



U-RIGHT INTERNATIONAL HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

STOCK CODE : 627



06/07

INTERIM REPORT

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 2006 together with the comparative figures for the corresponding period in 2005. The said interim results have not been audited but have been reviewed by the Company's audit committee.

Management Discussion and Analysis

Business Review

Operating Result

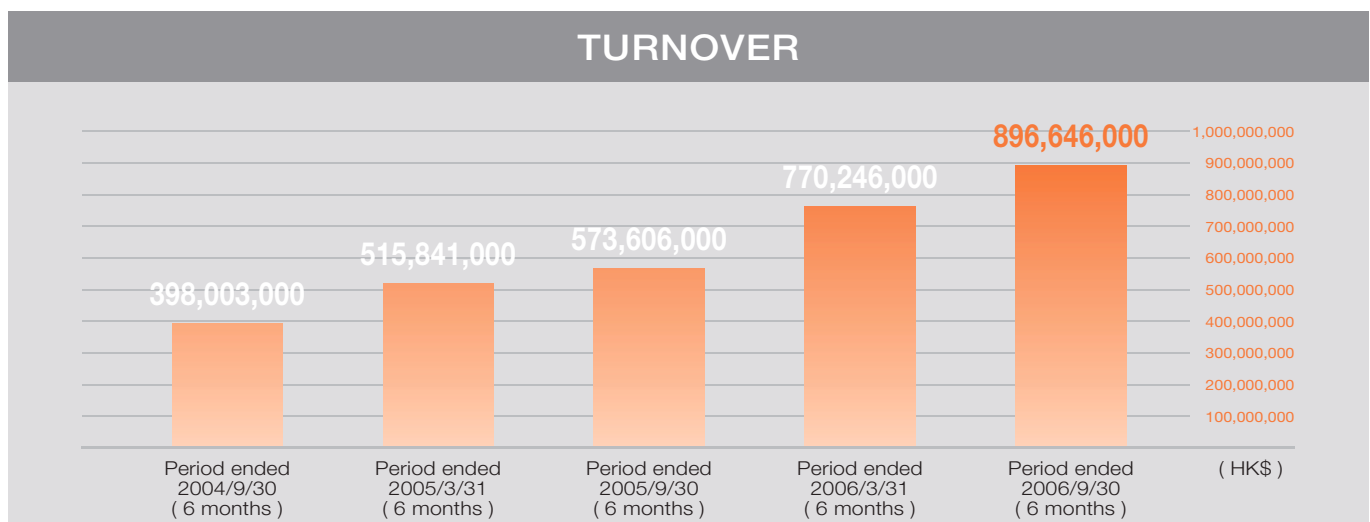
The Group recorded a turnover of HK\$896,646,000 for the six months ended 30 September 2006, a 56% increase compared to HK\$573,606,000 in the corresponding period of last year. During the period under review, the Group actively expanded its sales network in Hong Kong and the PRC. The number of retail shops in Hong Kong increased substantially to 50 from 18 for the corresponding period of last year, and the sales network in the PRC also maintained steady growth. Coupled with the one-stop textile trading business that recorded multiple growth, the entire fashion garments business recorded substantial expansion. The Group's profit attributable to equity holders of the Company was HK\$66,026,000, an increase of 16% compared to HK\$56,756,000 in the corresponding period of last year. Earnings per share for the six months ended 30 September 2006 was HK2.5 cents.

Turnover

The fashion garments business recorded a turnover of HK\$648,428,000 and accounted for 72% of the Group's total turnover. This represented an increase of 111% as compared to HK\$307,035,000 for the corresponding period of last year. The nano business recorded a turnover of HK\$248,218,000 and accounted for 28% of the Group's total turnover. This represented a decrease of 7% as compared to HK\$266,571,000 in the corresponding period of last year. The decrease was mainly attributable to increasing competitors due to the textile industry's much wider and common application of nano-processing technology. During the period under review, though the Group's nano processing business also recorded growth, the entire nano business turnover experienced slight decrease.

Gross Profit

During the period under review, the Group's total gross profit was HK\$196,734,000, representing an increase of 18% from HK\$166,881,000 for the corresponding period of last year, while gross profit margin decreased to 22% from 29% in the corresponding period of last year. The decrease in gross profit margin mainly resulted from substantial increase in the Group's one-stop textile products trading business. It recorded over 9 times of growth but had a comparable lower gross profit margin than other business, contributing to the decrease in overall gross profit margin.





