



U-RIGHT INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

INTERIM REPORT
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Technology for Life

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 2003 together with the comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended	
		30 September 2003 (Unaudited) HK\$'000	30 September 2002 (Unaudited) HK\$'000
TURNOVER	2	314,904	263,300
Cost of sales		(199,751)	(167,869)
GROSS PROFIT		115,153	95,431
Other revenue		701	659
Gain on disposal of a subsidiary		3,941	9,999
Selling and distribution costs		(33,593)	(46,265)
Administrative expenses		(26,158)	(30,968)
Amortisation of goodwill		(2,400)	(2,000)
Other operating expenses		(2,719)	(2,134)
PROFIT FROM OPERATING ACTIVITIES	2,3	54,925	20,947
Finance costs	4	(5,109)	(5,654)
Share of losses of jointly-controlled entities		(367)	(397)
Amortisation of goodwill arising on acquisition of jointly-controlled entities and associates		(3,895)	(3,775)
PROFIT BEFORE TAXATION		45,554	14,896
Taxation	5	(3,720)	(1,134)
PROFIT BEFORE MINORITY INTERESTS		41,834	13,762
Minority interests		(4,009)	5,322
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		37,825	19,084
DIVIDEND	6	HK1 CENT	Nil
EARNINGS PER SHARE	7	HK3.3 CENTS	HK1.8 CENTS
Basic			

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	8	129,242	125,230
Investment properties		11,940	11,940
Goodwill		54,298	19,998
Interests in jointly-controlled entities		81,796	86,058
Investments in securities		26,588	–
Deposit for acquisition of long term assets		8,400	37,336
Rental deposits		8,740	6,890
		321,004	287,452
CURRENT ASSETS			
Inventories		92,176	87,176
Trade receivables	9	83,917	69,801
Prepayments, deposits and other receivables		58,198	60,278
Amounts due from jointly-controlled entities		1,772	1,534
Other investments		980	980
Bank and cash balances		145,569	108,327
		382,612	328,096
CURRENT LIABILITIES			
Trade and bills payables	10	26,656	25,428
Accruals and other payables		19,240	14,195
Provision for taxation		11,947	18,090
Interest-bearing borrowings		140,032	98,209
Finance lease payables		8,140	8,054
		206,015	163,976
NET CURRENT ASSETS		176,597	164,120
TOTAL ASSETS LESS CURRENT LIABILITIES		497,601	451,572
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		49,515	92,857
Finance lease payables		3,250	7,280
		52,765	100,137
Minority interests		1,626	(2,383)
Net assets		443,210	353,818
CAPITAL AND RESERVES			
Share capital	11	129,558	110,658
Reserves		313,652	243,160
Shareholders' funds		443,210	353,818

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Properties revaluation reserve (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2002	94,604	68,739	24,133	220	(945)	585	56,255	243,591
Shares issued on exercise of warrants	11,554	40,440	-	-	-	-	-	51,994
Issue of subscribed shares	4,500	31,950	-	-	-	-	-	36,450
Shares issue expenses	-	(1,144)	-	-	-	-	-	(1,144)
Net profit for the period	-	-	-	-	-	-	19,084	19,084
At 30 September 2002	110,658	139,985	24,133	220	(945)	585	75,339	349,975
Deficits on revaluation	-	-	(900)	-	-	-	-	(900)
Net profit for the period	-	-	-	-	-	-	4,743	4,743
At 31 March 2003	110,658	139,985	23,233	220	(945)	585	80,082	353,818
Shares issued on exercise of share options	8,000	15,048	-	-	-	-	-	23,048
Issue of subscribed shares	10,900	26,270	-	-	-	-	-	37,170
Shares issue expenses	-	(877)	-	-	-	-	-	(877)
Final dividend in respect of the previous year approved and payables	-	-	-	-	-	-	(7,774)	(7,774)
Net profit for the period	-	-	-	-	-	-	37,825	37,825
At 30 September 2003	129,558	180,426	23,233	220	(945)	585	110,133	443,210
Equity represented by:								
At 30 September 2002								
Company and subsidiaries	110,658	139,985	24,133	220	(945)	585	90,964	365,600
Jointly-controlled entities	-	-	-	-	-	-	(15,625)	(15,625)
	110,658	139,985	24,133	220	(945)	585	75,339	349,975
At 30 September 2003								
Company and subsidiaries	129,558	180,426	23,233	220	(945)	585	88,993	422,070
Jointly-controlled entities	-	-	-	-	-	-	21,140	21,140
	129,558	180,426	23,233	220	(945)	585	110,133	443,210

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September 2003 (Unaudited) HK\$'000	30 September 2002 (Unaudited) HK\$'000
Net cash inflow from operating activities	50,560	24,420
Net cash outflow from investing activities	(66,315)	(129,757)
Net cash inflow from financing activities	56,076	157,794
Net (decrease)/increase in cash and cash equivalents	40,321	52,457
Cash and cash equivalents at beginning of period	105,248	(9,032)
Cash and cash equivalents at end of period	145,569	43,425
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	145,569	43,425
	145,569	43,425

