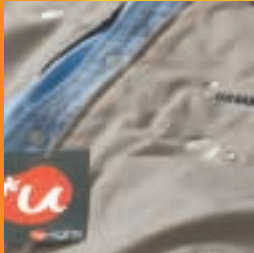


INTERIM REPORT 2004 / 2005



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

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of U-RIGHT International Holdings Limited (the "Company") (Stock Code: 627, Warrant Code: 2367) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004 together with the comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the six months ended	
		30 September 2004 (Unaudited) HK\$'000	30 September 2003 (Unaudited) HK\$'000
TURNOVER	2	398,003	314,904
Cost of sales		(253,028)	(199,751)
GROSS PROFIT		144,975	115,153
Other revenue		1,776	701
Gain on disposal of a subsidiary		-	3,941
Selling and distribution costs		(40,622)	(33,593)
Administrative expenses		(29,166)	(26,158)
Amortisation of goodwill		(7,087)	(2,400)
Other operating expenses		(1,133)	(2,719)
PROFIT FROM OPERATING ACTIVITIES	2,3	68,743	54,925
Finance costs	4	(4,611)	(5,109)
Share of profits/(losses) of jointly-controlled entities		990	(367)
Amortisation of goodwill arising on acquisition of jointly-controlled entities and associates		(3,750)	(3,895)
PROFIT BEFORE TAXATION		61,372	45,554
Taxation	5	(4,720)	(3,720)
PROFIT BEFORE MINORITY INTERESTS		56,652	41,834
Minority interests		(4,750)	(4,009)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		51,902	37,825
DIVIDEND	6	HK0.5 CENT	HK1 CENT
EARNINGS PER SHARE	7		
Basic		HK3.5 CENTS	HK3.3 CENTS

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	8	224,483	122,273
Investment properties		9,430	9,430
Intangible assets		135,494	116,212
Interests in jointly-controlled entities		59,386	62,146
Other investments		94,853	47,333
Rental deposits		2,908	3,718
		526,554	361,112
CURRENT ASSETS			
Inventories		174,315	90,711
Trade receivables	9	59,503	55,504
Prepayments, deposits and other receivables		59,827	25,845
Securities investments		-	2,513
Bank and cash balances		299,678	383,800
		593,323	558,373
CURRENT LIABILITIES			
Trade and bills payables	10	17,648	26,647
Accruals and other payables		35,765	12,853
Amounts due to jointly-controlled entities		70	70
Provision for taxation		21,099	18,555
Interest-bearing borrowings		130,653	84,981
Finance lease payables		4,565	5,305
		209,800	148,411
		383,523	409,962
NET CURRENT ASSETS			
		910,077	771,074
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		205,373	192,310
Finance lease payables		3,572	6,064
		208,945	198,374
Minority interests		10,286	10,536
Net assets		690,846	562,164
CAPITAL AND RESERVES			
Share capital	11	177,501	145,119
Reserves		513,345	417,045
Shareholders' funds		690,846	562,164

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2004

	Share capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Subscription right reserve (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 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
Shares issued on exercise of share options	4,360	12,334	-	-	-	-	-	-	16,694
Shares issued on exercise of warrants	1	2	-	-	-	-	-	-	3
Issue of subscribed shares	11,200	31,360	-	-	-	-	-	-	42,560
Shares issue expenses	-	(1,089)	-	-	-	-	-	-	(1,089)
Deficits of revaluation	-	-	-	(750)	-	-	-	-	(750)
Interim dividend paid in the year	-	-	-	-	-	-	-	(14,511)	(14,511)
Net profit for the period	-	-	-	-	-	-	-	76,047	76,047
At 31 March 2004	145,119	223,033	-	22,483	220	(945)	585	171,669	562,164
Shares issued on exercise of share options	7,680	21,504	-	-	-	-	-	-	29,184
Issue of warrants	-	-	25,123	-	-	-	-	-	25,123
Warrants issue expenses	-	-	(306)	-	-	-	-	-	(306)
Shares issued on exercise of warrants	24,702	48,663	(23,961)	-	-	-	-	-	49,404
Final dividend in respect of the previous year approved and payables	-	-	-	-	-	-	-	(26,625)	(26,625)
Net profit for the period	-	-	-	-	-	-	-	51,902	51,902
At 30 September 2004	177,501	293,200	856	22,483	220	(945)	585	196,946	690,846
Attributable to:									
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
At 30 September 2004									
Company and subsidiaries	177,501	293,200	856	22,483	220	(945)	585	213,828	707,728
Jointly-controlled entities	-	-	-	-	-	-	-	(16,882)	(16,882)
	177,501	293,200	856	22,483	220	(945)	585	196,946	690,846

