital reserve	Translation reserve	Investment property revaluation reserve	Investment revaluation reserve	Dividend reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st July, 2004	121,724	239,544	3,467	1,000	18	(115)	997	–	194,574	242,896	804,105
Effect of changes in accounting policies: Repurchase of own shares	(115)	–	–	–	–	–	–	–	–	–	(115)
As restated	121,609	239,544	3,467	1,000	18	(115)	997	–	194,574	242,896	803,990
Profit for the period	–	–	–	–	–	–	–	–	–	25,640	25,640
Prior year final dividend paid	–	–	–	–	–	–	–	–	(194,574)	–	(194,574)
At 31st December, 2004	121,609	239,544	3,467	1,000	18	(115)	997	–	–	268,536	635,056

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31st December, 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	(7,176)	(73,544)
NET CASH INFLOW FROM INVESTING ACTIVITIES	30,876	13,725
NET CASH USED IN FINANCING ACTIVITIES	(18,241)	(194,574)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,459	(254,393)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	419	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	295,159	453,610
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	301,037	199,217
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	301,037	199,217

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of preparation

The interim condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim condensed consolidated financial statements should be read in conjunction with the Company's 2005 annual financial statements.

(2) Principal accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 30th June, 2005 except that the Group has changed certain of its accounting policies following its adoption of a number of new/revised Hong Kong Financial Reporting Standards ("HKFRS"), HKAS and Interpretations (hereinafter collectively referred to as the "new HKFRS") issued by HKICPA that are effective for accounting periods commencing on or after 1st January, 2005. (The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates has been changed. 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 effects on how the results for the current or prior accounting periods are prepared and presented:

(i) Business Combinations

In the current period, the Group has applied HKFRS 3 "Business Combinations", which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was held in capital reserve, and presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill of HK$18,000 at 1st January, 2005 (which was previously recorded in capital reserve), with a corresponding increase to retained earnings. (see note 2A for the financial impact)

(ii) *Share-based Payments*

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of options of the Company, if any, determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

No option was granted under both the old and new scheme since its adoption, therefore, there is no financial impact to the Group on application of HKFRS 2.

(iii) *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 32 requires retrospective application. HKAS 39, which is effective for annual 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.

Financial assets measured at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purposes of selling in the short term or if so designed by management at fair value through profit and loss at inception. It is carried at fair value, with changes in fair value through profit or loss.

In prior years/period, the Group's investments in securities, mainly bonds investment and principal protected structure notes, were measured at fair value with unrealised/realised gain or losses recognised and included in the income statement. From 1st July, 2005 onward, investment in securities were reclassified as financial assets measured at fair value through profit or loss and any change in fair value is recognised in the income statement according to HKSA 39.

Available-for-sale investments

Available-for-sale investments are those non-derivative investments in listed or unlisted equity securities which are held for an unidentified long term strategic purpose, or are those investments which are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Unlisted equity securities are continued to be stated at cost less impairment as their fair value cannot be reliably measured.

In prior years/period, the listed and unlisted investment securities were stated at cost less any provisions for impairment in values on an individual basis. From 1st July, 2005 onward, these investments securities were reclassified as available-for-sale investments and any gains or losses resulting from change in fair value are recognised as a separate component of equity.

Convertible note receivable

From 1st July, 2005 onward, the Group measured its convertible loan in accordance with the requirements of HKAS 32 and HKAS 39 and classified the convertible loan as convertible note receivable. In prior years/period, convertible note receivable was included in investments in securities.

According to HKAS 39, all the derivatives that are within the scope of HKAS 39 are required to be carried at fair value at the balance sheet date. The current conversion price was stated as HK$5.83 per share whereas the market price at the period end date was HK$0.2 per share. In view of the conversion value is insignificant and therefore no fair value of such conversion right are recognised in profit or loss for the period.

(iv) Investment Properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or losses for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 has been transferred to the Group's retained earnings (see note 2A for the financial impact).

(v) 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. 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 amount 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 accordance with the provisions in HKAS Interpretation 21 this change in accounting policy has been applied retrospectively. Comparative figures have been restated (see note 2A for the financial impact).