*NOTES:***1. Basis of Presentation and Accounting Policies**

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of the condensed interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 March 2003 except that the Group has adopted the revised SSAP 12 "Income Taxes" in respect of income tax which became effective for accounting periods commencing on or after 1 January 2003. This standard prescribes the basis for accounting and disclosure requirements for both current and deferred tax. The revised SSAP requires deferred tax to be provided in full, using the liability method, on temporary differences, arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The adoption of this revised standard has no significant financial impact to the condensed consolidated interim financial statements of the Group for the period ended 30 September 2003.

2. Turnover and Segment Information

Turnover comprises the invoiced value of goods sold, net of trade discounts and returns and licensing income. An analysis of the Group's turnover and contributions to operating profit by geographical and business segments for the six months ended 30 September 2003, together with the comparative figures for the corresponding period in 2002, is as follows:-

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of assets.

The Group's geographical segments comprise Hong Kong, the PRC excluding Hong Kong, and elsewhere.

	Hong Kong		The PRC excluding Hong Kong		Elsewhere		Elimination		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	52,000	56,905	247,879	174,290	15,025	32,105	-	-	314,904	263,300
Intersegment sales	56,206	54,124	32,519	23,132	-	-	(88,725)	(77,256)	-	-
Total revenue	108,206	111,029	280,398	197,422	15,025	32,105	(88,725)	(77,256)	314,904	263,300
Segment results	1,984	3,015	65,665	15,949	687	1,250	-	-	68,336	20,214
Interest income									675	288
Other unallocated revenue									3,967	9,999
Unallocated expenses									(18,053)	(9,554)
Profit from operating activities									54,925	20,947
Finance costs									(5,109)	(5,654)
Share of losses of Jointly-controlled entities									(367)	(397)
Amortisation of goodwill									(3,895)	-
Profit before taxation									45,554	14,896
Taxation									(3,720)	(1,134)
Minority interests									(4,009)	5,322
Net profit attributable to shareholders									37,825	19,084

	Manufacturing and sale of fashion garments		Swedish Textcote Technology		Elimination		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002	30 Sep 2003	30 Sep 2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	261,879	260,049	53,025	3,251	-	-	314,904	263,300
Intersegment sales	-	-	12,501	-	(12,501)	-	-	-
Total revenue	261,879	260,049	65,526	3,251	(12,501)	-	314,904	263,300
Segment results	41,637	35,839	26,699	(15,625)	-	-	68,336	20,214

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 2003 (Unaudited) HK\$'000	30 September 2002 (Unaudited) HK\$'000
Staff costs	18,335	16,856
Minimum lease payments under operating leases in respect of land and buildings	17,215	15,249
Depreciation	10,370	8,594
Gain on disposal of a subsidiary	(3,941)	(9,999)

4. Finance Costs

	For the six months ended	
	30 September 2003 (Unaudited) HK\$'000	30 September 2002 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	4,887	5,313
Bank loans wholly repayable after five years	-	58
Finance leases	222	255
Other loan	-	28
	5,109	5,654

5. Taxation

	For the six months ended	
	30 September 2003 (Unaudited) HK\$'000	30 September 2002 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	425	776
Elsewhere	3,295	358
Tax charge for the period	3,720	1,134

Hong Kong profits tax is provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere are calculated at the rates of tax prevailing in the respective jurisdictions 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, was exempted from enterprise income tax for the first two profitable calendar years of operation from 1 January 1999 to 31 December 2000, and is entitled to a 50% relief on the enterprise income tax for the following three years from 1 January 2001 to 31 December 2003. Accordingly, Shunde U-Right is subject to a reduced tax rate of 12% for the years from 1 January 2001 to 31 December 2003. Upon expiry of the tax relief period, the standard PRC enterprise income tax rate applicable to Shunde U-Right is 24%.

Deferred tax has not been provided as there were no significant timing differences to the Group at 30 September 2003 (2002: Nil).

The revaluation of the Group's leasehold land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified. No provision for deferred tax has been made on the revaluation surplus of the Group's properties situated in the PRC as the Group presently does not have any intention to dispose of such properties.

6. Dividend

The Directors declared the payment of an interim dividend of HK1 cent per share in respect of the six months ended 30 September 2003 (2002: Nil) payable to the shareholders whose names appear on the register of members of the Company on 16 January 2004. Dividend warrants will be despatched to the shareholders of the Company on or about 20 February 2004.

7. Earnings per Share

The calculation of basic earnings per share for the period ended 30 September 2003 is based on the Group's net profit attributable to shareholders of HK\$37,825,000 (2002: HK\$19,084,000) and the weighted average number of 1,159,286,667 ordinary shares (2002: 1,040,921,346 shares) in issue during the period.

