

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of U-RIGHT 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 30 September 2002 together with the comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended	
		30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000
	<i>Notes</i>		
TURNOVER	2	263,300	213,819
Cost of sales		(167,869)	(130,002)
GROSS PROFIT		95,431	83,817
Other revenue		10,658	1,014
Selling and distribution costs		(46,265)	(24,163)
Administrative expenses		(30,968)	(17,408)
Other operating expenses		(7,909)	(3,981)
PROFIT FROM OPERATING ACTIVITIES	2,3	20,947	39,279
Finance costs	4	(5,654)	(5,566)
Share of losses of jointly-controlled entities		(397)	-
PROFIT BEFORE TAX		14,896	33,713
Tax	5	(1,134)	(4,000)
PROFIT BEFORE MINORITY INTERESTS		13,762	29,713
Minority interests		5,322	-
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		19,084	29,713
DIVIDENDS	6	Nil	Nil
EARNINGS PER SHARE	7		
Basic		HK1.8 CENTS	HK3.6 CENTS



CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	8	114,333	91,971
Investment properties		12,980	12,980
Interests in jointly-controlled entities		19,561	19,921
Interests in associates	9	-	32,719
Investment securities		71	71
Prepayments and deposits for acquisition of long term assets		52,950	20,245
Rental deposits		11,492	7,328
Intangible assets	9	91,303	-
		302,690	185,235
CURRENT ASSETS			
Inventories		79,553	59,675
Accounts receivable	10	68,299	51,171
Prepayments, deposits and other receivables		23,034	21,017
Due from jointly-controlled entities		7,041	7,254
Due from associates		-	9,958
Other investments		980	980
Pledged bank deposits		-	52,880
Bank deposits		53,387	-
Cash and bank balances		43,425	22,353
		275,719	225,288
CURRENT LIABILITIES			
Accounts and bills payables	11	24,190	28,595
Accrued liabilities and other payables		5,425	13,290
Tax payable		29,268	28,487
Interest-bearing bank and other borrowings		39,598	69,190
Finance lease payables		3,324	4,581
		101,805	144,143
NET CURRENT ASSETS			
		173,914	81,145
TOTAL ASSETS LESS CURRENT LIABILITIES			
		476,604	266,380
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		130,000	19,858
Finance lease payables		1,950	2,931
		131,950	22,789
MINORITY INTERESTS			
		(5,322)	-
		349,976	243,591
CAPITAL AND RESERVES			
Issued capital	12	110,658	94,604
Reserves		239,318	148,987
		349,976	243,591

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital account <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Con- tributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <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	27,500	14,248	25,060	220	9,813	(945)	585	49,595	126,076
Bonus issue	55,000	(14,248)	-	-	(9,813)	-	-	(30,939)	-
Net profit for the period	-	-	-	-	-	-	-	29,713	29,713
At 30 September 2001 and 1 October 2001	82,500	-	25,060	220	-	(945)	585	48,369	155,789
Issue of shares	12,104	71,164	-	-	-	-	-	-	83,268
Share issue expenses	-	(2,425)	-	-	-	-	-	-	(2,425)
Deficit on revaluation	-	-	(927)	-	-	-	-	-	(927)
Net profit for the period	-	-	-	-	-	-	-	7,886	7,886
At 31 March 2002 and 1 April 2002	94,604	68,739	24,133	220	-	(945)	585	56,255	243,591
Issue of shares	16,054	72,390	-	-	-	-	-	-	88,444
Share issue expenses	-	(1,143)	-	-	-	-	-	-	(1,143)
Net profit for the period	-	-	-	-	-	-	-	19,084	19,084
At 30 September 2002	110,658	139,986	24,133	220	-	(945)	585	75,339	349,976



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000 (Restated)
Net cash inflow from operating activities	24,420	33,268
Net cash outflow from investing activities	(129,757)	(60,085)
Net cash inflow from financing activities	157,794	2,613
Net (decrease)/increase in cash and cash equivalents	52,457	(24,204)
Cash and cash equivalents at beginning of period	(9,032)	17,191
Cash and cash equivalents at end of period	43,425	(7,013)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	43,425	13,445
Bank overdrafts	-	(11,534)
Trust receipt loans with original maturity within three months	-	(8,924)
	43,425	(7,013)

Notes:

1. Basis of Presentation and Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The basis of preparation and accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 March 2002 except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the HKSA which has led to the following changes in the Group’s accounting policies and the presentation of the financial statements:

SSAP 1 (Revised) “Presentation of Financial Statements” has introduced new format of presentation in reporting changes in equity. The presentation in the prior period’s unaudited condensed consolidated financial statements has been restated in order to achieve a consistent presentation.

