

The Directors of Top Form International Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2004

	Notes	For the six months ended	
		31 December 2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Turnover	3	656,450	534,684
Cost of sales		(438,331)	(366,742)
Gross profit		218,119	167,942
Other operating income	4	2,040	2,108
Selling and distribution expenses		(25,869)	(22,508)
General and administrative expenses		(76,691)	(66,311)
Profit from operations	5	117,599	81,231
Finance costs		(371)	(543)
Profit before taxation		117,228	80,688
Taxation	6	(24,507)	(15,367)
Profit before minority interests		92,721	65,321
Minority interests		(578)	98
Profit attributable to shareholders		92,143	65,419
Dividend proposed	7	26,938	21,427
Earnings per share	8		
Basic		8.6 cents	6.1 cents
Diluted		8.6 cents	6.1 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 31 December 2004

		31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	147,048	133,243
Interests in associates	10	–	–
Interests in a jointly controlled entity		–	865
		<u>147,048</u>	<u>134,108</u>
Current assets			
Inventories		244,266	160,269
Debtors, deposits and prepayments	11	120,762	120,714
Bills receivable		3,360	2,625
Bank balances and cash		103,809	113,767
		<u>472,197</u>	<u>397,375</u>
Current liabilities			
Creditors and accrued charges	12	146,614	102,407
Taxation		49,458	42,259
Secured bank borrowings and other liabilities			
– due within one year	13	9,046	16,533
Obligations under finance leases			
– due within one year		1,897	1,801
		<u>207,015</u>	<u>163,000</u>
Net current assets		<u>265,182</u>	<u>234,375</u>
Total assets less current liabilities		<u>412,230</u>	<u>368,483</u>

		31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Secured bank borrowings and other liabilities			
– due after one year	13	252	285
Obligations under finance leases			
– due after one year		1,196	1,308
Provision for long service payments		4,520	4,520
Deferred taxation		9,218	9,912
		<hr/> 15,186 <hr/>	<hr/> 16,025 <hr/>
		<hr/> 397,044 <hr/>	<hr/> 352,458 <hr/>
Capital and reserves			
Share capital	14	107,674	107,135
Reserves		267,790	223,421
		<hr/> 375,464 <hr/>	<hr/> 330,556 <hr/>
Minority interests			
		21,580	21,902
		<hr/> 397,044 <hr/>	<hr/> 352,458 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2004

	Share capital	Share premium	Legal reserve	Special reserve	Other distributable reserve	Revaluation reserve	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 31 December 2003									
At 1 July 2003	107,135	-	323	7,139	82,601	2,281	(450)	65,713	264,742
Dividend paid	-	-	-	-	(64,281)	-	-	-	(64,281)
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	336	-	336
Profit attributable to shareholders	-	-	-	-	-	-	-	65,419	65,419
At 31 December 2003	<u>107,135</u>	<u>-</u>	<u>323</u>	<u>7,139</u>	<u>18,320</u>	<u>2,281</u>	<u>(114)</u>	<u>131,132</u>	<u>266,216</u>
Net losses not recognised in the income statement during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336</u>	<u>-</u>	<u>336</u>
Six months ended 31 December 2004									
At 1 July 2004	107,135	-	-	7,139	-	2,281	(5,431)	219,432	330,556
Issue of shares on exercise of share options	539	1,311	-	-	-	-	-	-	1,850
Dividend paid	-	-	-	-	-	-	-	(53,798)	(53,798)
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	4,713	-	4,713
Profit attributable to shareholders	-	-	-	-	-	-	-	92,143	92,143
At 31 December 2004	<u>107,674</u>	<u>1,311</u>	<u>-</u>	<u>7,139</u>	<u>-</u>	<u>2,281</u>	<u>(718)</u>	<u>257,777</u>	<u>375,464</u>
Net gain not recognised in the income statement during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,713</u>	<u>-</u>	<u>4,713</u>

Note: Other distributable reserve in last period represented the net amount of surplus transferred from the share premium account during the year ended 30 June 2003 pursuant to the special resolution passed on 4 April 2003 and 2003 final and special dividends paid in October 2003.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2004

	For the six months ended	
	31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	80,688	43,336
Net cash used in investing activities	(29,088)	(22,462)
Net cash used in financing activities	(62,735)	(37,008)
Net decrease in cash and cash equivalents	(11,135)	(16,134)
Cash and cash equivalents at the beginning of the period	112,269	97,033
Effect of foreign exchange rate changes	–	(481)
Cash and cash equivalents at the end of the period	<u>101,134</u>	<u>80,418</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	103,809	95,078
Bank overdrafts	(2,675)	(14,660)
	<u>101,134</u>	<u>80,418</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2004

1. BASIS OF PREPARATION

The condensed financial statements have been 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 and with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain leasehold properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2004.