No diluted earnings per share is presented as there was no dilutive potential ordinary shares for the six months ended 30 September 2003.

8. Fixed Assets

During the period, the Group spent approximately HK\$20,255,000 (2002: HK\$31,000,000) 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. Trade Receivables

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	45,250	19,148
Between 31 to 60 days	25,834	19,669
Between 61 to 180 days	14,580	32,731
Provision for doubtful debts	(1,747)	(1,747)
	83,917	69,801

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

10. Trade and Bills Payables

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Outstanding balances with ages:		
Within 30 days	10,582	4,733
Between 31 to 60 days	6,525	3,027
Between 61 to 180 days	9,549	17,668
	26,656	25,428

11. Share Capital

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,295,585,500 (31 March 2003: 1,106,580,700) ordinary shares of HK\$0.10 each	129,558	110,658

In July 2003, 49,000,000 ordinary shares of HK\$0.10 each in the Company were placed by Mr. Leung Ngok, the chairman and the executive director of the Company, 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 Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), at a price of HK\$0.33 per share. Mr. Leung Ngok then subscribed for a total of 49,000,000 new shares of HK\$0.10 each in the Company at HK\$0.33 per share. The proceeds received from the above placing and subscription of shares of approximately HK\$15.8 million, net of expenses, were planned to be used as general working capital of the Group for operating activities.

In August 2003, 60,000,000 ordinary shares of HK\$0.10 each in the Company were placed by Mr. Leung Ngok 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\$0.35 per share. Mr. Leung Ngok then subscribed for a total of 60,000,000 new shares of HK\$0.10 each in the Company at HK\$0.35 per share. The proceeds received from the above placing and subscription of shares of approximately HK\$20.4 million, net of expenses, were planned to be used to develop the nano business and partial prepayment of the syndicated bank loan of the Group.

During the period, 80,000,000 shares of HK\$0.10 each in the Company were issued at an average price of HK\$0.288 per share as a result of the exercise of all share options of the Company by all the holders.

During the period, 4,800 ordinary shares of HK\$0.10 each in the Company were issued to a warrant holder at a price of HK\$0.45 per share, following the exercise of the warrants.

12. Related Party Transactions

During the period, the Group paid rental expenses of HK\$455,000 (2002: HK\$455,000) to Mr. Leung Ngok and Mr. Leung Shing for properties jointly owned by them. In addition, the Group paid rental expenses of HK\$360,000 (2002: HK\$360,000) and HK\$300,000 (2002:HK\$300,000) to Mr. Leung Shing and the wife of Mr. Leung Ngok respectively. Mr. Leung Ngok and Mr. Leung Shing are executive directors of the Company. The properties leased were occupied by the Group as retail outlets and directors' quarters.

13. Operating Lease Arrangements

(a) As lessor

At 30 September 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	398	419

(b) As lessee

At 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	29,501	28,571
In the second to fifth years inclusive	13,214	13,913
	42,715	42,484

14. Contingent liabilities

The Group did not have any significant contingent liabilities at 31 March 2003.

As at 30 September 2003, the Company had provided unlimited corporate guarantees for banking facilities granted to certain of its subsidiaries which were utilized to the extent of HK\$59,500,000 as at that date, and corporate guarantees for finance lease payables of the subsidiaries of approximately HK\$11,390,000.

15. Post Balance Sheet Event

On 6 October 2003, 112,000,000 ordinary shares of HK\$0.10 each in the Company were placed by the Company, to independent third parties not connected with the directors, chief executive or substantial shareholder 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\$0.38 per share. The proceeds received from the above placing of shares of approximately HK\$41.6 million, net of expenses, were planned to be used to develop the nano business and other related products, partial prepayment of syndicate bank loan of the Group and as general working capital of the Group.

16. Comparative Figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Reaching Out for a Global Presence Diversification of Product Range

For the six months ended 30 September 2003, the Group recorded a turnover of HK\$314,904,000, representing an increase of 19.6% as compared to HK\$263,300,000 for the corresponding period last year. During the period under review, the Group's profit attributable to shareholders amounted to HK\$37,825,000, representing an increase of 98.2% over HK\$19,084,000 for the corresponding period last year. Earnings per share were HK3.3 cents, in comparison with HK1.8 cents for the corresponding period last year.

During the period under review, the Group's apparel retail business in Hong Kong dropped approximately 20% on average from March to May due to SARS outbreak. Following the Closer Economic Partnership Arrangement ("CEPA") signed between Mainland China and Hong Kong, Hong Kong's economy staged a gradual recovery. The Group's apparel retail business in Hong Kong also returned to the level before the SARS outbreak. Overall, the apparel retail business in Hong Kong during the period under review fell approximately 8.6% against the corresponding period last year.

