



**NOTES:**

**1. Accounting Policies**

The condensed financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting”. The accounting policies and basis of preparation are the same as those used in the annual financial statements of the Group for the year ended 31 March 2001, except that the Group has adopted the following revised/new SSAPs which became effective for the current accounting period.

SSAP 9 (revised) “Events after the balance sheet date”

SSAP 9 (revised) prescribes the accounting treatment and disclosures for events occurring after the balance sheet date. In accordance with the SSAP 9 (revised), the Group no longer recognises dividend proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and accordingly, the proposed final dividend previously recorded as a current liability as at 31 March 2001 has been reclassified under the shareholders’ equity in the balance sheet.

SSAP 14 (revised) “Leases”

SSAP 14 (revised) prescribes the accounting treatment and disclosures for finance and operating leases. This has had no major impact on these financial statements save for the changes in disclosures for commitments under non-cancellable operating leases. In prior years, operating lease commitments were disclosed as payments committed to be made during the next year, analysed between those in which the commitments would expire within that year, in the second to fifth years, inclusive; and over five years. In the current period, the disclosure has been changed to the total of the future minimum lease payments under non-cancellable operating leases analysed into those not later than one year; later than one year but not later than five years; and later than five years.

SSAP 31 “Impairment of assets”

SSAP 31 prescribes the procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications the recoverable amounts of the assets are to be determined. Any resulting impairment losses identified are charged to the profit and loss account.



## 2. Turnover

Turnover represents the invoiced value of goods sold, net trade discounts and returns. Analysis of the Group's turnover, which is principally derived from the manufacture and sales of men's and ladies' casual wear, by geographical area of operations disclosed pursuant to the requirements of the Rules Governing the Listing of Securities ("Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), is as follows:

	<b>For the six months ended</b>	
	<b>30 September 2001 (Unaudited) HK\$'000</b>	<b>30 September 2000 (Unaudited) HK\$'000</b>
Sales to the People's Republic of China (the "PRC") (excluding Hong Kong)	<b>117,478</b>	94,333
Sales in the PRC (excluding Hong Kong)	<b>36,472</b>	30,959
Sales in Hong Kong	<b>57,731</b>	54,226
Sales to other countries	<b>2,138</b>	162
	<b><u>213,819</u></b>	<b><u>179,680</u></b>

## 3. Profit from Operating Activities

The Group's profit from operating activities which is principally derived from the manufacture and sales of men's and ladies' casual wear, by geographical area of operations disclosed pursuant to the requirements of the Listing Rules, is analysed as follows:

	<b>For the six months ended</b>	
	<b>30 September 2001 (Unaudited) HK\$'000</b>	<b>30 September 2000 (Unaudited) HK\$'000</b>
Sales to the PRC (excluding Hong Kong)	<b>29,067</b>	24,887
Sales in the PRC (excluding Hong Kong)	<b>1,963</b>	1,001
Sales in Hong Kong	<b>8,035</b>	6,201
Sales to other countries	<b>214</b>	19
	<b><u>39,279</u></b>	<b><u>32,108</u></b>



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

	<b>For the six months ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation		
Owned fixed assets	<b>4,032</b>	2,801
Leased fixed assets	<b>635</b>	380
	<b><u>4,667</u></b>	<b><u>3,181</u></b>
<b>4. Finance Costs</b>		
	<b>For the six months ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	<b>4,880</b>	2,751
Bank loans wholly repayable after five years	<b>483</b>	281
Finance leases	<b>175</b>	127
Other loan	<b>28</b>	28
	<b><u>5,566</u></b>	<b><u>3,187</u></b>
<b>5. Tax</b>		
	<b>For the six months ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision for the period:		
Hong Kong	<b>3,620</b>	3,858
Elsewhere	<b>380</b>	480
Tax charge for the period	<b><u>4,000</u></b>	<b><u>4,338</u></b>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.



In accordance with the applicable corporate income tax law of the PRC, Shunde U-Right Garment Co., Limited (“Shunde U-Right”), a subsidiary of the Company operating in the PRC, is exempt from corporate income tax for the first two profitable calendar years of operation, which commenced in the year ended 31 December 1999, and is entitled to a 50% relief on the corporate income tax that would otherwise be charged for the following three years. The standard PRC corporate income tax rate applicable to Shunde U-Right is 24%.

Deferred tax has not been provided for as there were no significant timing differences at 30 September 2001.

### **6. Dividends**

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2001.

Dividend in 2000 represented dividend declared by certain wholly-owned subsidiaries of the Company and was paid to their then shareholders prior to the Group reorganisation which rationalised the structure of the Group in preparation for the public listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

### **7. Earnings per Share**

The calculation of basic earnings per share for the period ended 30 September 2001 is based on the Group’s net profit attributable to shareholders of HK\$29,713,000 (2000: HK\$24,583,000) and the weighted average of 825,000,000 ordinary shares (2000: 618,750,000 shares\*) in issue during the period, after adjusted to reflect the bonus issue of shares during the period.

Diluted earnings per share for the period ended 30 September 2001 had not been shown as the warrants outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period.

Diluted earnings per share for the period ended 30 September 2000 had not been shown as there was no potential dilutive ordinary shares in existence during the period.

\* Adjusted for bonus issue of shares during the period ended 30 September 2001

### **8. Fixed Assets**

During the period, the Group spent approximately HK\$36.6 million on additions of plants and machinery and leasehold improvements including enhancement of the Group’s brand image, design and renovations of existing franchise shops and retail shops located in the PRC and Hong Kong respectively.