Fashion Garments Business

The PRC

The PRC remains as the Group's core market. The Group continued to develop its retail and wholesale business in second and third-tier cities with good potential by adopting the proven marketing strategy of franchising, as well as increasing self-managed stores as to consolidate the sales network of "U-Right" in the PRC. During the period under review, the Group's retail and wholesale business in the PRC recorded a turnover of HK\$239,691,000, representing an increase of 6% as compared to the corresponding period of last year, and accounted for 37% of the Group's fashion garments business. As at 30 September 2006, "U-Right" brand had over 400 points of sales in the PRC, covering more than 100 cities.

Hong Kong

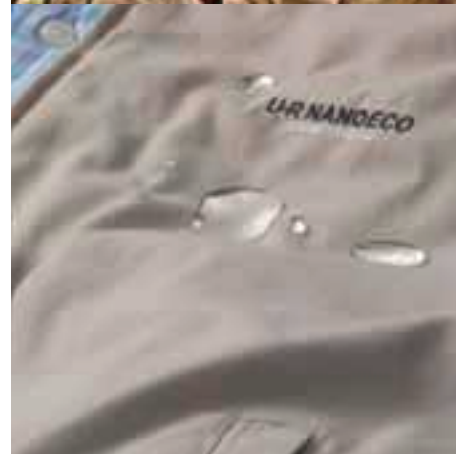
As Hong Kong's inflation remained modest for the first three quarters, the Group's average shop rental costs recorded a slight increase. Rentals of newly leased shops have been decreasing from their high levels, alleviating the pressure of rising rentals. Therefore, the Group actively expanded its local sales network, and as the number of shops leased from The Link Real Estate Investment Trust ("The Link") under a portfolio of rental managements in February gradually commenced business, our local retail network was substantially reinforced. In addition, the Group set up a flagship store with a gross floor area of over 5,000 square feet in the Lok Fu Shopping Center in September, which created a more distinctive image for the "U-Right" brand, representing another milestone achieved by the Group's local retail network. During the period under review, the retail business in Hong Kong recorded a turnover of HK\$58,807,000, representing an increase of 25% over the HK\$47,010,000 in the corresponding period of last year and accounted for 9% of the Group's fashion garments business. The number of retail shops in Hong Kong was 50 as at 30 September 2006.

Trading

With its extensive experience in the manufacturing, retailing and wholesaling of textile products, and coupled with outstanding achievements in innovative textile technology, the Group further offered services of one-stop textile products trading services to its overseas customers. From the design of textile products, materials procurement, production planning and quality control, solution based services that best suit its customers were provided by the Group. Development of the Group's textile trading business was thus strengthened. During the period under review, textile products trading business recorded turnover of HK\$349,930,000, representing an increase of 919% over the corresponding period of last year and accounted for 54% for the Group's fashion garments business.

Nano Business

Riding on increasing demand for nano processed products in the market, the Group further developed its nano processing business according to business demand. Meanwhile, armed with a matured and proven technology, the Group further increased its processing capacity, expanded its licensing business, extended the application of nano technology to other products and enlarged the sales channels and network. During the period under review, the nano business maintained moderate development.





Financial Review

Liquidity, Financial Resources and Capital Structure

The Group consistently financed its business development by means of internal resources, equity financing and bank borrowing. As of 30 September 2006, the Group had net current assets of approximately HK\$485,987,000, with its current ratio maintaining at 1.8. HK\$719,816,000 of the Group's banking facilities was utilized as of 30 September 2006. Borrowings net of cash and bank balances was HK\$330,093,000 (net borrowings). Net gearing ratio (net borrowings to net assets value) was 30%.

Foreign Exchange

The Group's core operations are in Hong Kong and the PRC, and its assets are denominated in Hong Kong dollars and Renminbi. Risks of currency fluctuation are therefore low.

Pledge of Assets

As at 30 September 2006, assets with an aggregate net book value of approximately HK\$232 million have been pledged to banks for banking facilities required in the usual course of operation for the Group.

Contingent Liabilities

As at 30 September 2006, the Group did not have any significant contingent liabilities.

Capital expenditure

Total capital expenditures of the Group for the period amounted to approximately HK\$196 million, of which HK\$130 million was incurred by the fashion garments for the expansion of the retail and distribution network including the acquisition of retail shops in the PRC and in Hong Kong. On the other hand, HK\$66 million was incurred for the development and expansion of the production capacity for nano business.

