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Innovation to embark on new opportunities

U-RIGHT INTERNATIONAL HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

INTERIM REPORT 2005/2006

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Directors") of U-RIGHT International Holdings Limited (the "Company") (Stock Code: 627) is pleased to announce as follows the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2005 together with the comparative figures for the corresponding period in 2004. The said interim results have not been audited but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
TURNOVER	2	**573,606**	398,003
Cost of sales		**(406,725)**	(253,028)
GROSS PROFIT		**166,881**	144,975
Other revenue		**5,402**	1,776
Selling and distribution costs		**(50,422)**	(41,755)
Administrative expenses		**(44,677)**	(40,003)
PROFIT FROM OPERATING ACTIVITIES	2, 3	**77,184**	64,993
Finance costs	4	**(10,598)**	(4,611)
Share of profits of jointly-controlled entities		**270**	990
PROFIT BEFORE TAXATION		**66,856**	61,372
Taxation	5	**(5,600)**	(4,720)
PROFIT AFTER TAXATION		**61,256**	56,652
Attributable to:			
Shareholders of the Company		**56,756**	51,902
Minority interests		**4,500**	4,750
		61,256	56,652
DIVIDEND PER SHARE	6	**HK0.5 cent**	HK0.5 cent
EARNINGS PER SHARE	7		
Basic		**HK2.7 cents**	HK3.5 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30 September 2005 (Unaudited) *HK$'000***	31 March 2005 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Fixed assets	8	**333,997**	263,647
Investment properties		**9,430**	9,430
Intangible assets		**115,464**	125,163
Interests in jointly-controlled entities		**51,778**	55,528
Investment securities		**62,953**	32,953
Rental and other deposits		**63,158**	2,741
		636,780	489,462
CURRENT ASSETS			
Inventories		**209,318**	108,866
Trade receivables	9	**151,710**	82,162
Prepayments, deposits and other receivables		**55,993**	76,307
Amounts due from jointly-controlled entities		**253**	253
Bank and cash balances		**580,821**	466,040
		998,095	733,628
CURRENT LIABILITIES			
Trade and bills payables	10	**12,050**	32,050
Accruals and other payables		**16,559**	19,105
Dividend payable to the minority shareholders		**3,200**	3,200
Provision for taxation		**15,148**	9,548
Deferred taxation		**10,000**	10,000
Interest-bearing borrowings		**250,310**	210,310
Finance lease payables		**12,847**	10,965
		320,114	295,178
NET CURRENT ASSETS		**677,981**	438,450
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,314,761**	927,912
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		**317,345**	180,345
Finance lease payables		**11,836**	19,392
		329,181	199,737
NET ASSETS		**985,580**	728,175
CAPITAL AND RESERVES			
Share capital	11	**267,970**	177,657
Reserves		**708,955**	543,163
Total equity attributable to shareholders of the Company		**976,925**	720,820
Minority interests		**8,655**	7,355
TOTAL EQUITY		**985,580**	728,175