SSAP 15 (Revised) “Cash Flow Statement” has changed the classifications of cash flows in the cash flow statement and the definition of cash equivalents. The presentation in the prior period’s unaudited condensed consolidated cash flow statement has been restated in accordance with the new format.

SSAP 34 “Employee Benefits” has introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any material effects on the financial statements of the current or prior period and accordingly, no prior period adjustment is required.

2. Turnover and Segment Information

Turnover represents the invoiced value of goods sold, net of trade discounts and returns. An analysis of the Group's turnover and contributions to operating profit before finance costs and tax by principal activities and by geographical markets for the six months ended 30 September 2002, together with the comparative figures for the corresponding period in 2001, is as follows:

	For the six months ended	
	30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000
By principal activities:		
Turnover		
Garments	260,049	213,819
Swedish Texcote Technology Processing	3,251	-
Total	263,300	213,819
Profit from operating activities		
Garments	45,467	42,824
Swedish Texcote Technology Processing	(15,625)	-
Other income	659	1,014
Unallocated expenses	(9,554)	(4,559)
Total	20,947	39,279
By geographical Segments:		
Turnover		
Sales to the People's Republic of China (the "PRC") (excluding Hong Kong)	134,990	117,478
Sales in the PRC	39,300	36,472
Sales in Hong Kong	56,905	57,731
Sales to other countries	32,105	2,138
Total	263,300	213,819
Profit from operating activities		
Sales to the PRC (excluding Hong Kong)	23,812	32,612
Sales in the PRC	1,765	1,963
Sales in Hong Kong	3,015	8,035
Sales to other countries	1,250	214
Other income	659	1,014
Unallocated expenses	(9,554)	(4,559)
Total	20,947	39,279

3. Profit From Operating Activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended	
	30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000
Staff costs	16,856	14,523
Minimum lease payments under operating leases in respect of land and buildings	15,249	12,351
Depreciation	8,594	4,667
Amortisation of intangible assets	5,775	-
Gain on partial disposal of a subsidiary	(9,999)	-

4. Finance Costs

	For the six months ended	
	30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	5,313	4,880
Bank loans wholly repayable after five years	58	483
Finance leases	255	175
Other loan	28	28
	5,654	5,566

5. Tax

	For the six months ended	
	30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000
Provision for the period:		
Hong Kong	776	3,620
Elsewhere	358	380
Tax charge for the period	1,134	4,000

Hong Kong profits tax has been provided at the rate of 16% (2001: 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 exempted 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 2002 (2001: Nil).

6. Dividends

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2002 (2001: Nil).

7. Earnings per Share

The calculation of basic earnings per share for the period ended 30 September 2002 is based on the Group's net profit attributable to shareholders of HK\$19,084,000 (2001: HK\$29,713,000) and the weighted average number of 1,040,921,346 ordinary shares (2001: 825,000,000 shares) in issue during the period.

Diluted earnings per share for the periods ended 30 September 2002 and 30 September 2001 had not been shown as the warrants outstanding during the periods had an anti-dilutive effect on the basic earnings per share for the periods.

8. Fixed Assets

During the period, the Group spent approximately HK\$31,000,000 (2001: HK\$36,600,000) on addition of machinery mainly relating to Swedish Texcote Technology as well as the addition of leasehold improvements and office equipment and facilities for new office premises and the opening of new retail shops located in Hong Kong.

9. Interests in Associates

During the period, the following companies, which were associates of the Company as at 31 March 2002, became subsidiaries of the Company as of 30 September 2002 as a result of the additions of investments in Consumer Holdings Limited and Direct Sales Enterprises Limited for another HK\$35 million and HK\$7 million respectively. Goodwill arising from acquisition of the following companies was classified as intangible assets at 30 September 2002 and is amortised over the period of each of proprietary rights under each company.