3. SEGMENT INFORMATION

The business activities of the Group can be categorised into manufacturing business and branded business. Segment information in respect of these activities is as follows:

Business segments

Six months ended 31 December 2004

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover				
External sales	647,079	9,371	–	656,450
Inter-segment sales	384	–	(384)	–
	<u>647,463</u>	<u>9,371</u>	<u>(384)</u>	<u>656,450</u>
Total sales				
Results				
Segment results	<u>127,935</u>	<u>(2,538)</u>	<u>–</u>	125,397
Unallocated corporate expenses				(8,005)
Interest income				<u>207</u>
Profit from operations				<u>117,599</u>

Six months ended 31 December 2003

	Manufacturing business HK\$'000	Branded business HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover				
External sales	523,692	10,992	–	534,684
Inter-segment sales	2,111	–	(2,111)	–
Total sales	<u>525,803</u>	<u>10,992</u>	<u>(2,111)</u>	<u>534,684</u>
Results				
Segment results	<u>89,339</u>	<u>(3,559)</u>	<u>–</u>	85,780
Unallocated corporate expenses				(4,836)
Interest income				287
Profit from operations				<u>81,231</u>

Note: Inter-segment sales are charged at prices determined by management with reference to market price.

Geographical segments

The following table provides an analysis of the Group's sales by geographical market:

Six months ended 31 December 2004

	Sales revenue by geographical market HK\$'000	Contribution to profit from operations HK\$'000
United States of America	506,957	100,232
Europe	93,676	18,521
Australia and New Zealand	24,551	4,854
Asia (excluding Hong Kong)	23,717	3,229
Hong Kong	7,549	(1,439)
	<u>656,450</u>	<u>125,397</u>
Unallocated corporate expenses		(8,005)
Interest income		207
Profit from operations		<u>117,599</u>

Six months ended 31 December 2003

	Sales revenue by geographical market HK\$'000	Contribution to profit from operations HK\$'000
United States of America	407,646	76,311
Europe	83,312	6,900
Australia and New Zealand	19,145	3,585
Asia (excluding Hong Kong)	15,397	308
Hong Kong	9,184	(1,324)
	<u>534,684</u>	<u>85,780</u>
Unallocated corporate expenses		(4,836)
Interest income		<u>287</u>
Profit from operations		<u><u>81,231</u></u>

4. OTHER OPERATING INCOME

Other operating income includes:

	For the six months ended	
	31 December	
	2004	2003
	HK\$'000	HK\$'000
Interest income	<u><u>207</u></u>	<u><u>287</u></u>

5. PROFIT FROM OPERATIONS

**For the six months ended
31 December**

2004 2003
HK\$'000 HK\$'000

Profit from operations has been arrived at
after charging (crediting):

Depreciation of property, plant and equipment	12,982	11,298
Cost of textile quota entitlements	7,050	8,661
Impairment loss arising in respect of:		
leasehold improvements	3,349	–
furniture, fixtures and equipment	1,628	–
(included in cost of sales and general and administrative expenses of HK\$3,514,000 and HK\$1,463,000, respectively)	4,977	–
Bad debts written off	1,157	–
Gain on disposals of property, plant and equipment	(248)	–
	<u> </u>	<u> </u>

6. TAXATION

**For the six months ended
31 December**

2004	2003
HK\$'000	HK\$'000

Current tax:

Hong Kong Profits Tax calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the period	21,324	11,295
Taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions	3,877	3,413
	<u>25,201</u>	<u>14,708</u>

Deferred tax:

Current year	(694)	448
Attributable to an increase in tax rate	-	211
	<u>(694)</u>	<u>659</u>
	<u>24,507</u>	<u>15,367</u>

7. DIVIDENDS

	For the six months ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Dividends paid:		
2004 final dividend paid:		
HK\$0.05 (year ended 30 June 2003: HK\$0.04) per share on 1,075,973,083 shares (2003: 1,071,349,957 shares)	53,798	42,854
2003 special dividend paid:		
HK\$0.02 per share on 1,071,349,957 shares	—	21,427
	<u>53,798</u>	<u>64,281</u>
Dividend:		
Interim dividend (<i>Note</i>)	<u>26,938</u>	<u>21,427</u>

Note: An interim dividend of HK\$0.025 (six months ended 31 December 2003: HK\$0.02) per share on 1,077,514,125 shares (six months ended 31 December 2003: 1,071,349,957 shares) has been declared by the Directors.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$92,143,000 (six months ended 31 December 2003: HK\$65,419,000) and on the weighted average of 1,074,021,654 shares (for the six months ended 31 December 2003: 1,071,349,957 shares) in issue during the period.