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September 2004 (Unaudited) HK\$'000	30 September 2003 (Unaudited) HK\$'000
Net cash (outflow)/inflow from operating activities	(55,452)	50,560
Net cash outflow from investing activities	(187,578)	(66,315)
Net cash inflow from financing activities	158,908	56,076
Net (decrease)/increase in cash and cash equivalents	(84,122)	40,321
Cash and cash equivalents at beginning of period	383,800	105,248
Cash and cash equivalents at end of period	299,678	145,569
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	299,678	145,569

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and with the 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 unaudited condensed consolidated interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 March 2004.

The accounting policies and basis of presentation used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 March 2004.

2. Turnover and Segment Information

Turnover comprises the invoiced value of goods sold, net of trade discounts and returns and licensing income.

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

The Group's geographical segments comprise Hong Kong and the Mainland China.

The Group's business segments comprise manufacturing and sale of fashion garments business and the Texnology Nano group business.

(a) Geographical Segments

An analysis of the Group's turnover and contributions to operating profit by geographical segments for the six months ended 30 September 2004, together with the comparative figures for the corresponding period in 2003, is as follows:-

	Hong Kong		Mainland China		Elimination		Consolidated	
	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	52,150	52,000	345,853	262,904	-	-	398,003	314,904
Intersegment sales	-	56,206	36,324	32,519	(36,324)	(88,725)	-	-
Total revenue	52,150	108,206	382,177	295,423	(36,324)	(88,725)	398,003	314,904
Segment results	4,256	1,984	70,773	66,352	-	-	75,029	68,336
Interest income							801	675
Other unallocated revenue							-	3,967
Unallocated expenses							(7,087)	(18,053)
Profit from operating activities							68,743	54,925
Finance costs							(4,611)	(5,109)
Share of profits/(losses) of jointly-controlled entities							990	(367)
Amortisation of goodwill arising on acquisition of jointly-controlled entities and associates							(3,750)	(3,895)
Profit before taxation							61,372	45,554
Taxation							(4,720)	(3,720)
Minority interests							(4,750)	(4,009)
Net profit attributable to shareholders							51,902	37,825

(b) Business Segments

An analysis of the Group's turnover by business segments for the six months ended 30 September 2004, together with the comparative figures for the corresponding period in 2003, is as follows:-

	Manufacturing and Sale of fashion garments		Technology Nano group business		Elimination		Consolidated	
	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000	Six months ended 30 September 2004 (Unaudited) HK\$'000	Six months ended 30 September 2003 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	273,720	261,879	124,283	53,025	-	-	398,003	314,904
Intersegment sales	-	-	5,760	12,501	(5,760)	(12,501)	-	-
Total revenue	273,720	261,879	130,043	65,526	(5,760)	(12,501)	398,003	314,904

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 2004 (Unaudited) HK\$'000	30 September 2003 (Unaudited) HK\$'000
Staff costs	18,662	18,335
Minimum lease payments under operating leases in respect of land and buildings	12,086	15,109
Depreciation	12,530	10,370
Gain on disposal of a subsidiary	-	(3,941)

4. Finance Costs

	For the six months ended	
	30 September 2004 (Unaudited) HK\$'000	30 September 2003 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	4,336	4,887
Bank loans wholly repayable after five years	82	-
Finance leases	193	222
	4,611	5,109

5. Taxation

	For the six months ended	
	30 September 2004 (Unaudited) HK\$'000	30 September 2003 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	383	425
Elsewhere	4,337	3,295
Tax charge for the period	4,720	3,720

Hong Kong profits tax is provided at the rate of 17.5% (2003: 17.5%) 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.