(2A) Summary of the Effects of the Changes in Accounting Policies

The effect of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	31st December, 2005 *HK$'000*	31st December, 2004 *HK$'000*
Unrealised gain on change in fair value on investment properties	690	–
Increase in deferred tax liabilities relating to fair value change on investment properties	(121)	–
Increase in profit for the period	569	–

The cumulative effects of the application of the new HKFRSs on the opening balance of the balance sheet items are as follows:

Balance sheet items

	As originally stated at 30th June, 2005 and 1st July, 2005 *HK$'000*	Adjustment *HK$'000*	As restated *HK$'000*
Deferred tax liabilities	–	637	637
Share capital	121,609	–	121,609
Share premium	239,544	–	239,544
Capital redemption reserve	3,467	–	3,467
Special reserve	1,000	–	1,000
Capital reserve	18	(18)	–
Translation reserve	(115)	–	(115)
Investment property revaluation reserve	3,637	(3,637)	–
Dividend reserve	18,241	–	18,241
Retained earnings	230,941	3,018	233,959
Total	618,342	(637)	617,705

(3) Segmental information

(a) Business segments

The Group currently has three operating divisions – garment operation, proprietary trading in securities, and health products development. These divisions form 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 and debt securities
Health products development	–	production and trading of health food products

Segment information about these businesses is presented below:

SIX MONTHS ENDED 31ST DECEMBER, 2005

	Garment Operation (unaudited) *HK$'000*	**Proprietary Trading in Securities (unaudited)** *HK$'000*	**Health Products Development (unaudited)** *HK$'000*	**Consolidated (unaudited)** *HK$'000*
TURNOVER				
External sales	1,578	–	–	1,578
RESULTS	(4,629)	400	–	(4,229)
Net realised gain on financial assets measured at fair value through profit or loss				1,354
Net unrealised loss on financial assets measured at fair value through profit or loss				(5,962)
Unrealised loss on foreign exchange				(3,890)
Unallocated revenue				17,692
Unallocated corporate expenses				(6,086)
Share of losses of associates				–
Loss before taxation				(1,121)
Taxation				(121)
Loss for the period				(1,242)

SIX MONTHS ENDED 31ST DECEMBER, 2004

	Garment Operation (unaudited) *HK$'000*	**Proprietary Trading in Securities (unaudited)** *HK$'000*	**Health Products Development (unaudited)** *HK$'000*	**Consolidated (unaudited and restated)** *HK$'000*
TURNOVER				
External sales	2,806	–	–	2,806
RESULTS	(6,057)	400	–	(5,657)
Net unrealized gain on financial assets measured at fair value through profit or loss				8,720
Net unrealised gain on financial assets measured at fair value through profit or loss				11,873
Unrealised gain on foreign exchange				6,489
Unallocated revenue				12,030
Unallocated corporate expenses				(6,719)
				26,736
Share of losses of associates			(1,096)	(1,096)
Profit before taxation				25,640
Taxation				–
Profit for the period				25,640

(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 Six months ended 31st December,		**Contribution to profit/(loss) before taxation and share of results of associates Six months ended 31st December,**	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	74	67	(855)	(1,366)
The PRC	1,504	2,739	(3,394)	(4,291)
Europe – Luxemburg	–	–	5,598	31,978
Singapore	–	–	2,795	–
Others	–	–	(5,265)	415
	1,578	2,806	(1,121)	26,736

(4) Other operating income

	Six months ended 31st December,	
	2005	**2004**
	(Unaudited)	**(Unaudited and restated)**
	HK$'000	*HK$'000*
Interest income on:		
– bank deposits	5,920	2,253
– financial assets measured at fair value through profit or loss	11,802	9,740
– convertible note receivable	403	404
Rental income from investment properties, net of insignificant outgoings	336	350
Sundry income	299	76
	18,760	12,823

(5) Taxation

	Six months ended 31st December, 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Current tax	–	–
Deferred tax – changes in fair value of investment properties	121	–
	121	–

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 uncertainty of future profit streams.