The computation of diluted earnings per share is as follows:

	For the six months ended 31 December	
	2004	2003
	HK\$'000	HK\$'000
Profit for the purpose of basic and diluted earnings per share	<u>92,143</u>	<u>65,419</u>

	For the six months ended 31 December	
	2004	2003
	Number of shares	
Number of shares for the purpose of basic earnings per share	1,074,021,654	1,071,349,957
Effect of dilutive share options	<u>2,531,355</u>	<u>4,352,432</u>
Number of shares for the purpose of diluted earnings per share	<u>1,076,553,009</u>	<u>1,075,702,389</u>

9. PROPERTY, PLANT AND EQUIPMENT

During the period, additions and disposals of property, plant and equipment amounted to HK\$31,411,000 and HK\$168,000 (for the six months ended 31 December 2003: HK\$23,281,000 and HK\$169,000), respectively.

During the period, the directors reviewed the carrying value of the Group's manufacturing assets and determined that a number of those assets were impaired due to the plan for reallocation of certain production lines to Long Nan, the Peoples' Republic of China. Accordingly, impairment losses of HK\$3,349,000 and HK\$1,628,000 have been recognised in respect of leasehold improvements and furniture, fixtures and equipment, respectively.

10. INTERESTS IN ASSOCIATES

Share of net assets of associates of HK\$15,422,000 by the Group were fully impaired in previous years.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of HK\$99,007,000 (At 30 June 2004: HK\$97,376,000). The Group allows an average credit period of 30 days to its trade customers.

An aged analysis of trade debtors is as follows:

	31 December 2004 HK\$'000	30 June 2004 HK\$'000
0 – 30 days	92,325	85,130
31 – 60 days	4,064	9,190
61 – 90 days	2,064	1,308
Over 90 days	554	1,748
	<hr/> 99,007 <hr/>	<hr/> 97,376 <hr/>

12. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of HK\$74,333,000 (At 30 June 2004: HK\$36,295,000).

An aged analysis of trade creditors is as follows:

	31 December	30 June
	2004	2004
	HK\$'000	HK\$'000
0 – 30 days	59,851	30,334
31 – 60 days	8,670	3,134
61 – 90 days	3,488	1,382
Over 90 days	2,324	1,445
	<u>74,333</u>	<u>36,295</u>

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13. SECURED BANK BORROWINGS AND OTHER LIABILITIES

	31 December	30 June
	2004	2004
	HK\$'000	HK\$'000
Secured bank borrowings:		
Trust receipts and import loans	6,289	14,953
Bank overdrafts	2,675	1,498
	<u>8,964</u>	<u>16,451</u>
Total bank borrowings	8,964	16,451
Other unsecured liabilities	334	367
	<u>9,298</u>	<u>16,818</u>
Less: Amount due within one year shown as current liabilities	<u>(9,046)</u>	<u>(16,533)</u>
Amount due after one year	<u>252</u>	<u>285</u>

14. SHARE CAPITAL

	31 December 2004	30 June 2004	31 December 2004	30 June 2004
	Number of shares		HK\$'000	HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At the beginning and the end of period/year	<u>1,500,000,000</u>	<u>1,500,000,000</u>	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:				
At the beginning and the end of period/year	<u>1,071,349,957</u>	<u>1,071,349,957</u>	<u>107,135</u>	<u>107,135</u>
Issue of shares during the period	<u>5,393,647</u>	<u>-</u>	<u>539</u>	<u>-</u>
At the end of the period/year	<u>1,076,743,604</u>	<u>1,071,349,957</u>	<u>107,674</u>	<u>107,135</u>

15. CAPITAL COMMITMENTS

	31 December 2004	30 June 2004
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>4,615</u>	<u>22,452</u>

16. PLEDGE OF ASSETS

As at 31 December 2004, the Group had pledged certain of its properties with an aggregate carrying value of approximately HK\$689,000 (30 June 2004: HK\$751,000), to secure credit facilities granted to the Group. The properties pledged were released subsequently on 29 January 2005.