Deferred tax has not been provided as there were no significant timing differences to the Group at 30 September 2004 (2003: Nil).

6. Dividend

The Directors declared the payment of an interim dividend of HK0.5 cent per share in respect of the six months ended 30 September 2004 (2003: HK1 cent per share) payable to the shareholders whose names appear on the register of members of the Company on 3 February 2005. Dividend warrants will be despatched to the shareholders of the Company on or about 28 February 2005.

To cope with the rapid development of Texnology Nano group business, the Group in the current year will set aside more financial resources to boost the marketing initiatives and enhance the nano textile processing capacities in order to bring more significant returns to the shareholders in long run.

7. Earnings per Share

The calculation of basic earnings per share for the period ended 30 September 2004 is based on the Group's net profit attributable to shareholders of HK\$51,902,000 (2003: HK\$37,825,000) and the weighted average number of 1,498,602,549 ordinary shares (2003: 1,159,286,667) in issue during the period.

No diluted earnings per share is presented as there was no material dilutive potential ordinary shares for the six months ended 30 September 2004 and 30 September 2003.

8. Fixed Assets

During the period, the Group spent approximately HK\$115,400,000 (2003: HK\$20,255,000) on addition of machinery mainly relating to Texnology Nano group business, the acquisition of leasehold land and buildings and addition of leasehold improvements.

9. Trade Receivables

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less provision against doubtful debts when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 30 days	26,828	18,876
Between 31 to 60 days	16,031	10,203
Between 61 to 180 days	18,393	28,174
	61,252	57,253
Provision against doubtful debts	(1,749)	(1,749)
	59,503	55,504

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 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within 30 days	8,736	15,613
Between 31 to 60 days	5,930	7,461
Between 61 to 180 days	2,982	3,278
Over 180 days	-	295
	17,648	26,647

11. Share Capital

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
1,775,005,500 (31 March 2004: 1,451,185,500) ordinary shares of HK\$0.10 each	177,501	145,119

During the period, 76,800,000 shares of HK\$0.10 each in the Company were issued at an average price of HK\$0.38 per share as a result of the exercise of all share options of the Company by all the holders.

During the period, 247,020,000 ordinary shares of HK\$0.10 each in the Company were issued to warrant holders at a price of HK\$0.20 per share, following the exercise of 247,020,000 warrants.

12. Warrants

On 20 May 2004, the Company entered into a placing and underwriting agreement with a placing agent in relation to the private placing of 259,000,000 warrants ("2005 Warrants") conferring rights to subscribe up to HK\$51,800,000 in aggregate in cash for shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.20 per share during the period from 24 June 2004 to 23 June 2005, both days inclusive. The placing of 2005 Warrants was completed on 18 June 2004.

The net proceeds of the placing of approximately HK\$24,817,000 was intended to be used for general working capital of the Group.

On 30 September 2004, the Company had 11,980,000 outstanding 2005 Warrants conferring rights to subscribe up to HK\$2,396,000 in cash for shares of HK\$0.10 each in the Company. Exercise in full of those outstanding warrants would, under the present share capital structure of the Company as at 30 September 2004, result in the issue of 11,980,000 additional shares of HK\$0.10 each in the Company.

13. Related Party Transactions

During the period, the Group paid rental expenses of HK\$42,000 (2003: 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 (2003: HK\$360,000) to Mr. Leung Shing. 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.