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ended 30 September 2005

	Share capital	Share premium	Properties revaluation reserve	Statutory reserve	Exchange reserve	Capital reserve	Warrant reserve	Retained profits	Sub-total	Minority interests	Total
	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*	(Unaudited) *HK$'000*
At 1 April 2004	145,119	223,033	22,483	220	(945)	585	–	171,669	562,164	10,536	572,700
Proceeds from issue of warrants	–	–	–	–	–	–	25,123	–	25,123	–	25,123
Issue of shares upon:											
Exercise of share options	7,680	21,504	–	–	–	–	–	–	29,184	–	29,184
Exercise of warrants	24,702	48,663	–	–	–	–	(23,961)	–	49,404	–	49,404
Expense incurred in connection with exercise of warrants	–	(306)	–	–	–	–	–	–	(306)	–	(306)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	(5,000)	(5,000)
Net profit attributable to:											
Shareholders of the Company	–	–	–	–	–	–	–	51,902	51,902	–	51,902
Minority interests	–	–	–	–	–	–	–	–	–	4,750	4,750
Dividends paid	–	–	–	–	–	–	–	(26,625)	(26,625)	–	(26,625)
At 30 September 2004	177,501	292,894	22,483	220	(945)	585	1,162	196,946	690,846	10,286	701,132
Issue of shares upon exercise of warrants	156	308	–	–	–	–	(152)	–	312	–	312
Expense incurred in connection with exercise of warrants	–	(568)	–	–	–	–	–	–	(568)	–	(568)
Expense incurred in connection with exercise of share options	–	(94)	–	–	–	–	–	–	(94)	–	(94)
Deficit on revaluation	–	–	(4,880)	–	–	–	–	–	(4,880)	–	(4,880)
Net profit attributable to:											
Shareholders of the Company	–	–	–	–	–	–	–	44,083	44,083	–	44,083
Minority interests	–	–	–	–	–	–	–	–	–	6,529	6,529
Dividends paid/payable	–	–	–	–	–	–	–	(8,879)	(8,879)	(9,460)	(18,339)
At 31 March 2005	177,657	292,540	17,603	220	(945)	585	1,010	232,150	720,820	7,355	728,175
Issue of shares upon:											
Exercise of warrants	990	1,950	–	–	–	–	(960)	–	1,980	–	1,980
Open offer of new shares	89,323	133,985	–	–	–	–	–	–	223,308	–	223,308
Expense incurred in connection with open offer of new shares	–	(4,502)	–	–	–	–	–	–	(4,502)	–	(4,502)
Movement in equity on expiry of warrants	–	50	–	–	–	–	(50)	–	–	–	–
Net profit attributable to:											
Shareholders of the Company	–	–	–	–	–	–	–	56,756	56,756	–	56,756
Minority interests	–	–	–	–	–	–	–	–	–	4,500	4,500
Dividends paid/payable	–	–	–	–	–	–	–	(21,437)	(21,437)	(3,200)	(24,637)
At 30 September 2005	267,970	424,023	17,603	220	(945)	585	–	267,469	976,925	8,655	985,580
Attributable to:											
At 30 September 2004											
Company and subsidiaries	177,501	292,894	22,483	220	(945)	585	1,162	213,828	707,728	10,286	718,014
Jointly-controlled entities	–	–	–	–	–	–	–	(16,882)	(16,882)	–	(16,882)
	177,501	292,894	22,483	220	(945)	585	1,162	196,946	690,846	10,286	701,132
At 30 September 2005											
Company and subsidiaries	267,970	424,023	17,603	220	(945)	585	–	291,689	1,001,145	8,655	1,009,800
Jointly-controlled entities	–	–	–	–	–	–	–	(24,220)	(24,220)	–	(24,220)
	267,970	424,023	17,603	220	(945)	585	–	267,469	976,925	8,655	985,580

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(102,532)**	(55,452)
Net cash outflow from investing activities	**(152,367)**	(187,578)
Net cash inflow from financing activities	**369,680**	158,908
Net increase/(decrease) in cash and cash equivalents	**114,781**	(84,122)
Cash and cash equivalents at beginning of period	**466,040**	383,800
Cash and cash equivalents at end of period	**580,821**	299,678
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**580,821**	299,678

NOTES:

1. Basis of Presentation and Principal Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The principal accounting policies adopted are consistent with those adopted in the preparation of the Group's annual audited financial statements for the year ended 31 March 2005 except that the Company has changed certain of its accounting policies following its adoption of several new Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Company's accounting policies that have material impacts on these interim financial statements are as follows:

(a) Presentation of minority interests has been changed with adoption of HKAS 1 "Presentation of Financial Statements". Minority interests now forms part of the total equity as presented in the Group's consolidated balance sheet. In the Group's consolidated profit and loss account, minority interests is now presented as an allocation of profit and loss. This change in presentation has been applied retrospectively.

(b) The adoption of HKFRS 3 has resulted in a change in the accounting policy relating to goodwill.