Name of Company	Place of Incorporation	Percentage of equity interest held	Principal activity
Consumer Holdings Limited	British Virgin Islands	75.0%	Investment holding
Direct Sales Enterprises Limited	British Virgin Islands	51.0%	Holding of the proprietary rights over a Swedish Texcote Technology



10. Accounts Receivable

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	29,813	23,699
Between 31 to 60 days	21,586	12,704
Between 61 to 180 days	18,550	16,435
Between 181 to 360 days	97	80
	70,046	52,918
Provision for doubtful debts	(1,747)	(1,747)
	68,299	51,171

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 and Bills Payables

An aged analysis of the accounts and bills payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	10,146	11,793
Between 31 to 60 days	10,500	13,440
Between 61 to 180 days	3,520	3,362
Between 181 to 360 days	24	-
	24,190	28,595

12. Share Capital

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,106,580,700 (31 March 2002: 946,039,400) ordinary shares of HK\$0.10 each	110,658	94,604

On 7 June 2002, 45,000,000 ordinary shares of HK\$0.10 each in the Company were placed by ACE Target Inc., the Company's substantial shareholder, to independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates as defined in the Listing Rules, at a price of HK\$0.81 per share. ACE Target Inc. then subscribed for a total of 45,000,000 new shares of HK\$0.10 each in the Company at HK\$0.81 per share. The proceeds received from the above placing and subscription of shares of approximately HK\$35 million, net of expenses, had been used to develop the Swedish Texcote Technology and other related products and as general working capital of the Group.

During the period, 115,541,300 ordinary shares of HK\$0.10 each in the Company were issued to certain warrant holders at a price of HK\$0.45 per share, following the exercise of the warrants. The proceeds received from the exercise of warrants of approximately HK\$52 million are intended to be used to develop the Swedish Texcote Technology and other related products and as general working capital of the Group.

13. Related Party Transactions

During the period, the Group had transactions with Mr. Leung Ngok and Mr. Leung Shing, executive directors of the Company, as set out below:

	For the six months ended	
	30 September 2002 (Unaudited) HK\$'000	30 September 2001 (Unaudited) HK\$'000
Rental expenses	455	455

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 for the period, which was determined with reference to the market rates.



14. Operating Lease Arrangements

(a) *As lessor*

At 30 September 2002, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Within one year	440	440

(b) *As lessee*

At 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Within one year	21,905	22,773
In the second to fifth year inclusive	23,708	21,088
	45,613	43,861

15. Contingent Liabilities

As at 30 September 2002, the Company had provided unlimited corporate guarantees for banking facilities granted to certain of its subsidiaries which were utilized to the extent of HK\$31,098,000, and corporate guarantees for finance lease payables of the Group of approximately HK\$5,300,000.

16. Comparative Figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2002, the Group's business remained relatively stable in view of continuous poor market sentiment. Turnover recorded HK\$263,300,000, representing an increase of 23.1% in comparison with the corresponding period last year. Net profit attributable to shareholders amounted to HK\$19,084,000.

During the period under review, the Group continued to focus in the business of design, manufacture and distribution of quality casual wears. The Group expanded its variety of apparel products and distribution network and implemented stringent cost control at the same time. In spite of adverse external influence and sluggish local retailing sector, the Group still recorded an increase in turnover.

The Group continued to raise the brand awareness of "uright", to strengthen the Group's promotional strategies and to consolidate its retail business in Hong Kong and the Mainland China during the period. The newly launched NANOECO collection in the beginning of 2002 had received favorable market response and the 2002 Hong Kong Awards for Industry – Certificate of Merit in Consumer Product Design as presented by Federation of Hong Kong Industries. It further proved that the NANOECO environmental-friendly collection has gained recognition and is widely accepted by the consumer market. During the period under review, the Group steadily expanded its sales network by maintaining 28 self-managed shops in Hong Kong and 262 franchise shops in the Mainland China respectively.

Garments Business

I PRC

During the period, the Mainland China still remained the core market of the Group. In spite of continuous domestic deflation as well as deterioration of internal demand in China, the Group's sales and distribution business still exhibited growth, representing 66.2% of the total turnover.