Post Balance Sheet Events

Convertible Bonds

In October 2006, the Group issued zero coupon bonds due 2011 with an aggregate principal amount of HK\$60 million to ABN AMRO Bank N.V. at a conversion price of HK\$ 0.288 per share. The proceeds will be used for general working capital purposes for the Group. Details of the issue of convertible bonds were disclosed in the Company's announcement dated 9 October 2006.

Employment, Training and Development

As at 30 September 2006, the Group had a total of 2,175 employees, of whom 288 were in Hong Kong and 1,887 were in the PRC. 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.



Prospects

Diversified fashion business to market trends

U-RIGHT

The fashion garments business of the U-Right Group has clear positioning and will continue to expand its sales network in the second and third-tier districts in the PRC and Hong Kong to reinforce U-Right's leadership in men and women's leisure wears. In the coming year, the Group will continue to expand its retail network in the PRC and Hong Kong, allocating more resources to the retailing and wholesaling of U-Right products. In further expanding its coverage, the Group opened the first U-Right retail shop in Macau in November 2006, embarking its formal appearance in the fashion garments retail segment in Macau where the retail business is promising with the booming tourism industry. The Group has set up a clear development blueprint to cultivate the Macau market with an aim to capturing a share in Macau's fashion garments retail industry.

SEVENDAYS

As multi-brand fashion garments retail shop is still a brand new concept in the PRC, the Group anticipates that substantial demand will be derived from this sector in the first-tier PRC cities. As such, in October the Group's new sales complex and a multi-brand fashion garments retail shop named SEVENDAYS formally commenced business in Beijing and Shanghai. SEVENDAYS is the Group's newest agent for fashion garments brands by gathering fashionable garments and homeware items, which targets at the young consumer group of ages between 16 to 30. The garment elements include street culture, personality, freedom as well as popular sports. For the time being, the Group has signed agency agreements with 20 garment brands from the PRC, Hong Kong and the international market, including K2, a.y.k., Kitterick and Disney (dot28 adult garment products), designers' brands such as FEN, @i, Di, JD and Flip (shoes) etc. The adoption of SEVENDAYS for the Group's new business venture carries a special meaning by introducing two shopping messages: our products can cater for customers all seven days in a week; and our products are so diversified that we can provide to every individual taste. The Group expects to set up 12 image shops in first-tier cities and another 30 brand specialty shops in the PRC.

PEZZX

Along with the rapid economic growth in the PRC, many consumers in large cities are willing to buy high-end brand fashion garments. The Group's newly created brand "PEZZX" was formally launched in Shanghai in October. The women's line is positioned between the young leisure and chic fashion apparels, while the entire design concept for both sexes is positioned as 'chic leisure apparels'. Focusing on garment colors, texture and sewing details, PEZZX enables consumers to appear in lively new looks through mix and match of their clothing which speak out their personality. All garment materials are imported from overseas with guaranteed quality and in large variety of designs, each in limited quantity. In the coming year, the Group expects to open 10 specialty shops and 10 specialty counters in department stores in first-tier PRC cities.





Trading

As the Group builds up strong purchasing power of textile products and solid fashion garments business, coupled with its diversified fashion garments marketing strategy in addition to its leading market position of innovative multi-purpose technology products, it will actively develop the trading business of textile products, increase the variety of sales coverage and continue to open up new markets.

Enhance product added-value with Innovative Technology

Nano Technology

To cater for the growing demand of nano processing in the PRC, the Group has decided to extend the nano processing business to up-stream textile products and enlarge the products' application range for nano technology. The Group has started the construction of a new up-stream nano textile product processing base in Yixin City, Jiangsu Province. It is expected the Yixin nano textile processing base will have an annual processing capacity of 30 million m² of fabrics. Jiangsu Province is the center of up-stream textile products manufacturing with comprehensive infrastructural facilities such as centralized steam supplies. The Group's decision to locate its new processing base there will help develop new business and attract clients in the region, hence consolidate the Group's leadership in the field of processing nano textile products.

Feather-fiber Textile Technology

Last year, the Group introduced the world's first patented feather-fiber textile technology and manufactured a new thermal-retention material named feather-fiber fabric. The launching of "Super Warm Micro Feather Series" was well received by consumers. Having a comparable thermal-retention capability to that of natural feather fibers, the feather-fiber fabric is light-weight and thin, it can be tailored and washed. Its recyclable raw materials leads to lower production cost compared to down products. The feather-fiber fabric can be used to make winter apparels, bed items or outdoor sport items, changing the perception that conventional thermal-retention apparels are bulky and expensive. The Group believes this innovative technology has tremendous development potential, and can set up the new standard of 'light-weight, thin and warm' for thermal-retention apparels. The Group will further expand this patented technology application to a greater variety of thermal-retention products, and believes this technology will become another new drive to the Group's business as a whole.