(6) (Loss)/profit for the period

(Loss)/profit for the period arrived at after charging/(crediting):

	Six months ended 31st December, 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Depreciation of property, plant and equipment	1,695	2,108
Written off of property, plant and equipment	391	–
Gain on disposal of property, plant and equipment	–	(35)

(7) Dividend

The Board of Directors has resolved not to declare any interim dividend for the six months ended 31st December, 2005 (31st December, 2004: Nil).

(8) Basic (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 31st December, 2005 is based on the unaudited net loss for the period of HK$1,242,000 (31st December, 2004: unaudited profit of HK$25,640,000) and the weighted average number of 1,216,090,400 shares (31st December, 2004: 1,216,090,400 shares) in issue during the period.

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

(9) Movements in investment properties, property, plant and equipment

During the period, additions to the Group's property, plant and equipment amounted to approximately HK$67,000 (31st December, 2004: HK$702,000).

During the period, the Group has written off its leasehold improvements with a carrying amount of approximately HK$391,000.

The Group's investment properties were revalued on 31st December, 2005 by Savills (Hong Kong) Limited, independent professional valuer on an open market value basis. The resulting increase in fair value on investment properties of HK$690,000 has been recognised directly in the income statement for the period.

(10) Convertible note receivable

	At 31st December, 2005 (Unaudited) *HK$'000*	**At 30th June, 2005 (Audited)** *HK$'000*
Convertible note receivable	20,000	20,000

The original maturity date of the convertible loan note (the "Note") bearing interest at 4% per annum payable semi-annually in arrears fell on 30th June, 2004. On 14th June, 2004, the Company and the note issuer namely, China Star Entertainment Limited ("Note Issuer") entered into a supplemental deed, pursuant to which the Company and the Note Issuer have agreed to extend the maturity date of the Note from 30th June, 2004 to 30th June, 2007. The Note carries the right to convert the principal amount of the Note into shares of HK$0.05 each in the share capital of the Note Issuer at an initial conversion price of HK$0.2 per share, subject to adjustment. The conversion price was adjusted to HK$5.83 per share due to the completion of right issue, consolidation of shares and rights issue with bonus issue of the Note Issuer during the year ended 31st December, 2002. From 14th June, 2004 to the 14 business days immediately preceding 30th June, 2007, the Company has the right to convert the outstanding principal amount of the Note into shares of the Note Issuer.

In view of the insignificant market price comparing with the conversion price at 31st December, 2005, the group does not recognize any fair value of such conversion right in profit or loss for the period.

(11) Available-for-sale investments/Investments in securities

	At 31st December, 2005 (Unaudited) *HK$'000*	At 30th June, 2005 (Audited) *HK$'000*
Listed equity investments in Hong Kong, at fair value	2,270	170
Unlisted equity investments in Hong Kong, at cost less impairment loss	–	–

Available-for-sale investments consist of investments in listed and unlisted shares.

Gain on the change in fair values of listed equity investments of approximately HK$2,100,000 has been credited to the investment revaluation reserve during the period.

Unlisted equity investments are unquoted investments in Hong Kong that are stated at cost less impairment loss because their fair values could not be reliably measured at the balance sheet date.

(12) Interests in associates

	At 31st December, 2005 (Unaudited) *HK$'000*	At 30th June, 2005 (Audited) *HK$'000*
Share of net deficit of associates	–	–
Advance to an associate	24,706	24,706
Less: Allowance for advance to an associate	(24,706)	(24,706)
	–	–

At 30th June, 2005, the Company has cumulatively made an allowance of HK$24,706,000 on the advance to an associate. The advance is secured by a floating charge over the assets of the associate, which is non-interest bearing and has no fixed terms of repayment. In the opinion of the Directors, the amount will not be repaid within the next twelve months from the balance sheet date.

During the period under review, the Group has not made any further advance to the associate and the associate has not made any repayment.

The Directors reassessed the recoverability of the advance to the associate as at 31st December, 2005 and considered that full allowance for the advance is required. Accordingly, the amount of the interests in associates remained at zero.