The PRC apparel retail market was booming following China's accession into the World Trade Organization. The Group therefore focused on expanding its franchise network in second and third-tier cities in the PRC to capture the booming potentials. During the period under review, the apparel distribution business in China performed remarkably, up approximately 13.9% as compared to the corresponding period last year.

During the period under review, the Swedish Texcote Technology business demonstrated a remarkable growth of 16 times as compared to the corresponding period last year. Turnover generated from Swedish Texcote Technology business contributed to 16.8% of the total turnover for the period under review, as compared with that of 1.2% for the corresponding period last year. The Group successfully completed the commercialization of Swedish Texcote Technology. Following the introduction of NANOECO collection, the Group further extended the application to non-garment arenas, including medical products, casual footwear, plush toys, textile handbags and textile household goods.

During the SARS outbreak, the Group responded swiftly to the market demand by applying Swedish Texcote Technology with its special features of water repellence, stain-resistance and anti-bacteria to launch a series of nano medical products including nano masks and nano protective gowns. The nano medical products were well-received in the market. The Group's first-of-its-kind nano masks (Nano Type) had surpassed a series of more stringent standards (GB 19083-2003) newly implemented by the State Administration of Quality Supervision and Quarantine in the PRC on 29 April 2003. The Group's nano masks will certainly set a new benchmark for medical products and open a new page for nano medical products in China.

In recognition of the Group's unsurpassed apparel retail services in Hong Kong, the Group became the first apparel chain store operator to be awarded the Certificate of Hong Kong Q-mark Service Scheme presented by the Hong Kong Q-mark Council of the Federation of Hong Kong Industries in November 2003. The award once again demonstrated that the quality of the Group's products and services are widely-acclaimed by professional institutions.

Retailing and Distribution of Apparel

Quality Products Prominent Positioning

During the period under review, the PRC remained the major market of the Group. Turnover from the apparel distribution business in China amounted to HK\$194,854,000 which accounted for 61.8% of the Group's turnover, representing a 13.9% increase from HK\$171,039,000 of the corresponding period last year. Sales revenue in Hong Kong were HK\$52,000,000 which accounted for 16.5% of the Group's turnover, representing 8.6% decrease from HK\$56,905,000 of the corresponding period last year. Despite the short-term SARS impact, turnover in both Mainland China and Hong Kong rebounded to the pre-SARS level. The PRC's accession into World Trade Organization had given impetus to the domestic PRC economy as well as the retail market. Thanks to the PRC's accession into the World Trade Organization, the domestic PRC economy, as well as the retail market, showed robust growth momentum. In order to enhance the brand awareness, the Group had successfully appointed young pop group "Boy'z" from Hong Kong as spokespersons to promote "U-Right" brand in the PRC. The campaign was aimed at catering to the needs of the teenagers in the PRC. Currently, the number of distribution points amounts to more than 300 in China. There are 25 retail shops in Hong Kong and 15 franchised shops in the Middle East market. The Group also actively expanded to other overseas markets to diversify market risk.

Swedish Texcote Technology

Win-Win Partnerships

During the period under review, the Group successfully commercialised the application of Swedish Texcote Technology. Following the launch of NANOECO collection, the technology application was extended to other areas such as medical products, casual footwear, plush toys, textile handbags and textile household goods. The Group successfully developed two business models: i) collaboration in manufacture and sales, and ii) textile processing. In respect of collaboration in manufacture and sales, the Group focused on the management of Texcote Technology. The Group successfully licensed the patent technology to other partners to elevate its position as the distributor of Texcote Technology. Through collaboration in manufacture and distributing high-value and multi-functional nano textile products, the Group would receive a one-off licensing and trademark fee from the partner, in addition to revenue sharing of the sale of nano products. As for textile processing, the Group's Swedish Texcote Technology processing lines in Shenzhen of Guangdong commenced official operation in April 2003. During the period under review, the turnover from the Swedish Texcote Technology business amounted to HK\$53,025,000, representing an increase of 16 times over HK\$3,251,000 for the corresponding period last year.

Marketing and Promotion

Global Presence

In line with the Group's business expansion, the Group joined hands with its partners to participate in major exhibitions and seminars in the worldwide markets, including Hong Kong, Mainland China, Spain, France and Japan, to promote the "U-Right" branded products and Swedish Texcote Technology. The above overseas promotion initiatives greatly enhanced the recognition of Swedish Texcote Technology.

FINANCIAL REVIEW

Equity

During the period under review, a total of 189,004,800 ordinary shares of HK\$0.10 each in the Company were issued by way of shares placed to independent third parties as well as the exercise of options by the Group's employees with receipts of proceeds amounting to HK\$59.3 million, net of the relevant expenses.

Subsequent to the balance sheet date, 112,000,000 ordinary shares of HK\$0.10 each in the Company were placed by the Company to independent third parties at a price of HK\$0.38 per share with net proceeds amounting to HK\$41.6 million.

The proceeds from the mentioned shares placement were used to develop nano business, to prepay certain portion of the Group's syndicated loan, and for general working capital purposes.