Looking forward, the Group's innovation strategy that successfully combines innovative textile technology with conventional apparel retail business, coupled with cooperation with various companies as to expand the application of the technology to various textile products, will continue to provide strong business foundation. On the other hand, both diversified apparel business and reinforced garment retail network will expand its sales coverage and increase its share of the apparel market. The Group firmly believes such newly commenced business will experience rapid growth and hence increase the Group's profitability.



CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 30 September	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
TURNOVER	2	896,646	573,606
Cost of sales		(699,912)	(406,725)
GROSS PROFIT		196,734	166,881
Other revenue		5,579	5,402
Selling and distribution costs		(69,220)	(50,422)
Administrative expenses		(31,962)	(44,677)
PROFIT FROM OPERATING ACTIVITIES	2, 3	101,131	77,184
Finance costs	4	(17,917)	(10,598)
Share of profits of jointly-controlled entities		312	270
PROFIT BEFORE TAXATION		83,526	66,856
Taxation	5	(8,950)	(5,600)
PROFIT AFTER TAXATION		74,576	61,256
Attributable to:			
Equity holders of the Company		66,026	56,756
Minority interests		8,550	4,500
		74,576	61,256
DIVIDEND PER SHARE	6	HK0.7 CENT	HK0.5 CENT
EARNINGS PER SHARE	7		
Basic		HK2.5 CENTS	HK2.7 CENTS

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Non-current assets			
Fixed assets	8	401,863	335,664
Prepaid land lease payments		88,654	89,254
Investment properties	8	32,430	9,430
Intangible assets		156,708	118,716
Interests in jointly-controlled entities		55,583	55,583
Available-for-sale financial assets		72,194	72,194
Rental and other deposits	8	78,507	7,385
		885,939	688,226
Current assets			
Inventories		253,304	154,362
Trade receivables	9	298,882	229,684
Prepayments, deposits and other receivables		129,390	101,602
Prepaid land lease payments		2,206	2,206
Tax recoverable		2,084	2,206
Bank and cash balances		391,968	619,544
		1,077,834	1,109,604
Current liabilities			
Trade and bills payables	10	94,925	49,412
Accruals and other payables		18,366	22,066
Amounts due to jointly-controlled entities		113	113
Provision for taxation		29,287	20,337
Interest-bearing borrowings		448,377	294,578
Finance lease payables		779	4,379
		591,847	390,885
Net current assets		485,987	718,719
Total assets less current liabilities		1,371,926	1,406,945
Non-current liabilities			
Interest-bearing borrowings		271,439	340,439
Finance lease payables		1,466	4,823
Deferred taxation		14,000	14,000
		286,905	359,262
Net assets		1,085,021	1,047,683
Capital and reserves			
Share capital	11	267,970	267,970
Reserves		802,713	758,125
Total equity attributable to equity holders of the Company		1,070,683	1,026,095
Minority interests		14,338	21,588
Total equity		1,085,021	1,047,683