Previously, goodwill arising on acquisition of subsidiaries prior to 1 April 2001 was held in reserves, and would be charged to the consolidated profit and loss account at the time of disposal of the relevant subsidiary, or at such time as the goodwill was determined to be impaired. Goodwill arising on acquisition of subsidiaries after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment test when there was any indication of impairment.

With effect from 1 April 2005, positive goodwill will not be amortised. Positive goodwill is subject to, at least, an annual impairment test and impairment losses are recognized, if any. This new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements in HKFRS 3. As a result, comparative figures have not been restated.

Save as disclosed above, other new HKFRSs and HKASs adopted have no material impact on these interim financial statements.

2. Turnover and Segment Information

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

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

The Group's geographical segments comprise Hong Kong and the People's Republic of China (excluding Hong Kong) (the "Mainland China").

The Group's business segments comprise manufacturing and sale of fashion garments business and Texnology Nano group business. The Texnology Nano group business refers to business utilising the Swedish Texcote Technology which is a material processing technology based on the principles of nanotechnology.

(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 2005, together with the comparative figures for the corresponding period in 2004, is as follows:

	Hong Kong		Mainland China		Elimination		Consolidated	
	Six months ended 30 September							
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	**47,010**	52,150	**526,596**	345,853	**-**	–	**573,606**	398,003
Intersegment sales	**-**	–	**4,930**	36,324	**(4,930)**	(36,324)	**-**	–
Total revenue	**47,010**	52,150	**531,526**	382,177	**(4,930)**	(36,324)	**573,606**	398,003
Segment results	**3,817**	4,256	**85,570**	70,773	**-**	–	**89,387**	75,029
Unallocated expenses							**(12,203)**	(10,036)
Profit from operating activities							**77,184**	64,993
Finance costs							**(10,598)**	(4,611)
Share of profits of jointly-controlled entities							**270**	990
Profit before taxation							**66,856**	61,372
Taxation							**(5,600)**	(4,720)
Profit after taxation							**61,256**	56,652

(b) Business Segments

An analysis of the Group's turnover by business segments for the six months ended 30 September 2005, together with the comparative figures for the corresponding period in 2004, is as follows:–

	Manufacturing and Sale of fashion garments		Texnology Nano group business		Elimination		Consolidated	
	Six months ended 30 September							
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	**307,035**	273,720	**266,571**	124,283	**-**	–	**573,606**	398,003
Intersegment sales	**-**	–	**4,930**	5,760	**(4,930)**	(5,760)	**-**	-
Total revenue	**307,035**	273,720	**271,501**	130,043	**(4,930)**	(5,760)	**573,606**	398,003

3. Profit from Operating Activities

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

	Six months ended 30 September	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Staff costs	**19,323**	18,662
Minimum lease payments under operating leases in respect of land and buildings	**12,305**	12,086
Depreciation	**18,882**	12,530

4. Finance Costs

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	**10,400**	4,418
Finance leases	**198**	193
	10,598	4,611

5. Taxation

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision:		
Hong Kong	**568**	383
Elsewhere	**5,032**	4,337
Tax charge for the period	**5,600**	4,720

Hong Kong profits tax is provided at the rate of 17.5% (2004: 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.

6. Dividend

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend	**13,399**	8,879

The Directors declared the payment of an interim dividend of HK0.5 cent per share in respect of the six months ended 30 September 2005 (2004: HK0.5 cent per share) payable to the shareholders whose names appear on the register of members of the Company on 26 January 2006. Dividend warrants will be despatched to the shareholders of the Company on or about 23 February 2006.

7. Earnings per Share

The calculation of basic earnings per share for the period ended 30 September 2005 is based on the Group's net profit attributable to shareholders of HK$56,756,000 (2004: HK$51,902,000) and the weighted average number of 2,133,684,178 ordinary shares in issue during the period (2004: 1,498,602,549 ordinary shares).

No diluted earnings per share is presented as there was no material dilutive potential ordinary shares for the six months ended 30 September 2005 and 30 September 2004.

8. Fixed Assets

During the period, the Group spent approximately HK$88,250,000 (2004: HK$115,400,000) on addition of machinery and equipment, acquisition of leasehold land and buildings, additions of construction in progress and leasehold improvements.