Liquidity and Gearing

As at 30 September 2003, the Group's total available banking facilities amounted to approximately HK\$285,000,000 (31 March 2003: HK\$279,000,000), of which approximately HK\$84,063,000 was unutilized (31 March 2003: HK\$72,599,000). As at the balance sheet date, the Group's total bank borrowings less cash and bank balances and bank deposits amounted to HK\$55,368,000 (31 March 2003: HK\$98,074,000), and its net gearing ratio (expressed as a percentage of net bank borrowings over net asset value) was 12% (31 March 2003: 28%).

The liquidity of the Group is healthy. As at 30 September 2003, the net current assets of the Group were approximately HK\$176,597,000 (31 March 2003: HK\$164,121,000). As at the balance sheet date, the Group had cash and bank balances and bank deposits of HK\$145,569,000 (31 March 2003: HK\$108,327,000) and the current ratio was maintained at a healthy level of 1.9x (31 March 2003: 2.0x).

The Group's net assets as at 30 September 2003 amounted to HK\$443,210,000, representing an increase of 25%, as compared to its net asset of HK\$353,818,000 as at 31 March 2003.

Community Affairs

The Group has long been devoted to community affairs. During the SARS outbreak, the Group donated nano masks and nano protective gowns to a number of medical and charitable organisations in the PRC, Hong Kong and Taiwan. The Group also donated part of the sales revenue in nano medical products derived from Hong Kong and the PRC to the "WE CARE" fund set up by the Chinese University of Hong Kong, as well as PRC medical institutions. The donations were aimed at supporting the front-line medical staff in Hong Kong and the PRC. The Group also pledged its support to the needy through donating part of the sales revenue in Hong Kong to the Children's Cancer Foundation in Hong Kong.

PROSPECTS

Joining Forces to Advance to the New Era

In anticipation of the keen demand for Swedish Texcote Technology, the Group is constructing a new plant with an area of 300,000 sq. ft. in Shunde of Guangdong, which will accommodate ten sets of processing facilities of Swedish Texcote Technology, and is expected to commence processing by stages during the years of 2004 and 2005. The new facilities are designed to provide Texcote processing for fabrics, garments and other textile finished products. The Group is actively seeking new partners to collectively develop, produce and distribute a wider range of nano textile products. The Group is currently in talks with over 20 manufacturers on collaboration opportunities in Swedish Texcote Technology.

Following the signing of CEPA, the Group is actively exploring collaboration opportunities with internationally prestigious brand names. Should the products be processed by Swedish Texcote Technology in Hong Kong and comply with the CEPA requirements, the products can be exported to the PRC market with zero tariff. While the import cost decreases substantially, the added value and competitiveness of the products will be heightened. 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 market. They can thereby enhance the competitiveness of Texcote processed products.

In view of the popularity of the Group's medical products, including nano masks and nano protective gowns, the Group plans to set up a wholly-owned subsidiary to produce highly functional nano medical products with the use of Swedish Texcote Technology, and to establish high quality branded nano medical products in the PRC. The Group is confident that its nano medical products will become a new source of revenue and earnings to the Group.

Looking ahead, the Group will be devoted to extending the application of Swedish Texcote Technology into other textile areas. The Group will capitalize on the Swedish scientists and the R&D strengths of the University of Science and Technology of China to enhance the functionalities of the Swedish Texcote Technology. The Group will also actively seek partnership opportunities to augment product diversification strategy backed by the strengths of different partners in their respective industries. The Group is confident to reaffirm its leadership position in the sector of nano textile products and will step up the globalization initiative through state-of-the art technology.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2003, the Group had a total of 967 employees, including 222 employees in Hong Kong and 745 employees in Mainland China. The Group provided its employees with comprehensive remuneration packages according to 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 organised 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the “Invested Entity”). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for ten years from 17 July 2002.

A summary of the movement of share options granted under the Scheme during the period is as follows:

Name or category of participants	Number of share options at 1 April 2003	Date of share options granted	Number of share options granted during the period	Exercisable period	Exercise price per share HK\$	* Weighted average closing price of shares HK\$	Number of share options exercised during the period	Number of share options cancelled/lapsed during the period	Number of share options outstanding at 30 September 2003
Directors									
Mr. Leung Ngok	10,000,000	23 August 2002	Nil	7 August 2002 - 6 August 2012	0.2778	0.335	(10,000,000)	Nil	Nil
Mr. Leung Shing	10,000,000	23 August 2002	Nil	7 August 2002 - 6 August 2012	0.2778	0.345	(10,000,000)	Nil	Nil
Mr. Lee Ka Yiu, Andy	10,000,000	23 August 2002	Nil	7 August 2002 - 6 August 2012	0.2778	0.345	(10,000,000)	Nil	Nil
Mr. Li Chung Hing	10,000,000	23 August 2002	Nil	7 August 2002 - 6 August 2012	0.2778	0.325	(10,000,000)	Nil	Nil
Other employees									
In aggregate	30,000,000	23 August 2002	Nil	7 August 2002 - 6 August 2012	0.2778	0.3553	(30,000,000)	Nil	Nil
A supplier	10,000,000	17 October 2002	Nil	10 October 2002 - 9 October 2012	0.360	0.375	(10,000,000)	Nil	Nil
	80,000,000						(80,000,000)	Nil	Nil