After China's accession into the World Trade Organization ("WTO"), many foreign retailers have launched their retail business in major cities of the Mainland China. As the number of brands continuously increases, competition becomes more and more severe with rising operating cost. As a result, the Group has revised its operating strategies to expedite and expand the sales and distribution network in the second and third-tier cities of China for the purpose of increasing the Group's turnover and consolidating the Group's market position in the Mainland China.

The logo for u*right, featuring a stylized white 'u' with an asterisk inside an orange circle, and the text '*u*right' below it.

II *Hong Kong*

The Group's business in Hong Kong was inevitably affected by global economic downturn, sluggish local economy, high unemployment rate, and poor consumption sentiment. Adhering to the Group's advantages and commitment to our customers, the Group gained support and acceptance from the market by our quality products as well as the newly launched NANOECO environmental-friendly collection. During the period, the Group maintained a stable turnover compared to the corresponding period of the previous year, representing 21.6% of the total turnover.

III *Overseas*

The Group's export business scored a significant growth. In view of tremendous potential of the overseas markets, the Group will continue to explore overseas business opportunities.

Swedish Texcote Technology Business

In the early 90's, two respected Swedish scientists commenced the study of the applications of Swedish Texcote Technology. Impressed with the scope and depth of their research findings, the Group obtained the Technology in 2001 and proactively modified as well as manufactured value-added products. In order to out-perform other competitors in such a fiercely competitive market, the Group introduced apparel products with environmental-friendly properties, exceptional functionality, attractive appearance and durability.

Textile materials processed by Swedish Texcote Technology possess the properties of being stain resistant, water repellent, breathable and environmental-friendly. The technology can be applied to a wide range of textile materials including cotton, linen, silk, wool, synthetic fibers, etc. which can bring tremendous market potential to the casual wear sector. The Group has successfully mastered the application of Swedish Texcote Technology to textile products and ready-made clothing, and will continue to modify and improve other functionalities, such as fire-retardant, anti-bacteria and other health care properties. The Group is actively exploring the technology to engage processing for other textile manufacturers and brands as well as licensing the technology to other potential garment manufacturers.

In addition, the Group entered into a technology consultancy agreement with the University of Science and Technology of China ("USTC") in July 2002, whereby USTC was commissioned to carry out research, development and application on nanotechnology, and improve and enlarge the scope of application of Swedish Texcote Technology.

The Group is exploring the application of Swedish Texcote Technology to other products including paper, glass, tiles, paint, emulsion paint, wood products, etc. The Group continues to diversify its business by applying the technology to other commercial spheres so as to incorporate value-added properties of being water repellent, stain-resistant and environmental-friendly.

The Group's Swedish Texcote Technology business is currently at the preliminary stage of investment. The Group will actively develop its nanotechnology business opportunities. The Group is confident that it will bring a profitable return in the future.

Marketing and Promotion

During the period under review, the Group was aggressively promoting the business and marketing the brand of "uright" and Swedish Texcote Technology by participating in large-scale fashion exhibitions in various cities in the Mainland China, Hong Kong and Japan. In addition, the Group promoted its brand products and the Swedish Texcote Technology by advertising on TV, magazines, outdoor walls and buses. For the purpose of creating consumer awareness of the Swedish Texcote Technology, the Group increased promotional expenditures by HK\$20 million. The preliminary market response was favorable. The promotion program deepened consumers' and other brand manufacturers' understanding of NANOECO environmental-friendly products and effectively enhanced the awareness of Swedish Texcote Technology.

FINANCIAL REVIEW

Equity

On 7 June 2002, 45,000,000 ordinary shares of HK\$0.10 each in the Company were placed by ACE Target Inc., to independent third parties at a price of HK\$0.81 per share. ACE Target Inc. then subscribed for a total of 45,000,000 new shares of HK\$0.10 each in the Company at HK\$0.81 per share.

During the period under review, 102,712,500 ordinary shares of HK\$0.10 each in the Company were issued to ACE Target Inc. at a price of HK\$0.45 per share following its exercise of 102,712,500 warrants issued by the Company. Subsequent to the above share placing and exercise of warrants by ACE Target Inc. and other shareholders, the share capital of the Company was increased by 160,541,300 shares during the period.

