



October 2002

The Group participated in the "Hong Kong Fashion Week 2002" organized by the HKTDC in Osaka, Japan.



September and October 2002

During the "Hong Kong Fashion Week 2002" in Tokyo and Osaka, Japan, the Group co-hosted with HKTDC to organize seminars introducing Swedish Textile-processing Technology to the Japanese market.



January 2003

The Group participated in the "World Boutique 2003" organized by the HKTDC in Hong Kong. The Group exhibited NANOECO collection and received favorable response from the market.



May 2003

The Group hosted a product launch meeting introducing Nano-processed medical and health care products.



March 2003

The Group participated in a large-scale exhibition known as "Style Hong Kong" organized by HKTDC in Beijing. Concurrently, the Group co-hosted with HKTDC a seminar sharing experience in setting up a franchise operation in China.



July 2002

The Group exhibited Texcote-processed garment products at the Hong Kong Fashion Week for "Spring/Summer 2003" organized by HKTDC.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group has consistently financed its business development by means of internal resources, equity funding and bank borrowings. During the year under review, the Company raised funds from the issuance of capital, through the arrangement of shares placement and the exercise of warrants, totaling approximately HK\$87 million. In addition, in April 2002, the Group entered into an unsecured HK\$130 million syndicated bank loan facility agreement arranged by WestLB AG, Hong Kong Branch. The syndicated loan bears interest at a rate of HIBOR plus 1.7% per annum and has a term of three years. A major portion of the proceeds from the syndicated loan was used to repay the previous secured bank borrowings from banks in Hong Kong. As a result of the repayment of such bank borrowings, the previous pledge of assets in Hong Kong had been released.

As a result of the above fund raising activities, the Group's liquidity and financial resources position remained sound and in particular, the Group's cash position was substantially enhanced during the year. As at 31 March 2003, the Group had an aggregate cash and bank balances of approximately HK\$108 million as compared to HK\$75 million as at the corresponding period end of last year. Apart from the foregoing, the Group had available banking facilities totaling HK\$279 million in which HK\$88 million was not utilized as at 31 March 2003. The Group's net gearing ratio, expressed as a percentage of its net borrowings over total equity, maintained at a low level of only 28% as at 31 March 2003.

Pledge of Assets

Certain assets of the Group as at 31 March 2003 located in the PRC with an aggregate net book value of approximately HK\$30 million were pledged to financial institutions in the PRC for credit facilities granted to the Group's subsidiary in China.

Acquisitions and Disposals

In order to enhance the development of the Swedish Texcote Technology business, the Group acquired a further 3% and 30% equity interest in Texcote International Limited and U-Right Nano (BVI) Limited for an aggregate consideration of HK\$42 million during the year. Upon completion of these acquisitions, the Group now holds 51% and 75% in Texcote International Limited and U-Right Nano (BVI) Limited respectively. In addition, the Group has increased its equity interest in Jumbo Lake International Limited, a trading group specialising in the export of fashion garments to the European and North American markets, to 95% during the year.

Apart from the above acquisitions, the Group successfully disposed of a 12.5% equity interest in Outclass Associates Limited, a company holding the exclusive right to use the Swedish Texcote Technology in the textile and clothing industry in the PRC, Hong Kong and Macau, for a consideration of HK\$10 million resulting in a gain of approximately HK\$9.99 million.





Employment, Training and Development

As at 31 March 2003, the Group had a total of 975 employees, including 237 employees in Hong Kong and 738 employees in Mainland China. The Group provided its employees with comprehensive remuneration packages according to the market salary trend, individual expertise and performance. Other benefits provided by the Group include mandatory provident fund and share option scheme.

Based on its "people-oriented" management concept, the Group organized training sessions for all front-line sales staff and supporting management staff in the year to enhance their product knowledge, selling techniques and operating efficiency.



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 year under review was HK\$42,583,000 (2002: HK\$36,540,000).

As at the year end, 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 year end date are set out in the section under "Share Option Scheme" and "Directors' Rights To Acquire Shares" in this financial report.

Community Care

The Group has long been actively engaging in environmental protection and community affairs. It spared no effort in the fight against SARS. It is the first garment manufacturer to apply the Swedish Texcote Processing Technology in the production of "U-RIGHT NANO MASKS" which can effectively block off droplets and filter out bacteria. During the SARS period, the Group had donated nano masks and nano protective gowns to a number of hospitals and charity organizations in Mainland China, Hong Kong and Taiwan, and also contributed part of the sales revenue derived from Hong Kong and China to the "WE CARE" fund set up by the Chinese University of Hong Kong and to Shunde City Government of Guangdong as a token of support to the front-line medical staff in Hong Kong and China.