9. Trade Receivables

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

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Within 30 days	**48,621**	40,030
Between 31 days to 60 days	**65,006**	31,954
Between 61 days to 180 days	**38,083**	10,178
	151,710	82,162

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.

10. Trade and Bills Payables

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

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Within 30 days	**5,031**	8,784
Between 31 days to 60 days	**3,675**	9,050
Between 61 days to 180 days	**2,741**	12,990
Over 180 days	**603**	1,226
	12,050	32,050

11. Share Capital

	30 September 2005 (Unaudited) *HK$'000*	31 March 2005 (Audited) *HK$'000*
Authorised:		
5,000,000,000 (31 March 2005: 2,000,000,000) ordinary shares of HK$0.10 each	**500,000**	200,000
Issued and fully paid:		
2,679,698,250 (31 March 2005: 1,776,565,500) ordinary shares of HK$0.10 each	**267,970**	177,657

During the period, 9,900,000 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 9,900,000 warrants.

During the period, 893,232,750 shares of HK$0.10 each in the Company were issued at a price of HK$0.25 per share as a result of the open offer of the Company.

12. Related Party Transactions

During the period, the Group paid rental expenses of HK$42,000 (2004: HK$42,000) 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 (2004: 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.

13. Operating Lease Arrangements

(a) As lessor

At 30 September 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2005 (Unaudited) *HK$'000*	30 September 2004 (Unaudited) *HK$'000*
Within one year	**751**	751

(b) As lessee

At 30 September 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2005 (Unaudited) *HK$'000*	30 September 2004 (Unaudited) *HK$'000*
Within one year	**15,259**	24,817
In the second to fifth years inclusive	**21,831**	13,162
	37,090	37,979

14. Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 September 2005.

15. Comparative Figures

Certain comparative figures in the interim financial statements have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Turnover of the Group was HK$573,606,000 for the six months ended 30 September 2005, an increase of 44% compared to HK$398,003,000 in the corresponding period of last year. The increase was driven by the persistent and solid growth in the Texnology Nano group business and steady improvement in apparel retail and distribution business in Hong Kong, the Mainland China as well as the overseas market. Gross profit of the Group for the period under review was HK$166,881,000, representing an increase of 15% compared to HK$144,975,000 in the corresponding period of last year, whilst gross profit margin declined from 36% in the same period of last year to 29% in the current period. The decrease was mainly attributable to the lower profit margin of the one-stop supply chain service of apparel products driven by Texnology Nano group business compared to other businesses, resulting in the overall decline in profit margin. During the period under review, the Group's net profit attributable to shareholders was HK$56,756,000, increasing by 9% from HK$51,902,000 in the corresponding period of last year.

Fashion garments – Grasping the opportunities to strengthen our leading position

During the period under review, manufacturing and sale of fashion garments business recorded a turnover of HK$307,035,000, accounting for 53.5% of the Group's overall turnover. The Group's selling and operating strategy, with a focus on franchise stores and self-managed stores in high potential second- and third-tier cities in the Mainland China, reinforced the sales network of "U-Right" in the Mainland China. During the period under review, the turnover of manufacturing and sale of fashion garments business in the Mainland China climbed 17% to HK$260,025,000 compared to HK$221,570,000 in the corresponding period of last year, evidencing a stable growth of business. In Hong Kong, due to the continuous rise of rental costs of shops, the Group has adjusted the sales network by closing down some of the retail shops where the renewal rentals were excessively high. During the period, the Group had a total of 18 retail shops in Hong Kong (corresponding period of last year: 22 shops). Given the reduced number of retail shops, the turnover recorded a decrease of 10% to HK$47,010,000 as compared with the same period last year, however the Group's same store sales has recorded a growth of 11% as compared with last year.