Liquidity and gearing

In April 2002, the Group succeeded in obtaining an unsecured 3-years term syndicated bank loan of HK\$130,000,000 which was arranged by West LB AG, Hong Kong Branch. The loan amount was mainly used to repay all existing short-term bank borrowings from banks in Hong Kong. The syndicated loan is bearing interest at HIBOR plus 1.7% p.a..



As at 30 September 2002, the Group's total available banking facilities amounted to approximately HK\$235,000,000, of which approximately HK\$65,000,000 was unutilized. As at the balance sheet date, the Group's total bank borrowings less cash and bank balances and bank deposits amounted to HK\$78,100,000 (31 March 2002: HK\$21,300,000), and its net gearing ratio (expressed as a percentage of net bank borrowings over net asset value) was 22% (31 March 2002: 9%).

The liquidity of the Group is healthy. As at 30 September 2002, the net current assets of the Group were approximately HK\$174,000,000 (31 March 2002: HK\$81,100,000). As at the balance sheet date, the Group had cash and bank balances and bank deposits of HK\$96,800,000 (31 March 2002: HK\$75,200,000) and the current ratio was maintained at a healthy level of 2.71x (31 March 2002: 1.56x).

The Group's net assets as at 30 September 2002 amounted to HK\$350,000,000, representing an increase of 43.7%, as compared to its net assets of HK\$243,600,000 as at 31 March 2002.

Remuneration policies and share option scheme

Remuneration packages comprised salaries and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was HK\$16,900,000 (2001: HK\$14,500,000).

As at the period end date, there were outstanding share options granted to certain eligible employees entitling them to subscribe for 70,000,000 shares of the Company. Details of the share options outstanding as at the period end date are set out in section under "Share Option Scheme" and "Directors' Rights To Acquire Shares" in the interim financial report.

PROSPECTS

The Group is committed to the principle of "incorporating advanced technology to lead the trend". Apart from consolidating traditional casual wear business, the Group will further apply and improve Swedish Texcote Technology on various garment and textile products. The newly designed processing line for the application of Swedish Texcote Technology already commenced trial testing in December 2002. It is planned to provide Texcote processing services to other garment manufacturers in the beginning of next year. The preliminary processing order situation is satisfactory. The processing line can increase the Group's production of NANOECO environmental-friendly collection and provide more varieties of NANOECO environmental-friendly products to consumers. In view of great market demand for Swedish Texcote Technology, the Group is planning to establish a new production plant with Texcote processing facilities in Guangdong Province in order to accelerate the technology development. The whole project is expected to be completed in the third quarter of next year.

Clothing industry in the Mainland China will face a revolutionary change after the Mainland China's accession to the WTO. Competition in traditional retailing business will become more severe together with rising operational costs after numerous foreign brands entering into the Mainland China market. Only the high-quality and high-tech products can outperform in competition and lead the trend. As such, the Group will enhance its competitiveness by applying Swedish Texcote Technology to manufacture high value-added products and consolidate the sales and distribution network and the retailing business in the Mainland China and Hong Kong in order to generate a profitable return to the Group.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2002, the Group had a total of 856 employees of which 247 were based in Hong Kong and 609 based in the PRC.

Remuneration packages are maintained at a competitive level and reviewed on a periodical basis. Bonus and share options are awarded to certain employees according to the assessment of individual performance and industrial practice.

Frequent training sessions were also conducted to enhance product knowledge and selling techniques of all front-line sales staff.

SHARE OPTION SCHEME

Pursuant to the Company's ordinary resolution passed on 9 July 2002, shareholders of the Company approved the termination of the Company's share option scheme adopted on 17 October 2000 (the "Previous Scheme") and the adoption of a new share option scheme (the "New Scheme"), which allows the Directors to grant eligible participants (as defined in the New Scheme) including, inter alia, employees and Directors of the Group options to subscribe for the Company's ordinary shares at a price, which shall not be less than the highest of:-

- (a) the closing price of the Company's shares as quoted on the Stock Exchange on the date of offer;
- (b) the average closing price of the Company's shares as quoted on the Stock Exchange for the 5 trading days immediately preceding the date of offer; and
- (c) the nominal value of the Company's shares.