17. RELATED PARTY TRANSACTIONS

During the period, the Group sold finished products of approximately HK\$15,558,000 (for the six months ended 31 December 2003: HK\$14,084,000), to a related company, Van de Velde N.V. ("VdV").

Messrs. Herman Van de Velde and Lucas A.M. Laureys, directors of the Company, are beneficial owners of VdV which held an effective interest of 19.07% in the Company as at 31 December 2004.

As at 31 December 2004, the balance of trade receivable from VdV amounted to HK\$1,377,000 (At 30 June 2004: HK\$654,000).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 December, 2004, the Group recorded an increase in both sales turnover and after tax earnings when compared with the same period in the previous year. Sales turnover was up 23% to HK\$656.5 million, after-tax earnings 41% to HK\$92.1 million, and basic earnings per share was 8.6 HK cents versus 6.1 HK cents in the corresponding period of the previous year.

Our core business continued to grow, driven by increasing demand from both established and new OEM customers. The improvement in operating profit can be attributed to virtually 100% utilization of plant capacity and an increase in low cost production from our new plants in China and Thailand. During the six months under review, we shipped 27.9 million units out of the 30.3 million units produced, the difference between shipments and production being primarily due to the Safeguard Limit imposed by the U.S. on imports of brassiere products from China. This Safeguard Limit, which evidently has had little impact on the performance of our business, has been lifted since 24 December, 2004.

Branded business remains an insignificant amount of our portfolio. At a sales turnover of HK\$9.4 million, it accounted for less than 1.5% of the Group's sales turnover. During the six month period, the operation focused on improving the quality of sales through the existing distribution channels and the loss was tapered by 28% to \$2.6 million.

In order to support our growth in an increasingly demanding business environment, we strengthened our backroom and administrative functions, which inevitably caused an increase in corporate spending from 0.9% of the sales turnover in the previous year to 1.2% for the half year under review.

The financial position of the Group remains strong. As at 31 December, 2004, shareholders' funds had increased to HK\$375.5 million from HK\$330.6 million at 30 June, 2004. Credit facilities available to the Group amounted to HK\$160 million, of which some HK\$9 million had been utilised. The group was therefore virtually debt free and with bank balances and cash of HK\$104 million and a current ratio of 2.3 is well positioned to take advantage of any expansion opportunities which may arise.

Your Board of Directors has resolved to declare an interim dividend of 2.5 HK cents per share for the half year.

Outlook for the rest of the fiscal year remains positive. Despite the earlier concerns of rising oil price and interest rate which could dampen consumer spending, both new and established OEM customers continue moving business our way. We will further expand our capacity in Thailand to meet demand and to balance our recent expansion in China. We continue to look for opportunities in the mainland China market.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The following Directors of the Company were granted options to subscribe for shares in the Company on 9 September 2002 at an exercise price of HK\$0.343 in accordance with the share option scheme approved and adopted at a special meeting of the Company held on 22 November 2001. Details of the share option scheme are set out under the section "Share Options" below.

Name of Director	Number of Share Option		
	Outstanding at 1 July 2004	Exercise during the period	Outstanding at 31 December 2004
Fung Wai Yiu	770,521	770,521	–
Wong Chung Chong, Eddie	770,521	770,521	–
Chow Yu Chun, Alexander	770,521	–	770,521
Lam Ka Chung, William	770,521	770,521	–
Marvin Bienenfeld	770,521	770,521	–
Leung Churk Yin, Jeanny	770,521	770,521	–
Lin Sian Zu, John	770,521	770,521	–
Tse Koon Hang, Ada	770,521	770,521	–
	6,164,168	5,393,647	770,521

Save as disclosed above:

- (a) none of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year; and
- (b) at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable a Director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2004, the interests of the Directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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
Fung Wai Yiu	beneficially owned and held by spouse and trust (note 1)	368,890,663	34.26%
Wong Chung Chong, Eddie	beneficially owned and held by trust (note 2)	368,674,663	34.24%
Chow Yu Chun, Alexander	Beneficial owner	1,930,000	0.18%
Lam Ka Chung, William	Beneficial owner	770,521	0.07%
Marvin Bienenfeld	Beneficial owner	770,521	0.07%
Leung Churk Yin, Jeanny	Beneficial owner	70,521	0.01%
Lucas A.M. Laureys	Held by controlled corporation (note 3)	389,331,141	36.16%
Herman Van de Velde	Held by controlled corporation (note 3)	389,331,141	36.16%