Texnology Nano – New milestone, new competitive edge

The development of the Texnology Nano group business has heralded a new era. During the period under review, the turnover was HK$266,571,000, representing a growth of 114% compared to HK$124,283,000 in the corresponding period of last year and accounting for 46.5% of the Group's total turnover, as compared with 31.2% in the same period of last year. To align with its future business development, the Group has reallocated its resources in a flexible manner. During the period, the first phase of Texnology Nano production base in Nanchang, Jiangxi has commenced operation and is capable of processing five different types of textile products. Its maximum production capacity is 1,000,000 units per month which is five times greater than that of the prototype production facilities in Shenzhen, Guangdong. The lower costs of labour in Nanchang, Jiangxi as compared with Guangdong and the tariff concession and subsidies from the local government have strengthened the competitive edges of the Group in the processing of nano textile products. During the period under review, initial achievements were seen in the one-stop supply chain service of apparel products driven by Texnology Nano group business, which is starting to contribute to the Group. During the period, this business unit recorded a turnover of HK$76,071,000, accounting for 28.5% of the turnover of Texnology Nano group business. Besides, through the co-operation with leading textile enterprises in the Mainland China and abroad, the Group has extended the application of nano technology to textile raw materials, such as woven materials, textile fabric, cashmere and wool yarn. The upstream development in the production chain has further widened the application of nano technology and reinforced the competitive edges of Texnology Nano group business.

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 totaling approximately HK$218,000,000 through the public offer of new shares and the exercise of warrants. The Group has also obtained a syndicate loan of HK$330,000,000, arranged by HSH Nordbank AG, Hong Kong Branch, Industrial and Commercial Bank of China (Asia) Limited and Oversea-Chinese Banking Corporation Limited of Singapore. The amounts borrowed were used for refinancing an existing syndicate loan of HK$200,000,000 and funding the Group's business development.

As at 30 September 2005, the net current assets of the Group were approximately HK$677,981,000 and the current ratio was maintained at 3.1. The Group had cash and bank balances of HK$580,821,000.

The Group's liquidity and financial resources position during the period under review remained solid. The Group's total bank borrowings less cash and bank balances amounted to HK$11,517,000, and its net gearing ratio (expressed as a percentage of net bank borrowings over net asset value) was 1%.

Pledge of Assets

As at 30 September 2005, certain leasehold land and buildings of the Group with aggregate net book value of approximately HK$77 million were pledged to financial institutions for credit facilities granted to the Group.

Contingent Liabilities

As at 30 September 2005, the Group did not have any significant contingent liabilities.

Exposure to fluctuations in exchange rates

During the period under review, the Group's business transactions were mostly denominated in US dollar, Hong Kong dollar and Renminbi. In addition, the Group's borrowings and cash and bank balances were primarily denominated in Hong Kong dollar and Renminbi. As such, the Group has no significant exposure to fluctuations in exchange rates.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2005, the Group had a total of 1,380 employees, including 157 in Hong Kong and 1,223 in 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.

PROSPECTS

Manufacturing and Sale of Fashion Garments

It is the Group's unswerving belief that one of the keys to corporate success and persistent development is to closely observe the market trend for providing suitable products to satisfy the market needs. The Group's operation and development strategy in the Mainland China will remain focused on franchise operation while increasing the number of self-managed shops. To elevate the brand image of "U-Right", the Group will dedicate to redefining the market position of "U-Right" as the products portraying the novel image of trendiness, youthfulness and liveliness to impress customers with a new image and emerge itself in the highly competitive fashion market. Such strategy will pave the way for the Group in securing a better market penetration in the retail market of garments.

"U-Right" casual wears have long been widely recognized for its quality and value-for-money in the Mainland China and Hong Kong markets. Given the customers' high expectation to the brand image and service quality of fashion garments, the Group will implement a multi-brand strategy and is now planning a new brand, with products ranging from middle-to high-end and targeting the female executives market, which will be launched to the market in Spring and Summer in 2006. The Group also proactively identifies brand names with strong market potential for co-operation with an objective to enlarging the Group's profile in the sales of apparels in the Mainland China and Hong Kong.