Pursuant to the New Scheme, the Company has granted options on the Company's ordinary shares in favour of certain Directors and employees, the details of which are as follows:

Name or category of participant	Date of grant of share options	Number of share options granted during the period	Exercisable period	Exercise price per share**	Closing Price before the date of grant	Number of	Number of
						share options cancelled during the period	outstanding share options at 30 September 2002
				HK\$	HK\$		
Directors							
Mr. Leung Ngok	7 August 2002	10,000,000	7 August 2002 - 6 August 2012	0.2778	0.244	-	10,000,000
Mr. Leung Shing	7 August 2002	10,000,000	7 August 2002 - 6 August 2012	0.2778	0.244	-	10,000,000
Mr. Lee Ka Yiu, Andy	7 August 2002	10,000,000	7 August 2002 - 6 August 2012	0.2778	0.244	-	10,000,000
Mr. Li Chung Hing	7 August 2002	10,000,000	7 August 2002 - 6 August 2012	0.2778	0.244	-	10,000,000
Other employees							
In aggregate*	7 August 2002	30,000,000	7 August 2002 - 6 August 2012	0.2778	0.244	-	30,000,000
		70,000,000					70,000,000

* Employees working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.

** The exercise price of the share option is subject to adjustment in the events as detailed in the New Scheme.

The Directors do not consider it appropriate to disclose a theoretical value of the share options granted during the period because the Directors opine that the values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself. The Directors consider that such disclosure does not give additional value in view of the above mentioned limitations surrounding these models.

The Company has not granted any share options under the Previous Scheme.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2002, the interests of the Directors and their associates in the securities of the Company and its associated corporations, as recorded in the register (the "Register") maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the

“SDI Ordinance”) or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”), were as follows:

Name of Director	Type of Interests	Number of Shares of the Company Interested
Mr. Leung Ngok (<i>Note</i>)	Corporate/family	566,275,000
Mr. Leung Shing (<i>Note</i>)	Corporate/family	566,275,000

Note: These shares are held by ACE Target Inc. as trustee of The Target Unit Trust, a unit trust of which 51% of the units in issue are owned by Ansbacher (BVI) Limited, as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok’s family members, and of which 49% of the units in issue are owned by Ansbacher (BVI) Limited, as trustee of The Leung Shing Family Trust, a discretionary trust of which the objects include Mr. Leung Shing’s family members. The issued share capital of ACE Target Inc. is held by Mr. Leung Ngok and Mr. Leung Shing in the proportion of 51% and 49%, respectively.

In addition to the above, certain directors hold shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) as recorded in the Register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

At 30 September 2002, the Directors of the Company had personal interests in share options to subscribe for shares in the Company granted as follows:

Name of Director	Date of grant of share option	Exercisable period	Exercise price per share	Number of outstanding share options at 30 September 2002
Mr. Leung Ngok	7 August 2002	7 August 2002 - 6 August 2012	0.2778	10,000,000
Mr. Leung Shing	7 August 2002	7 August 2002 - 6 August 2012	0.2778	10,000,000
Mr. Lee Ka Yiu, Andy	7 August 2002	7 August 2002 - 6 August 2012	0.2778	10,000,000
Mr. Li Chung Hing	7 August 2002	7 August 2002 - 6 August 2012	0.2778	10,000,000

Apart from as disclosed under the headings "Share Option Scheme", "Directors' Interests In Securities" and "Directors' Rights To Acquire Shares", at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or chief executives or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

SUBSTANTIAL SHAREHOLDER

At 30 September 2002, the following party was interested in 10% or more in the issued share capital of the Company according to the Register of Interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of Shares	Percentage of Holding
ACE Target Inc. <i>(Note)</i>	566,275,000	51.17%

Note: This interest has also been disclosed as "Corporate/family interest" of Mr. Leung Ngok and Mr. Leung Shing, in the section headed "Directors' Interests in Securities" above, where further details of ACE Target Inc. are given.

Save as disclosed above, as at 30 September 2002, no other party had registered an interest in the share capital of the Company as recorded in the Register of Interests required to be kept under Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2002, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises Mr. Wang Pingqing and Mr. Wong Kong Hon, the independent non-executive directors. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements in respect of the period ended 30 September 2002 and discussed with the directors the internal control and financial reporting matters.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

On Behalf of the Board
Leung Ngok
Chairman

Hong Kong, 20 December 2002