## 9. Interest in an associate

Interest in an associate consisted of:

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Investment cost, at cost	15,750	–
Due from an associate	3,750	–
	<u>19,500</u>	<u>–</u>

The amount due from an associate is interest bearing at Hong Kong prevailing best lending rate, unsecured and has no fixed term of repayment.

Details of the associate, held indirectly by the Company, as at 30 September 2001, are:

Name of Company	Place of Incorporation	Percentage of equity interest held	Principal activity
Consumer Holdings Limited	British Virgin Islands	45%	Subcontracting

## 10. Accounts Receivable

The ages of the accounts receivable are analysed as follows:

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	16,179	11,213
Between 31 to 60 days	15,168	8,440
Between 61 to 180 days	16,685	20,897
Between 181 to 360 days	2,528	2,462
Provision for doubtful debts	(2,698)	(2,698)
	<u>47,862</u>	<u>40,314</u>

It is the Group's policy to grant a normal term of credit period of 30 to 90 days to its trade customers.



## 11. Accounts payable

The ages of the accounts payable are analysed as follows:

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	16,472	22,699
Between 31 to 60 days	9,324	12,324
Between 61 to 180 days	4,662	5,046
Between 181 to 360 days	621	–
	<u>31,079</u>	<u>40,069</u>

## 12. Share Capital

	<b>30 September 2001 (Unaudited) HK\$'000</b>	31 March 2001 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
825,000,000 (31 March 2001: 275,000,000) ordinary shares of HK\$0.10 each	<u>82,500</u>	<u>27,500</u>

On 13 September 2001, the Company allotted and issued 550,000,000 bonus shares to shareholders whose name appeared on the register of members of the Company on 31 August 2001 on the basis of two bonus shares for every one issued share held by the shareholders by way of capitalization of the amounts of HK\$14,248,000, HK\$9,813,000 and HK\$30,939,000 standing to the credit of the share premium account, contributed surplus and retained profits respectively.



### 13. Reserves

	Share premium account <i>HK\$ '000</i>	Fixed assets revaluation reserve <i>HK\$ '000</i>	Statutory reserve <i>HK\$ '000</i>	Contributed surplus reserve <i>HK\$ '000</i>	Exchange fluctuation <i>HK\$ '000</i>	Capital reserve <i>HK\$ '000</i>	Retained profits <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 April 2001	14,248	25,059	220	9,813	(945)	585	49,595	98,576
Bonus issue of new shares	(14,248)	-	-	(9,813)	-	-	(30,939)	(55,000)
Net profit for the period	-	-	-	-	-	-	29,713	29,713
At 30 September 2001	<u>-</u>	<u>25,059</u>	<u>220</u>	<u>-</u>	<u>(945)</u>	<u>585</u>	<u>48,369</u>	<u>73,288</u>

### 14. Related Party Transactions

The Group had transactions with Mr. Leung Ngok and Mr. Leung Shing as set out below:

	<b>For the six months ended</b>	
	<b>30 September 2001 (Unaudited) <i>HK\$ '000</i></b>	<b>30 September 2000 (Unaudited) <i>HK\$ '000</i></b>
Rental expenses	<u>455</u>	<u>76</u>

The rental expenses paid to Mr. Leung Ngok and Mr. Leung Shing for two properties occupied by the Group as retail outlets were charged at a fixed rate of HK\$75,800 per month in aggregate commencing from 1 September 2000, which was determined with reference to the market rates.

### 15. Operating Lease Commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of land and buildings, which fall due as follows:

	<b>30 September 2001 (Unaudited) <i>HK\$ '000</i></b>	<b>(Restated) 31 March 2001 (Unaudited) <i>HK\$ '000</i></b>
Within one year	<b>19,908</b>	25,112
In the second to fifth year inclusive	<b>12,991</b>	21,900
	<u><b>32,899</b></u>	<u>47,012</u>



## 16. Contingent Liabilities

As at 30 September 2001, the Company had provided unlimited corporate guarantee for banking facilities granted to certain of its subsidiaries which were utilized to the extent of HK\$71,008,000.

## 17. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation in the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Directors of the Company announces that the Group recorded a turnover of HK\$213,819,000 for the period ended 30 September 2001, representing an increase of 19% over the previous corresponding period. Net profit from ordinary activities attributable to shareholders increased to HK\$29,713,000 from HK\$24,583,000 in 2000, an increase of 21% compared with the previous year. Earnings per share amounted to HK3.6 cents (2000: HK4.0 cents).

In order to achieve cost-effectiveness and maintain flexibility, over 90% of the Group's products were produced on a subcontracting basis. The Group has maintained good relationship with its subcontractors which have enhanced the effectiveness of the operation. In order to institutionalize our commitment to quality, the quality control team of the Group adopts stringent quality control measures on materials and production process.

To sharpen the product's competitive edges, the Group has endeavoured to enhance the value-added function of our products. During the period under review, the Group has invested in nano technology and applied it to the garment manufacturing process. Processed clothing under this technology are stain repellent, water-resistant and anti-bacterial and requires about 50% less detergent usage than normal clothing does. Accordingly, clothing processed under this technology is more environmental friendly. Nano technology is applicable to most clothing materials and therefore providing ample room for the development of casual wear line.

In respect of market exploitation, an addition of 36 franchise shops and 2 retail shops were opened in the PRC and Hong Kong respectively. In order to satisfy the growing demand of customers for U-RIGHT's products, the Group has strived to develop our existing and overseas market and further broaden our market share.

The Group has adopted a new Company logo during the period which demonstrates our respect to every customer and our commitment to render the best service to our customers. The Group redecorated most of the retail and franchise shops with the new Company logo. The new Company logo emphasizes the Group's new and energetic image and consolidates the Group's status in the industry.