The Group is in the progress of acquiring shops to be self-managed which aligns with the Group's strategic planning in Hong Kong and in the Mainland China. In October 2005, the Group acquired properties with strong development potentials in Kwun Tong, Hong Kong and in Jingan District, Shanghai. The property in Jingan District will be used for the Group's headquarters and image store in Eastern China region. Not only the acquisition of self-managed shops has fully manifested the Group's confidence in China's economic development and the domestic retail market, but also alleviated the impact of high rental costs on the Group's profit.

The Group is determined to explore new technologies to improve the traditional products to lead the trend. After launching the environmental friendly NanoEco Series, the Group again sets the trend in launching another new high-tech garment product, “Super Warm Micro Feather Series”, which is thinner and warmer than traditional down products. This innovative natural fiber product is thinner and flatter than traditional down products, maintaining warmth, can be cut into different shape for easy tailoring and machine washable and hence provides higher flexibility in design. In terms of costs, it is lower than traditional down products and the product will revamp the general perception that winter coats are thick and expensive, and therefore it enjoys a high development potential. The Group firmly believes that the launch of such innovative products will further enhance its market competitiveness and turnover in the sales of garment products.

Texnology Nano Group Business

Taken into consideration of the significant market demand for Texnology Nano processing technology, after the Group has successfully commenced the operation of the first phase production facilities, we subsequently commenced the second phase expansion project of Texnology Nano production base in Nanchang, Jiangxi for the Texnology Nano processing of woven and knit fabrics. It is expected that upon the completion of the second phase of the expansion project, the Group’s processing capacity on Texnology Nano textile products will be greatly increased and will be capable of satisfying the huge market demand for upstream Texnology Nano textile products. Upon completion of second phase, it is expected that the Nanchang production base will have an initial capacity of processing 30 million m^2 of fabrics each year. The Group believes that the Texnology Nano production base in Nanchang will become the most sophisticated Nano textile product processing base in the Mainland China.

Leveraging on the strong purchasing power on textile products experience gained in past years, the edge of multi-purpose Nano textile products and the competitive labour costs of the Texnology Nano textile processing base in Nanchang, the Group will further extend its one-stop supply chain services in textile and sales businesses for expanding the textile export market in Europe and America. Meanwhile, the Group will ride on its existing well-developed technology, further expand the licensing operation of Texnology Nano group business, pursue the scientific research and studies on the feasibility of extending the application of Texnology Nano technology to other products and enlarge the sales coverage and network.

In addition, to align with the pace of development of processing capacity of the Group’s Texnology Nano textile products, the Group also plans to establish a manufacturing base for the chemicals of Texnology Nano group business in the Mainland China to enhance the sales and reduce the production costs of chemicals.

Looking forward, the Group will strive to establish a solid foundation by consolidating its sales network of garments and expanding the scale of Texnology Nano group business. Through the dual development of apparel business and Texnology Nano group business, the Group will grow with a steady momentum and thereby generates attractive returns for shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 24 January 2006 to Thursday, 26 January 2006 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the interim dividend declared, all transfers accompanied by the relevant share certificates and the appropriate transfer forms 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 (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3 January 2006) for registration not later than 4:30 p.m. on Monday, 23 January 2006.

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.

There were no outstanding share options of the Company at the beginning and at the end of the period. During the period for the six months ended 30 September 2005, no share options were granted, exercised, cancelled or lapsed.

USE OF PROCEEDS FROM AN OPEN OFFER

The net proceeds from an open offer of the Company was approximately HK$218 million, of which as to approximately HK$168 million and HK$50 million has been intended to fund the expansion of the Group's retail network in Hong Kong and the Mainland China respectively. Up to the end of the period under review, approximately HK$32 million and HK$13 million of the proceeds had been utilized to fund the expansion of the Group's retail network in Hong Kong and the Mainland China respectively.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2005, the interests of the directors of the Company 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	109,221,000	4.08%
	Long	Founder of a discretionary trust	1,009,557,179 *(Note)*	37.67%

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 2005, certain directors of the Company 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 2005, 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

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 2005, 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	1,009,557,179	1	37.67%
Trident Corporate Services (B.V.I.) Limited	Long	Trustee	1,009,557,179	1	37.67%
Ms. Yim Yuk Lam	Long	Interest of spouse	1,118,778,179	2	41.75%

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 1,118,778,179 shares of the Company through interests of her spouse, Mr. Leung Ngok.