* Weighted average closing price of shares is the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, the interests of the Directors in the shares of the Company as recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") 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	Long/short position	Capacity	Number of shares of the Company interested	Percentage of issued share capital
Mr. Leung Ngok	Long	Beneficial owner	60,014,000	4.63%
	Long	Founder of a discretionary trust	566,275,000 (Note)	43.71%
Mr. Leung Shing	Long	Founder of a discretionary trust	566,275,000 (Note)	43.71%

Note: These shares are owned 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.

Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust and Mr. Leung Shing, as founder of The Leung Shing Family Trust were deemed to be interested in the shares owned by ACE Target Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.

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, as at 30 September 2003, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

All share options granted to Mr. Leung Ngok, Mr. Leung Shing, Mr. Lee Ka Yiu Andy and Mr. Li Chung Hing on 23 August 2002 were exercised during the period.

Apart from as disclosed under the heading "Directors' Interests in Shares" above and "Share Option Scheme" above, 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 spouses 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 SHAREHOLDERS

As at 30 September 2003, the following interests of the Company were recorded in the register required to be kept by the Company under Section 336 of SFO:

Name	Long/short position	Capacity	Number of shares held	Note	Percentage of issued share capital
ACE Target Inc.	Long	Trustee	566,275,000	1	43.71%
Ansbacher (BVI) Limited	Long	Trustee	566,275,000	1	43.71%
Ms. Yim Yuk Lam	Long	Interest of spouse	626,289,000	2	48.34%
Ms. Tong Sau Kan	Long	Interest of spouse	566,275,000	3	43.71%

- (1) Such interest was also disclosed as the interest of Mr. Leung Ngok and Mr. Leung Shing in the above section headed "Directors' interests in shares".
- (2) Ms. Yim Yuk Lam was deemed to be interested in the 626,289,000 shares of the Company through interests of her spouse, Mr. Leung Ngok.
- (3) Ms. Tong Sau Kan was deemed to be interested in the 566,275,000 shares of the Company through interests of her spouse, Mr. Leung Shing.

Save as disclosed above, as at 30 September 2003, no persons, other than the Directors whose interests are set out in the above section headed "Directors' interests in the shares", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company presently comprises Mr. Wang Pinqing, Mr. Wong Kong Hon and Mr. Wong Kai Cheong, who are the independent non-executive directors of the Company. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements in respect of the six months ended 30 September 2003 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 six months ended 30 September 2003, in compliance 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, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

On Behalf of the Board

Leung Ngok

Chairman

Hong Kong, 25 November 2003

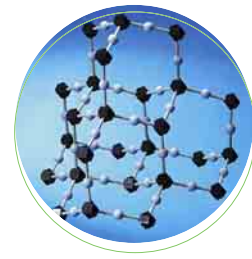


佑威國際控股有限公司
U-RIGHT INTERNATIONAL HOLDINGS LIMITED

德高技術處理及特許授權業務
TEXCOTE PROCESSING AND LICENSING BUSINESS



德高科技研發及技術支援業務
TEXCOTE R&D AND TECHNICAL SUPPORT BUSINESS



佑威服裝零售及分銷業務
U-RIGHT GARMENTS RETAIL AND DISTRIBUTION BUSINESS



中國
China

- 成衣
Garment
- 服飾
Garment
Accessory
- 布料
Textile
Material
- 醫療衛生
用品
Medical &
Health Care
Products
- 家居用品
Household
Products

全球
World Wide

- 紡織品
Textile
Products
- 紙品
Paper
Products
- 塗料
Paint
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Overseas

中國
Mainland
China

香港
Hong Kong

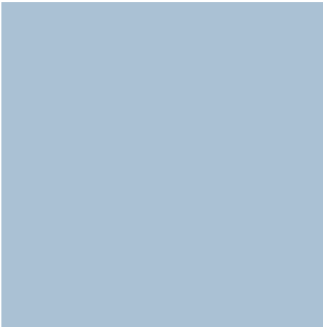
拓展市場 Marketing Development



集團再於7月委任西班牙的 Manufacturas Casas y Castellet, S.A. 成為當地獨家代理，協助集團把 "U-Right" 品牌產品及經德高技術處理後的產品廣泛在西班牙推廣。
The Group appointed Manufacturas Casas y Castellet S.A. in July to be the exclusive distributor of U-Right products and Texcote processed products in Spain.