Notes:

- 770,521 shares are beneficially owned by Mr. Fung Wai Yiu ("Mr. Fung") and 216,000 shares are held by the spouse of Mr. Fung. 209,191,780 shares are registered in the name of Guliano (HK) Limited ("Guliano HK"), a wholly owned subsidiary of Guliano Pte Limited ("Guliano") and 158,712,362 shares are registered in the name of HKSCC Nominees Limited ("HKSCC") and are beneficially owned by Guliano. Mr. Fung is deemed to be interested in the Company as he has beneficial interest in a family trust which held 9,590 shares of Guliano.
- 770,521 shares are beneficially owned by Wong Chung Chong, Eddie ("Mr. Wong"). 209,191,780 shares are registered in the name of Guliano HK and 158,712,362 shares are registered in the name of HKSCC and are beneficially owned by Guliano. Mr. Wong is deemed to be interested in the Company as he is the founder of a family trust which held 40,411 shares of Guliano.
- 209,191,780 shares are registered in the name of Guliano HK and 158,712,362 shares are registered in the name of HKSCC and are beneficially owned by Guliano. 49,999 shares of Guliano are held by Van de Velde N.V. ("VdV") of which Mr. Lucas A.M. Laureys and Mr. Herman Van de Velde are beneficial owners. 21,426,999 shares of the Company are registered in the name of VdV.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Guliano*	Beneficial owner	367,904,142	34.17%
VF Intimates	Beneficial owner	106,000,000	9.84%

* 209,191,780 shares are registered in the name of Guliano HK, a wholly owned subsidiary of Guliano. 158,712,362 shares are registered in the name of HKSCC.

SHARE OPTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 22 November 2001 for the primary purpose of providing incentives or rewards to the Directors, employees or any other persons at the discretion of the Board of Directors, and the Scheme will expire on 21 November 2012. Under the Scheme, the Board of Directors of the Company may grant options to any employees, including executives or officers of the Company and its subsidiaries and any other persons at the discretion of the Board to subscribe for shares in the Company.

At 31 December 2004, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 770,521 (At 30 June 2004: 6,164,168), representing 0.07% (At 30 June 2004: 0.6%) of the shares of the Company in issue at 22 February 2005. The remained outstanding options were exercised on 10 January 2005. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, 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 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 14 days of the date of grant, upon payment of HK\$1 per grant. Options may generally be exercised at any time from the second anniversary of the date of acceptance to the tenth anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant and the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares.

The following table discloses details of the Company's share options held by Directors under the Scheme and movements in such holdings during the period:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of share options		
				Outstanding at 1.7.2004	Exercise during the period	Outstanding at 31.12.2004
9 September 2002	9 September 2002 to 8 September 2004	9 September 2004 to 8 September 2012	0.343	6,164,168	5,393,647	770,521

During the six months ended 31 December 2004, no options were granted or cancelled under the Scheme.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2004, the Group had a total number of approximately 12,801 employees.

The remuneration policy and package of the Group's employees are structured by reference to market terms and statutory requirements as appropriate. In addition, the Group also provide other staff benefits such as medical insurance, mandatory provident fund and a share option scheme to its employees.

AUDIT COMMITTEE

On 11 December 1998, the Company formed an Audit Committee, which comprises Mr. Marvin Bienenfeld, Mr. Chow Yu Chun, Alexander, Mr. Lam Ka Chung, William, Mr. Lin Sian Zu, John and Ms. Tse Koon Hang, Ada, all of whom are independent non-executive Directors of the Company. In establishing the terms of reference of the Audit Committee, the Directors have made reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997.

The unaudited interim report for the six months ended 31 December 2004 has been reviewed by the Audit Committee and Messrs. Deloitte Touche Tohmatsu, auditors of the Company.

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

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

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of 2.5 HK cents per share be paid for this six months period (2003: 2 HK cents per share) to members whose name appear on the register of members on 11 March 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 9 March 2005 to 11 March 2005, both days inclusive, for the purpose of establishing entitlement of shareholders to receive the dividend. During this period, no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Secretaries Limited at G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 8 March 2005.

CORPORATE GOVERNANCE

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the interim period under review, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Following specific enquiry, the directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the period under review.

By Order of the Board
Fung Wai Yiu
Chairman

Hong Kong, 22 February 2005