14. Operating Lease Arrangements

(a) As lessor

At 30 September 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within one year	751	740

(b) As lessee

At 30 September 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2004 (Unaudited) HK\$'000	31 March 2004 (Audited) HK\$'000
Within one year	24,817	13,999
In the second to fifth years inclusive	13,162	4,693
	37,979	18,692

15. Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 September 2004.

16. Comparative Figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover of the Group was HK\$398,003,000 for the six months ended 30 September 2004, an increase of 26.4% compared to HK\$314,904,000 in the corresponding period last year. The increase was driven by the solid growth in the Texnology Nano group business and continuous improvement in apparel distribution and retail business in Hong Kong, PRC as well as the overseas market. During the period under review, the Group's net profit attributable to shareholders was HK\$51,902,000, increased by 37.2% from HK\$37,825,000 in the previous period. Basic earnings per share for the six months ended 30 September 2004 was HK3.5 cents compared with HK3.3 cents in the corresponding period last year.

The Group's retail performance was benefited from the "Individual Visit Scheme" for mainland visitors which has stimulated the overall retail sector in Hong Kong and improved the retail atmosphere. During the period under review, the Group's apparel manufacturing and distribution businesses remained its core revenue generator, recording a turnover of HK\$273,720,000 or 68.8% of the Group's total revenue. In addition to the Group's concerted efforts in expanding the PRC network in second- and third-tier cities, the Group also launched self-owned "concept" stores to deepen the brand awareness of "U-Right" and its presence in the Mainland China market. The Group continued to have a steady growth in the Mainland China apparel distribution and retail segment, recording a turnover of HK\$221,570,000, surging by 13.7% from HK\$194,854,000 in the corresponding period last year. Despite the reduction of 3 retail outlets during the period under review, retail sales in Hong Kong rose to HK\$52,150,000. The comparable-store-sales recorded an increase of 13.6% compared with the corresponding period last year.

During the period under review, the Texnology Nano group business continued to grow satisfactorily. Turnover climbed 134.4% to HK\$124,283,000 from HK\$53,025,000 in the corresponding period last year. It accounted for 31.2% of the Group's total turnover compared with 16.8% last year. The Group is recognized as the market leader in the nano textile sector. During the period under review, the Group, through collaboration with the established textile enterprises in the Mainland China and overseas markets, expedited nano technology application into different textile raw materials, such as fabric, cashmere and wool yarn. Such initiatives will enable the Group to move upwards in the value chain.

The Group also placed strong emphasis on enhancing research and development (“R&D”) capabilities of nano technology. During the period under review, the Group signed a technology consultancy agreement with the Research and Development Centre of the China Textile Academy (“CTA”). Under the agreement, the CTA will assist in the R&D of the Group’s proprietary nano technology application into related textile and garment products, and provide technical and marketing support for our proprietary nano technology. The CTA is the largest and most comprehensive R&D institute in China’s textile industry. The CTA boasts a top-notch R&D team and possesses a wide range of testing facilities, equipment and pilot plants. It also provides innovation support for its subsidiary companies and other enterprises in the textile industry.

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 period under review, the Company raised funds from the issuance of capital, through the arrangement of warrants placement and exercise of share options and warrants totaling approximately HK\$103,405,000.

As at 30 September 2004, the net current assets of the Group were approximately HK\$383,523,000 and the current ratio was maintained at a healthy level of 2.8. The Group had aggregate cash and bank balances of HK\$299,678,000.

The Group’s liquidity and financial resources position during the period remained sound. As at 30 September 2004, the Group had unutilized committed banking facilities amounted to HK\$78,200,000. On the other hand, the Group’s total bank borrowings less cash and bank balances amounted to HK\$44,485,000, and its net gearing ratio (expressed as a percentage of net bank borrowings over net asset value) was 6%.

Pledge of Assets

As at 30 September 2004, the aggregate net book value of the leasehold land and buildings of the Group was approximately HK\$75 million, was pledged to financial institutions for credit facilities granted to the Group.