集團於9月與美創企業有限公司簽訂合作協議，共同生產及分銷經德高技術處理之布藝手袋。
The Group signed a partnership agreement with Maytron Enterprise Ltd in September to jointly manufacture and distribute Texcote processed textile handbags.



集團於8月與安朗童話世界(香港)有限公司簽訂合作協議，共同生產及分銷經德高技術處理之休閒布鞋。
The Group signed a partnership agreement with Onlen Fairy's Land (HK) Co Ltd in August to jointly manufacture and distribute Texcote processed footwear.



集團於9月與廣東省大眾衛生醫療用品廠簽訂合作協議，共同生產及分銷經德高技術處理之納米醫療產品。
The Group signed a partnership agreement with Guangdong Da Zhong Medical Products Plant in September to jointly manufacture and distribute Texcote processed medical products.



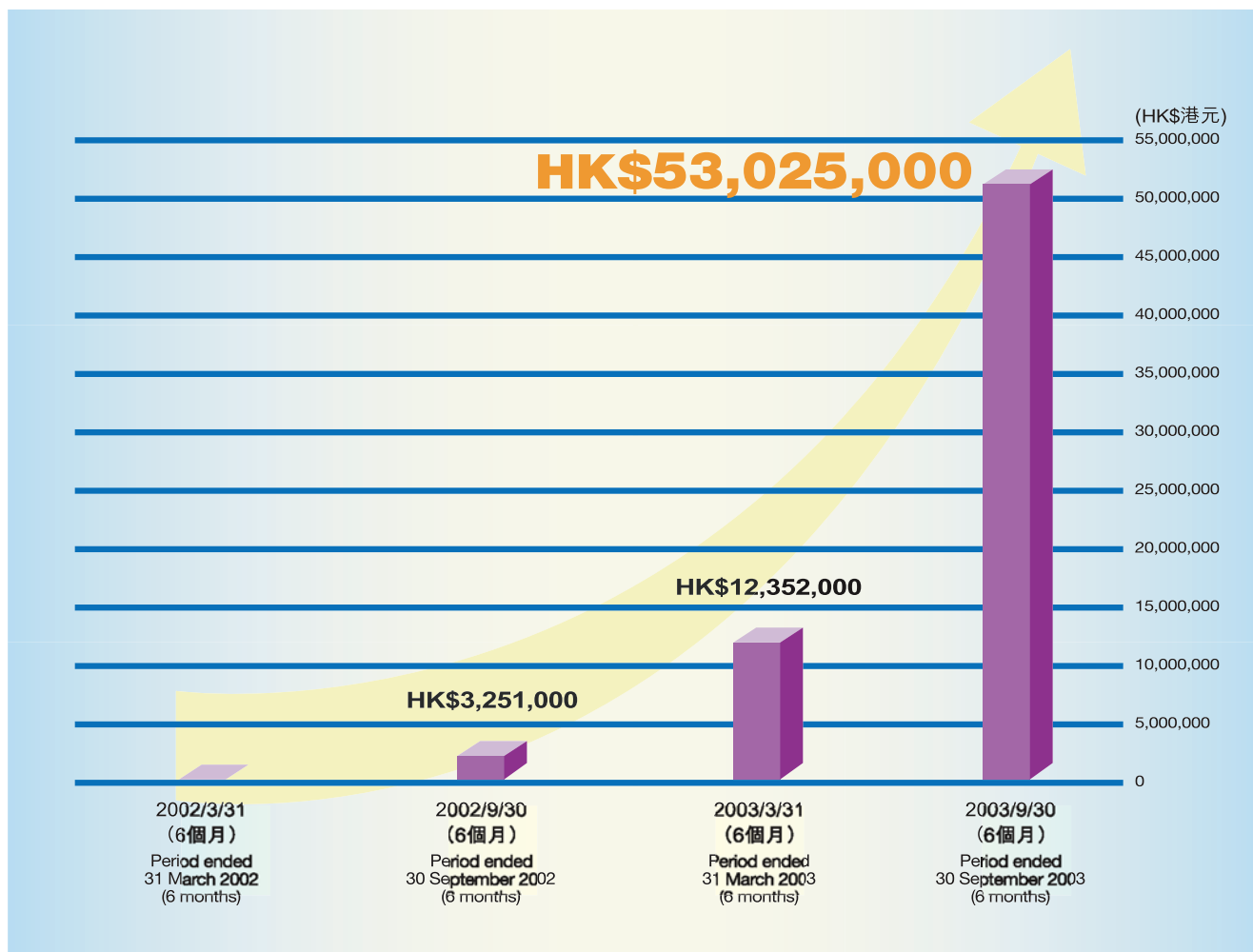
集團於9月與僑雄國際實業有限公司簽訂合作協議，共同生產及分銷經德高技術處理之毛絨玩具、裝飾物及禮品。
The Group signed a partnership agreement with Kiu Hung Industries Ltd in September to jointly manufacture and distribute Texcote processed plush toys, decorations and premiums products.