The following details have been extracted from the unaudited financial statements of the Group's significant associates:

Results for the six months ended 31st December,

	2005 (Unaudited) *HK$'000*	**2004 (Unaudited)** *HK$'000*
Turnover	3,204	2,285
Profit/(loss) before taxation	311	(2,786)

Financial position

	At 31st December, 2005 (Unaudited) *HK$'000*	**At 30th June, 2005 (Audited)** *HK$'000*
Non-current assets	7	–
Current assets	3,242	3,012
Current liabilities	(25,962)	(26,035)
Net liabilities	(22,713)	(23,023)

(13) Trade receivables

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

The age analysis of trade receivables is as follows:

	At 31st December, 2005 (Unaudited) *HK$'000*	**At 30th June, 2005 (Audited)** *HK$'000*
1 – 30 days	–	167
31 – 60 days	–	53
Over 60 days	2	–
	2	220

(14) Trade payables

The age analysis of trade payables is as follows:

	At 31st December, 2005 (Unaudited) *HK$'000*	At 30th June, 2005 (Audited) *HK$'000*
1 – 30 days	21	15
31 – 60 days	–	–
Over 60 days	44	42
	65	57

(15) Share capital

	Number of shares		Share Capital	
	31st December, 2005 (Unaudited)	**30th June, 2005 (Audited)**	**31st December, 2005 (Unaudited)** *HK$'000*	**30th June, 2005 (Audited)** *HK$'000*
Ordinary shares of HK$0.10 each				
Authorised				
At beginning and end of period	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid				
At beginning of period and 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.

(16) Deferred tax liabilities

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the period:

	At 31st December, 2005 (Unaudited)	At 30th June, 2005 (Audited and restated)
	HK$'000	*HK$'000*
At beginning of period	–	–
Opening adjustment on adoption of INT-21	637	175
At restated	637	175
Charge to income for the period/year	121	462
At end of period	758	637

(17) Contingent liabilities

At 31st December, 2005, neither the Company nor any of its subsidiaries has significant contingent liabilities.

(18) Related party transaction

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 paid for the period under review amounted to HK$360,000 (six months ended 31st December, 2004: 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 has reported a loss of HK$1,242,000 for the period under review after charging/crediting the followings:

– unrealized loss on foreign exchange of HK$3,890,000 (2004 – gain of $6,489,000)

– net unrealized loss on financial assets at fair value through profit or loss of HK$5,962,000 (2004 – gain of $11,873,000)

– unrealized gain on change in fair value of investment properties of HK$690,000 (2004 – nil)

Excluding the above unrealized provisions, the operating profit was HK$7,920,000.

The management considered that there was no material change in the operating performance of the Group for the period under review.

Garment operation

The Group was the first knitted shirt manufacturer to be accredited by the Federation of Industries, Hong Kong for a Q Mark Certificate for our IXESSE nylon knitted shirts which is an best endorsement for our brandname and quality. This should further enhance our ability in expanding the ODM/OEM business.

The sales network for IXESSE has gradually established and our brandname has been recognized by the Mainland customers. The Group also intends to put more resources in developing the product range for IXESSE. With the expansion in ODM/OEM business, the progressive recognition of IXESSE, and a wider collection of products, the Group expects that the garment business will gradually improve.

Investments

In view of the volatility of the bonds market, the Group has adopted a more conservative policy and switched its investment to those products with less capital risk and more secured principal protection in order to generate stable interest income for the Group.

The Group takes a cautious view on the instability of the world economy and would maintain conservative investment strategy in the investment of the Group's surplus funds.

Health Products

The Group is pleased to note that the health food business is growing steadily.

An university in Hong Kong has started pre-clinical tests on cells and animals for "WinUBoost". Upon the completion of these tests, clinical trials on human beings will follow. The Group is optimistic that the results would be positive and believes that the product, "WinUBoost" not only can improve liver condition but also will improve the general health condition of the public.

A series of promotion campaigns has been planned to strengthen the brand and products recognition. With better recognitions and wider customers bases it is anticipated that sales will gradually increase and reasonable returns to the Group will be achieved in the foreseeable future.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2005, the Group had 162 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, 2005 is derived from investment income with total net income so generated amounted to HK$14 million.