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ended 30 September 2006

	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Capital reserve HK\$'000	Warrant reserve HK\$'000	Retained profits HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2005, as previously reported	177,657	292,540	17,603	220	(945)	585	1,010	232,150	720,820	7,355	728,175
Effect of adopting HKFRS 3	-	-	-	-	-	(585)	-	585	-	-	-
At 1 April 2005, as restated	177,657	292,540	17,603	220	(945)	-	1,010	232,735	720,820	7,355	728,175
Expenses incurred in connection with open offer	-	(4,502)	-	-	-	-	-	-	(4,502)	-	(4,502)
Net loss recognised directly in equity	-	(4,502)	-	-	-	-	-	-	(4,502)	-	(4,502)
Profit for the period	-	-	-	-	-	-	-	56,756	56,756	4,500	61,256
Total recognised income and expenses for the period	-	(4,502)	-	-	-	-	-	56,756	52,254	4,500	56,754
Issue of shares upon:											
Exercise of warrants	990	1,950	-	-	-	-	(960)	-	1,980	-	1,980
Open offer	89,323	133,985	-	-	-	-	-	-	223,308	-	223,308
Movement in equity on expiry of warrants	-	50	-	-	-	-	(50)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(21,437)	(21,437)	(3,200)	(24,637)
At 30 September 2005	267,970	424,023	17,603	220	(945)	-	-	268,054	976,925	8,655	985,580
Exchange difference arising on translation of foreign operations	-	-	-	-	16,577	-	-	-	16,577	-	16,577
Expenses incurred in connection with open offer	-	(658)	-	-	-	-	-	-	(658)	-	(658)
Net (loss)/gain recognised directly in equity	-	(658)	-	-	16,577	-	-	-	15,919	-	15,919
Profit for the period	-	-	-	-	-	-	-	46,650	46,650	12,933	59,583
Total recognised income and expenses for the period	-	(658)	-	-	16,577	-	-	46,650	62,569	12,933	75,502
Dividends paid	-	-	-	-	-	-	-	(13,399)	(13,399)	-	(13,399)
At 31 March 2006	267,970	423,365	17,603	220	15,632	-	-	301,305	1,026,095	21,588	1,047,683
Profit for the period	-	-	-	-	-	-	-	66,026	66,026	8,550	74,576
Total recognised income for the period	-	-	-	-	-	-	-	66,026	66,026	8,550	74,576
Dividends paid	-	-	-	-	-	-	-	(21,438)	(21,438)	(15,800)	(37,238)
At 30 September 2006	267,970	423,365	17,603	220	15,632	-	-	345,893	1,070,683	14,338	1,085,021

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(88,069)	(102,532)
Net cash outflow from investing activities	(217,349)	(152,367)
Net cash inflow from financing activities	77,842	369,680
Net (decrease)/increase in cash and cash equivalents	(227,576)	114,781
Cash and cash equivalents at beginning of period	619,544	466,040
Cash and cash equivalents at end of period	391,968	580,821
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	391,968	580,821

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 (the “HKICPA”) 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 unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

The principal accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 March 2006 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS(s)”), amendments to Hong Kong Accounting Standards (“HKAS (Amendments)”), Amendments and Interpretations (“HK(IFRIC) – INT(s)”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for the accounting periods beginning on or after 1 December 2005 or 1 January 2006 or 1 March 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standard, amendment or interpretations will have no material impact on the financial information of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴

- ¹ Effective for annual periods beginning on or after 1 January 2007
- ² Effective for annual periods beginning on or after 1 May 2006
- ³ Effective for annual periods beginning on or after 1 June 2006
- ⁴ Effective for annual periods beginning on or after 1 November 2006

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 “PRC”).

The Group’s business segments comprise fashion garments business and nano business. Nano 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 2006, together with the comparative figures for the corresponding period in 2005, is as follows:-

	Hong Kong		PRC		Elimination		Consolidated	
	Six months ended 30 September							
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	58,807	47,010	837,839	526,596	-	-	896,646	573,606
Intersegment sales	-	-	9,449	4,930	(9,449)	(4,930)	-	-
Total revenue	58,807	47,010	847,288	531,526	(9,449)	(4,930)	896,646	573,606
Segment results	5,783	3,817	112,695	85,570	-	-	118,478	89,387
Unallocated expenses							(17,347)	(12,203)
Profit from operating activities							101,131	77,184
Finance costs							(17,917)	(10,598)
Share of profits of jointly-controlled entities							312	270
Profit before taxation							83,526	66,856
Taxation							(8,950)	(5,600)
Profit after taxation							74,576	61,256

(b) Business segments

An analysis of the Group's turnover by business segments for the six months ended 30 September 2006, together with the comparative figures for the corresponding period in 2005, is as follows: –

	Fashion garments business		Nano business		Elimination		Consolidated	
	Six months ended 30 September							
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	648,428	307,035	248,218	266,571	–	–	896,646	573,606
Intersegment sales	–	–	9,449	4,930	(9,449)	(4,930)	–	–
Total revenue	648,428	307,035	257,667	271,501	(9,449)	(4,930)	896,646	573,606

3. Profit from operating activities

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

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Staff costs	23,683	19,323
Minimum lease payments under operating leases in respect of land and buildings	23,847	12,305
Depreciation	20,628	18,882

4. Finance costs

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts	17,591	10,400
Finance leases	326	198
	17,917	10,598

5. Taxation

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	5,870	568
Elsewhere	3,080	5,032
Tax charge for the period	8,950	5,600

Hong Kong profits tax is provided at the rate of 17.5% (2005: 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	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interim dividend	18,758	13,399

The Directors declared the payment of an interim dividend of HK0.7 cent per share in respect of the six months ended 30 September 2006 (2005: HK0.5 cent per share) payable to the equity holders whose names appear on the register of members of the Company on 16 February 2007. Dividend warrants will be despatched to the equity holders of the Company on or about 23 March 2007.