Prospects

Retailing and Distribution of Apparel

In order to follow the widely adopted marketing strategy in China, the Group has successfully appointed "Boy'z" as spokespersons for the promotion of its "u-right" brand in China. We believe that this strategy can effectively promote the development of our garment business in China and enhance the reputation of "u-right". As a result of the continuous deflationary pressure in Hong Kong, the local retail market was declining. The Group will hence prudently develop its local retail business.

Besides developing the PRC market, the Group will also continue to seek for business partners with growth potential in the overseas markets. During the year under review, our sales in the overseas markets grew strongly. In addition, as overseas demand for high added value and multi-functional products increases, the NANOECO collection of the Group is well received in the overseas markets. The Group therefore plans to put in more resources in developing the overseas markets in Europe, the United States and Japan. Through the expansion of overseas export business, the Group is able to widen its revenue base and diversify market risk in order to establish a global presence and raise the recognition of "u-right" brand in the international market. It is believed that such efforts will bring substantial returns to the Group in the coming future.

Swedish Texcote Technology

Besides using Swedish Texcote Technology to produce the NANOECO collection, the Group is active in developing the Swedish Texcote processing business and to conduct processing for other textile and garment manufacturers or brands in Mainland China and Hong Kong. Besides, the Group will also engage in the licensing of Swedish Texcote Technology to other brands and garment manufacturers with good potential. This technology licensing business will be one of the major developments of the Group.

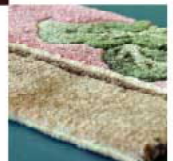
Besides developing the business of this innovative technology in Mainland China and Hong Kong, the Group also plans to expand its business in the international market. The Group had entered into distribution agreements with Primegate Enterprise Limited of Japan and Manufacturers Casas y Castellet S.A. of Spain respectively and appointing them as distributors of the Group's Texcote treated textile products in Japan and Spain with a view to establishing the Swedish Texcote Technology as an international well-known brand. As a result, the Group's nano textile product and the Swedish Texcote Technology can gain worldwide recognition.

In anticipation of the keen demand for Swedish Texcote Technology, the Group is now constructing a new Texcote processing plant with an area of 170,000 sq. feet in Shunde City of Guangdong which will accommodate ten sets of Texcote processing lines. In the first phase of the new plant, there will be five sets of Texcote processing lines, and construction is expected to be completed in mid 2004. The new facility will provide processing for various types of textile products such as fabrics material, knitted sweaters, T-shirt, neckties, hats and textile household products. The Group expects that the new plant will significantly increase the Swedish Texcote processing capacity as well as the product mix.





At present, the Group has successfully mastered the application of Swedish Texcote Technology in textile products and garments. In view of the tremendous opportunity in the development of this technology, the Group applied the Swedish Texcote Technology on medical and health care products this April and successfully developed nano medical products including nano masks and nano protective gowns. In May, the Group signed a letter of intent for cooperation with Shanghai Pharmaceutical Industrial Co., Ltd. for the production and sale of nano medical products including face masks and protective surgical gowns. The co-operation will facilitate the Group to expand the distribution network and capacity for the medical products. Besides the production of nano medical products, the Group is now discussing with a number of enterprises for cooperation in the application of Swedish Texcote Technology on various textile products such as textile material, household products, carpets, giftware and toys and thereby improving further the quality of our daily lives.



Following the signing of agreement on the Closer Economic Partnership Arrangement between Mainland China and Hong Kong, the Group pays close attention to the standard definitions of zero tariff and product of Hong Kong

origin. The Group is now vigorously conducting negotiations with internationally well-known brands and recommending Swedish Texcote Technology to them for the processing of their products in Hong Kong which will give rise to added value to their products. If products are exported to the PRC market with zero tariff, the import cost of those branded goods can be lowered and their competitiveness in China will then increase. In addition, the Group is considering the possibility of setting up a plant in Hong Kong to produce Texcote chemical materials in order to reduce the cost for importing such materials into the PRC and enhance the competitiveness of Texcote processing. Benefiting from the newly concluded Closer Economic Partnership Arrangement, the zero tariff arrangement between Hong Kong and Mainland China will certainly bring new business opportunities to the Group.

Concerning technological research and development, in addition to the functionality of water repellence, stain resistance and breathability on textile products processed by Swedish Texcote Technology, the Group will continue to explore into other functionalities of Swedish Texcote Technology such as anti-bacteria, anti-ultraviolet and fire retardancy characteristics. As SARS was widely rampant in many places earlier this year, the hygienic awareness among people has been greatly raised, which in turn has led to an increasing demand of products with anti-bacteria functionality. In view of this, the Group will focus on developing anti-bacteria textile material by utilizing Swedish Texcote Technology. Moreover, the Group will apply Swedish Texcote Technology in non-textile products including paper, paint, wooden products, glass and leather goods. The Group is fully confident that its diversified business initiatives, coupled with the established sales network and rapid expansion of the overseas business, will facilitate the Group to maintain sustainable growth in the future and bring significant returns to shareholders.

