

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group was successfully listed on the main board of the Stock Exchange on 13 November 2000 and approximately HK\$45 million was raised for business expansion. The listing exercise helped to increase the awareness of the Group's brand "U-RIGHT" and allowed the Group to further capitalize on the growing demand for casual wear in both Hong Kong and the PRC.

The Group is engaged in the design, manufacture and distribution of quality casual wear in Hong Kong and the PRC under the brand name "U-RIGHT". In respect of the Period, the Group recorded a turnover of HK\$179,680,000, representing a 24% growth over the same period last year. With the inclusion of sales for the autumn/winter collection, the PRC market contributed approximately 70% of the Group's total sales for the Period. The Hong Kong market accounted for the remaining 30% of total sales. The encouraging growth in sales was mainly attributable to the Group's effort in promoting the brand "U-RIGHT". In addition, higher turnover also resulted from the continual expansion of the Group's sales and distribution network which significantly helped to broaden the Group's customer base.

The Group successfully sustained the profitable trend to deliver operating profit of HK\$32,108,000 for the Period, 23% up from the previous period. Net profit attributable to shareholders for the Period was HK\$24,583,000, 27% higher than that of the corresponding period last year. The pleasing increase in profitability was due to the implementation of effective cost containment strategies throughout the Period. Earnings per share for the Period stood at 11.9 HK cents.

To maximize sales, the Group continued to adopt a policy of stable pricing in both of its major markets. During the Period, a total of 630 designs were launched. In line with the Group's quality pledge, the Group's quality control team continued to apply stringent requirements on both raw materials and production process.

To sharpen the Group's competitive edges, the Group actively sought to strengthen the sales and distribution channel. For the Period, the number of franchise shops in the PRC expanded from 110 to 130. Additionally, as a result of the Group's strategic marketing campaigns and efficient operation management, the newly opened shops have soon contributed satisfactorily to the Group.

On the operational front, the adoption of front end point-of-sale system in the Group's retail shops in Hong Kong has proven to be an effective means in ensuring timely stock replenishment and maximum stock turnover.

The Group's costs have been well maintained in spite of the gradual economic recovery in the region. For more effective branding, the Group will continue to renovate the existing retail shops in Hong Kong.

The Group acquired the remaining 20% interest of Shunde U-RIGHT from Bijiang Economic Development Company at a consideration of US\$281,700 during the Period. In view of the potential of the PRC market, the management regards the acquisition as a necessary strategic move to affirm the autonomy of the Group's PRC operations.

## U-RIGHT INTERNATIONAL HOLDINGS LIMITED

To complement the Group's expansion strategy, the management diversified into e-commerce business through a 14.4% shareholding interest in U-RIGHT.COM Investments Limited which is engaged in the development of internet marketing business under the domain name U-RIGHT.COM. Instead of committing capital expenditure, the Group would only contribute certain domain names including U-RIGHT.COM. The investment was intended to boost revenue by creating an additional sales channel and increasing the recognition of U-RIGHT brand.

In July 2000, the Group established a strategic relationship with Good Fellow Group Limited ("Good Fellow") (stock code: 910) who is principally engaged in the clothing industry. The introduction of Good Fellow is considered to be beneficial to the Group especially in the future development of the PRC market. In addition, Good Fellow has become one of the subcontractors of the Group.