7. Earnings per share

The calculation of basic earnings per share for the period ended 30 September 2006 is based on the Group's net profit attributable to equity holders of HK\$66,026,000 (2005: HK\$56,756,000) and the weighted average number of 2,679,698,250 ordinary shares in issue during the period (2005: 2,133,684,178 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 2006 and 30 September 2005.

8. Capital expenditure

Total capital expenditures of the Group for the period amounted to approximately HK\$196 million, of which HK\$130 million was incurred by the fashion garments for the expansion of the retail and distribution network including the acquisition of retail shops in the PRC and in Hong Kong. On the other hand, HK\$66 million was incurred for the development and expansion of the production capacity for nano business.

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 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 30 days	99,169	56,182
Between 31 days to 60 days	120,216	45,030
Between 61 days to 90 days	51,198	91,764
Between 91 days to 120 days	28,299	30,851
Between 121 days to 150 days	-	5,857
	298,882	229,684

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 allowance for impairment 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 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Within 30 days	43,518	28,107
Between 31 days to 60 days	23,730	5,243
Between 61 days to 90 days	22,062	10,181
Over 90 days	5,615	5,881
	94,925	49,412

11. Share Capital

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Authorised:		
5,000,000,000 (31 March 2006: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid:		
2,679,698,250 (31 March 2006: 2,679,698,250) ordinary shares of HK\$0.10 each	267,970	267,970

12. Related Party Transactions

- (a) During the period, the Group paid rental expenses of HK\$42,000 (2005: 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 (2005: 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.
- (b) During the period, the Group had the following transactions with Texcote Technology (International) Limited, a jointly-controlled entity:

	Six months ended 30 September	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Purchases	1,863	1,315
Rental income received	–	23
Management fee received	–	12
Licensing fee paid	1,000	1,000

13. Operating Lease Arrangements

(a) As lessor

At 30 September 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2006 (Unaudited) HK\$'000	30 September 2005 (Unaudited) HK\$'000
Within one year	2,403	751

(b) As lessee

At 30 September 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2006 (Unaudited) HK\$'000	30 September 2005 (Unaudited) HK\$'000
Within one year	43,298	15,259
In the second to fifth years inclusive	51,134	21,831
	94,432	37,090

14. Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 September 2006.

15. Comparative figures

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 14 February 2007 to Friday, 16 February 2007 (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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 February 2007.

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 2006, no share options were granted, exercised, cancelled or lapsed.

Subsequent to the balance sheet date, on 6 November 2006, a total of 177,500,000 share options were granted to certain directors of the Company and employees and supplier of the Group at an exercise price of HK\$0.255 per share. Save as disclosed above, no share options were granted, exercised, lapsed or cancelled up to the date of approval of these financial statements.

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 30 September 2006, the net proceeds had been fully utilised to fund the expansion of the Group's retail network in Hong Kong and the Mainland China.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2006, 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 (1))	37.67%
Mr. Leung Siu Kan, Stephen	Long	Interest of spouse	600,000 (Note (2))	0.02%

Notes:

- (1) 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 Trust Company (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.

- (2) Mr. Leung Siu Kan, Stephen was deemed to be interested in the 600,000 shares of the Company through interests of his spouse, Ms. Lam Fun.

In addition to the above, as at 30 September 2006, 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 previous requirements of a minimum of two shareholders.

Save as disclosed above, as at 30 September 2006, 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 taken or deemed to have taken 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 2006, 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 Trust Company (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 2006, 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 2006, 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.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has established written guidelines for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in the securities of the Company (the “Written Guidelines”) on terms no less exacting than the required standard set out in the Model Code. For this purpose, “Relevant Employee” includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company 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 audit committee of the Company presently comprises 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 of the Company has reviewed the unaudited condensed consolidated interim financial statements in respect of the six months ended 30 September 2006 and discussed with the Directors the internal control and financial reporting matters.

REMUNERATION COMMITTEE

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 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, a wholly owned subsidiary of the Company (the "Borrower"), 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. 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 loans outstanding, together with the interest accrued thereon, may 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. Leung Siu Kan, Stephen 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, 21 December 2006