Contingent Liabilities

As at 30 September 2004, the Group did not have any significant contingent liabilities.

Exposure to fluctuations in exchange rates

During the period under review, the Group carried out its transactions mostly in the currency of Hong Kong dollars and Renminbi. In addition, the Group’s borrowings and cash and bank balances were primarily denominated in Hong Kong dollars and Renminbi. As such, the Group has no significant exposure to fluctuations in exchange rates.

PROSPECTS

The Group's apparel distribution and retail business has long been focused on men's and women's casual wear in the past, and we demonstrated that the "U-Right" brand offered wide market recognition. In response to the staggering economic growth and the enhanced customers' purchasing power in the Mainland China market, we plan to upgrade our "U-Right" branded products and to adopt a multi-brand strategy in order to enlarge the market share. The new line of apparel collection is expected to be launched in autumn and winter of next year. Following the success in the Middle East market, the Group will continue to augment our international reach and extend our footholds in North America and Southeast Asia markets.

Nano-treated textile goods, through our collaboration with different partners, were well-received in the US market. To satisfy the growing market demand, the Group has changed its production expansion plan by relocating the previously-planned 5 nano textile processing lines from Shunde to Nanchang, Jiangxi Province. The expected annual production capacity will be over 10,000,000 units (in garment units). In anticipation of an increase in nano textile goods processing orders, the Group, in addition to the 5 planned nano textile processing lines, will further raise the nano textile goods processing capabilities and product varieties by establishing 5 more nano textile processing lines next year. Production capacities will thereby be doubled. The Group's nano processing lines in Nanchang is expected to become the largest nano textile goods production base in the Mainland China.

The strategic redeployment will enhance the Group to capitalize on the advantages in the Pan Pearl River Delta region. The Group will enjoy a 40% lower labour cost, compared to that in Guangdong Province. In addition to the tax incentives and subsidies from the local government, the Group's textile manufacturing capabilities will be greatly enhanced. The new production base will also provide a gateway for the Group to extend its tentacles in the Mainland China, US and European markets.

The Group will look for collaboration opportunities with well-established enterprises in the mainland and overseas markets to expand nano applications. The Group is on course to explore the feasibility of mass production of nano-treated materials such as leather and down products while keeping the texture unchanged. With the expanded applications, together with the partners' overseas network, our overseas expansion initiatives will be accelerated.

"Technology weaving into quality lifestyle" has been the Group's longstanding motto. The Group rides on its solid foothold in apparel business, to realize the benefits from the expansion of its high-growth Texnology Nano group business. The Group is committed to empowering the products with value-added features and enhancing their competitiveness. Forging ahead, the Group will continue to demonstrate our success in margin expansion through the commercialization of our proprietary nano processing technology into a myriad of raw materials and goods. The Group believes that the sustained momentum in Texnology Nano group will offer high potential for continuous growth and bring significant returns to the shareholders.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2004, the Group had a total of 1,199 employees, including 201 in Hong Kong and 998 in the Mainland China. The Group provides its employees with comprehensive remuneration packages according to market benchmark, individual expertise and performance. Other benefits offered to the employees include mandatory provident fund and share option scheme.

To uphold the management philosophy of “Delivering Quality Services to Customers”, the Group organized training courses for frontline sales and management staff during the period under review. This helped enhance their product knowledge and sales techniques, as well as overall management efficiency.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 31 January 2005 to Thursday, 3 February 2005 (both days inclusive), during which period no transfer of shares of the Company will be registered and no shares of the Company will be issued upon exercise of any subscription rights attaching to the outstanding warrants issued by the Company. In order to qualify for entitlement to the interim dividend declared, all transfers accompanied by the relevant share certificates and the appropriate transfer forms and, in the case of warrant holders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 January 2005.