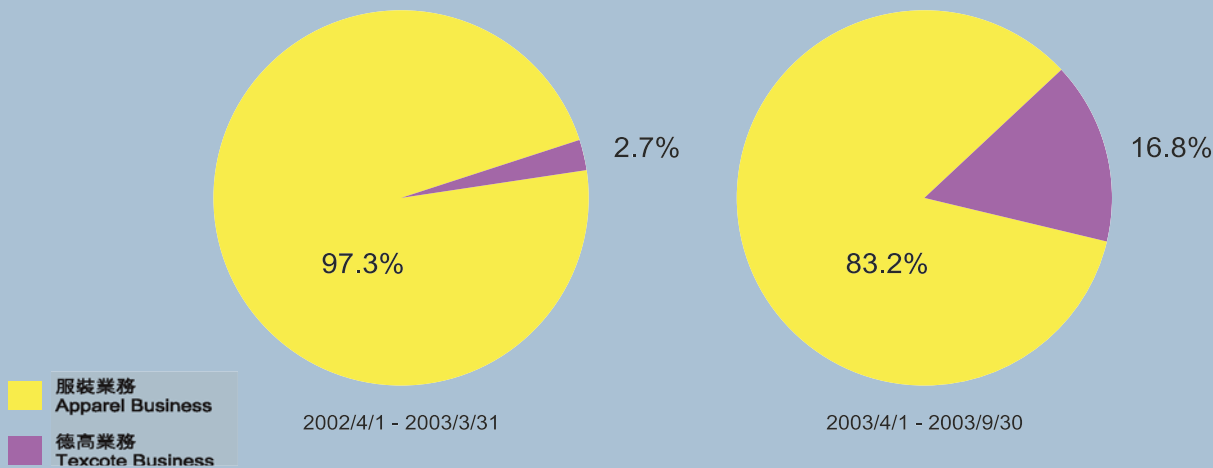
集團在7月委任日本Primegate Enterprise Limited 簽訂分銷協議，向日本推銷經德高技術處理之產品。
The Group appointed Primegate Enterprise Ltd in July to be the distributor of Texcote processed products in Japan.



營業額 - 德高業務
Turnover - Texcote Business

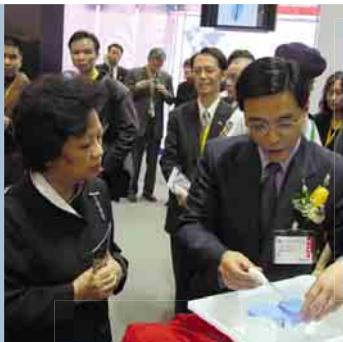


營業額分類比率
Turnover Breakdown



市場推廣 Marketing and Promotional Activities

集團於1月參與由香港貿易發展局舉辦之「世界時裝薈萃2003」，展示納米環保服裝系列，並獲市場好評。
The Group participated in the "World Boutique 2003" organized by the HKTDC in Hong Kong in January. The Group exhibited NANOECO collection and received favorable response from the market.



集團於5月舉辦「納米醫療產品介紹會」，推廣納米口罩及醫護袍之功效。
In May, the Group hosted a product launch meeting introducing Nano-processed medical and health care products.



為加強國內推廣策略，及讓消費者加深對u-right品牌的認識，本集團成功簽訂"Boy'z"作為u-right品牌於中國代言人。
In order to strengthen the marketing strategy in China, the Group has successfully appointed "Boy'z" as spokespersons for the promotion of its "u-right" brand in China.



集團成為香港首間服裝連鎖店榮獲香港Q標優質服務計劃證書。
The Group has become the first apparel chain store operator in Hong Kong to be awarded the Certificate of Hong Kong Q - Mark Service Scheme.

集團於11月遠赴法國參加FATEX時裝展銷會，並現場即席示範做德高技術處理之前/後分別測試，令參觀者嘆為觀止。
The Group participated in the FATEX exhibition in France in November and demonstrated Texcote characteristics to visitors.



集團於9月遠赴西班牙參與"SIMM"時裝展覽會，展品吸引當地參觀者。
In September, U-Right and Texcote treated products were displayed at the SIMM exhibition in Spain and attracted visitors.



集團於3月參與於北京舉行的香港時尚匯展2003。
The Group participated in the "Style Hong Kong" in Beijing in March.



集團於10月參加廣東中山之中國休閒服裝博覽會陳設櫃。
Exhibition of the Group's apparel products at the China's Casual Wear Fair in Zhongshan, Guangdong in October.

中山服裝展覽館場地之另一角落，圍觀者正在留心聽工作人員對德高技術的講解。
Visitors attracted by the introduction of Texcote Technology at the Zhongshan exhibition.



集團於中山服裝展覽會期內在會場舉辦德高技術推介會。
The Group hosted a seminar about Texcote Technology at the Zhongshan exhibition.