As at 31st December, 2005, the Group had bank balances and cash of approximately HK$301,037,000 and financial assets measured at fair value through profit or loss of approximately HK$277,249,000, 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, 2005, the Group did not have any assets charged and did not have any significant contingent liabilities.

As at 31st December, 2005, the Company had 1,216,090,400 shares in issue with total shareholders' funds of the Group amounting to HK$601,133,000.00.

USE OF PROCEEDS FROM NEW ISSUE

An analysis of the use of proceeds up to 31st December, 2005 is as follows:

		Up to 30th June 2005 *HK$'000*	Amount incurred in period under review *HK$'000*	Accumulated spending as at 31st December, 2005 *HK$'000*
(a)	Promote its own brand "IXESSE" in Hong Kong and PRC	6,809	1,209	8,018
(b)	Acquire plant and machinery in Hong Kong and PRC	20,952	–	20,952
(c)	Develop herbal and health products	24,804	–	24,804
	Total	52,565	1,209	53,774

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

At 31st December, 2005, 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 *(Note)*	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, 2005, 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, grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares of the Company at any time during the ten years from the date of approval of the Old Scheme. No option was granted under the Old Scheme since its adoption.

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.

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.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of adoption of the New Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or non-executive director or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per each grant of option. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the board of directors of the Company to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the board of directors of the Company at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheet issued by the Stock Exchange for the 5 business days immediately preceding the dated of grant; and (c) the nominal value of a share of the Company on the date of grant.

No option was granted under the New Scheme since its adoption and no option was outstanding as at 31st December, 2005.

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2005, 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company has complied with all code provisions set out in the code of Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules except for the following deviations:

1. Code Provision A.4.1

Under the code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election. However, all the independent non-executive directors and non-executive director of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the Company's bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

2. Code Provision B.1.4 and C.3.4

Under the code provision B.1.4 and C.3.4 of the Code, the issuer should make available the terms of reference of its remuneration committee and audit committee on request and by including the information on the issuer's website.

Since the Company has yet to establish its own website, the above requirement regarding provision of such information on website cannot be met accordingly. However, the terms of reference of the two committees are available on request.

3. Code Provision A.2.1

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Company does not maintain the office of chief executive officer, however, the day-to-day operation of the Group is managed by the chairman of the Company. Given the Group's current stage of development, the Board considers that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximise effectiveness of its operation.

4. Code Provision B.1.1

Under the code provision B.1.1 of the Code, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

A remuneration committee with its specific written terms of reference as stated in the Code has been established on 25th January, 2006. The remuneration committee consists of three independent non-executive directors and a non-executive director of the Company.

5. Code Provision C.3.3

Under the code provision C.3.3 of the Code, the terms reference of the audit committee should include at least those duties as set in the code provision.

The terms of reference of the audit committee of the Company have been revised to incorporate all the duties set out in the code provision C.3.3 and were approved by the board of directors of the Company on 25th January, 2006.

ADOPTION OF THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding director's securities transactions. All directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 31st December, 2005.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in accordance with the Code on 25th January, 2006. The remuneration committee comprises three independent non-executive directors, namely Mr. Hung Kwok Keung, Keith, Mr. Man Mo Leung and Mr. Ho Yau Ming, and the non-executive director, namely Mr. Wu Wing Kit. Mr. Hung Kwok Keung, Keith is the chairman of the remuneration committee. The remuneration committee is principally responsible for formulating and making recommendation to the board of directors of the Company on the Group's policy and structure for all remuneration of the directors of the Company and senior management of the Group. The terms of reference of the remuneration committee are available to the public on request.

AUDIT COMMITTEE

The audit committee of Company as at 31st December, 2005 was comprising Mr. Wu Wing Kit, the non-executive director of the Company and Mr. Man Mo Leung, Mr. Ho Yau Ming and Mr. Hung Kwok Keung, Keith, the three independent non-executive directors of the Company.

The principal duties of the audit committee are to review with the management the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including reviews of interim and annual financial statements.

The unaudited interim condensed consolidated financial statements for the six months ended 31st December, 2005 have been reviewed by the audit committee of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st December, 2005.

On behalf of the Board
Lau Tung Hoi
Director

Hong Kong, 23rd March, 2006