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	Date of grant	Exercise period	Exercise price per share HK\$	* Weighted average closing price of shares HK\$	Number of share options outstanding at 1 April 2004	Number of share options granted during the period	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 2004
Directors									
Mr. Leung Ngok	4 November 2003	10 October 2003 - 9 October 2013	0.380	0.403	12,800,000	Nil	(12,800,000)	Nil	Nil
Mr. Leung Shing	4 November 2003	10 October 2003 - 9 October 2013	0.380	0.437	12,800,000	Nil	(12,800,000)	Nil	Nil
Mr. Lee Ka Yiu, Andy	4 November 2003	10 October 2003 - 9 October 2013	0.380	0.432	12,800,000	Nil	(12,800,000)	Nil	Nil
Other employees									
In aggregate	4 November 2003	10 October 2003 - 9 October 2013	0.380	0.437	12,800,000	Nil	(12,800,000)	Nil	Nil
Suppliers									
In aggregate	4 November 2003	10 October 2003 - 9 October 2013	0.380	0.397	25,600,000	Nil	(25,600,000)	Nil	Nil
					76,800,000	Nil	(76,800,000)	Nil	Nil

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

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2004, 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 (the "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 (the "Model Code"), were as follows:-

Name of director	Long/short position	Capacity	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Leung Ngok	Long	Beneficial owner	72,814,000	4.1%
	Long	Founder of a discretionary trust	566,275,000 (<i>Note</i>)	31.9%
Mr. Leung Shing	Long	Beneficial owner	12,800,000	0.72%
Mr. Lee Ka Yiu, Andy	Long	Beneficial owner	12,800,000	0.72%

Note: These shares were owned by ACE Target Inc. as trustee of The Target Unit Trust, a unit trust of which all of the units in issue are owned by Trident Corporate Services (B.V.I.) Limited as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members.

Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust, was 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, as at 30 September 2004, certain Directors held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the then minimum company membership requirements.

Save as disclosed above, as at 30 September 2004, 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, and Mr. Lee Ka Yiu, Andy on 4 November 2003 were exercised during the period.

Apart from as disclosed under the heading "Directors' Interests in Shares" 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' INTERESTS

As at 30 September 2004, the following interests of over 5% in the issued share capital of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares of the Company interested	Note	Percentage of the Company's issued share capital
ACE Target Inc.	Long	Trustee	566,275,000	1	31.9%
Trident Corporate Services (B.V.I.) Limited	Long	Trustee	566,275,000	1	31.9%
Ms. Yim Yuk Lam	Long	Interest of spouse	639,089,000	2	36%

Notes:

- (1) Such interest was also disclosed as the interest of Mr. Leung Ngok in the above section headed "Directors' Interests in Shares".
- (2) Ms. Yim Yuk Lam was deemed to be interested in the 639,089,000 shares of the Company through interests of her spouse, Mr. Leung Ngok.

Save as disclosed above, as at 30 September 2004, no persons, other than the Directors whose interests are set out in the above section headed "Directors' Interests in 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 2004, 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. Wong Kong Hon, Mr. Jia Luqiao and Mr. Wong Kai Cheong who are the independent non-executive Directors of the Company. The audit committee of the Company has reviewed the unaudited condensed consolidated interim financial statements in respect of the six months ended 30 September 2004 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 accounting period for the six months ended 30 September 2004, in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that two of the independent non-executive Directors of the Company were not appointed for specific terms as required by paragraph 7 of the Code but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company. The other one independent non-executive Director of the Company has been appointed for a term of two years and subject to the retirement and re-election provisions under the bye-laws of the Company.

DIRECTORS OF THE COMPANY

As at the date of this report, Mr. Leung Ngok, Mr. Leung Shing and Mr. Lee Ka Yiu, Andy are the executive Directors of the Company and Mr. Wong Kong Hon, Mr. Jia Luqiao and Mr. Wong Kai Cheong are the independent non-executive Directors of the Company.

On Behalf of the Board

Leung Ngok

Chairman

Hong Kong, 21 December 2004