Save as disclosed above, as at 30 September 2005, no persons, other than the Company's 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 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the interim report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Directors are of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except that there is no separation of the role of the Chairman and Chief Executive Officer. Mr. Leung Ngok currently assumes the role of both the Chairman and the Chief Executive Officer of the Company. The Directors believe that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (the "Audit Committee") on 17 October 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the new Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules, the terms of reference of the Audit Committee were revised on 22 July 2005 in terms substantially the same as the provisions set out in the Code on Corporate Governance Practices.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditors of the Company. The Audit Committee comprises four members, namely Mr. Jia Luqiao, Mr. Wong Kong Hon, Mr. Yang Dong Hui and Mr. Wong Kai Cheong, who are the independent non-executive directors of the Company. The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements in respect of the six months ended 30 September 2005 and discussed with the Directors the internal control and financial reporting matters.

REMUNERATION COMMITTEE

The Company set up a remuneration committee (the "Remuneration Committee") on 22 July 2005 with specific written terms of reference in accordance with the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. The Remuneration Committee comprises one executive director of the Company, namely Mr. Leung Ngok and two independent non-executive directors of the Company, namely Mr. Wong Kong Hon and Mr. Wong Kai Cheong.

The main duties of the Remuneration Committee include making recommendations to the Directors on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Directors from time to time.

EXECUTIVE COMMITTEE

The Company set up an executive committee (the "Executive Committee") on 22 July 2005 with specific written terms of reference. The Executive Committee comprises all the executive directors of the Company. The principal duties of the Executive Committee include overseeing the Company's strategic plans and operations of all business units of the Company and making decisions on matters relating to the management and operations of the Company.

GENERAL DISCLOSURE OBLIGATION UNDER RULE 13.21 OF THE LISTING RULES

As detailed in the Company's press announcement dated 18 July 2005, Uni-Capital Limited (the "Borrower"), a wholly owned subsidiary of the Company, had entered into an agreement (the "Facility Agreement") relating to a term loan facility of up to HK$220,000,000 and a revolving facility of up to HK$110,000,000 with a syndicate of banks comprising HSH Nordbank AG, Hong Kong Branch (the "Agent"), Industrial and Commercial Bank of China (Asia) Limited, Oversea-Chinese Banking Corporation Limited, Bangkok Bank Public Company Limited, Hong Kong Branch, Bumiputra-Commerce Bank Berhad, Hong Kong Branch, Industrial and Commercial International Capital Limited, Cathay United Bank Company, Limited, Hong Kong Branch, Shanghai Commercial Bank Ltd. and Mizuho Corporate Bank, Ltd., Hong Kong Branch (collectively the "Lenders"). The termination date of the Facility Agreement is the date falling 36 months after the date of the Facility Agreement.

The Facility Agreement has imposed an obligation on the Borrower to procure that Mr. Leung Ngok (a director of the Company), his family members, related trusts and companies controlled by him shall at all times remain the direct or indirect beneficial owner of at least 30% of the total issued share capital of the Company and the beneficial owner of the single largest shareholding block in the total issued share capital of the Company. A breach of the aforesaid obligation will constitute an event of default under the Facility Agreement. Upon the occurrence of an event of default under the Facility Agreement, the Agent may upon written request by the majority Lenders, declare that the loans outstanding, together with the interest accrued thereon, be immediately due and payable.

As the above specific performance obligation as imposed under the Facility Agreement continues to exist as at the interim period end, the Company is required to make the above disclosure pursuant to Rule 13.21 of the Listing Rules. In addition, the above performance obligation has been duly satisfied up to the interim period end.

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. Jia Luqiao, Mr. Wong Kong Hon, Mr. Yang Dong Hui and Mr. Wong Kai Cheong are the independent non-executive directors of the Company.

On Behalf of the Board
Leung Ngok
Chairman

Hong Kong, 22 December 2005