



U-RIGHT INTERNATIONAL HOLDINGS LIMITED
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY) STOCK CODE : 627
07/08 INTERIM REPORT



JONIOR

SEVEN DAYS



uzone



EXECUTIVE DIRECTORS

Mr. Leung Ngok (*Chairman*)
Mr. Leung Shing (*Deputy Chairman*)
Mr. Leung Siu Kan, Stephen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jia Luqiao
Mr. Yang Dong Hui
Mr. Wong Kai Cheong

AUDIT COMMITTEE

Mr. Jia Luqiao
Mr. Yang Dong Hui
Mr. Wong Kai Cheong

REMUNERATION COMMITTEE

Mr. Leung Ngok
Mr. Jia Luqiao
Mr. Wong Kai Cheong

AUTHORISED REPRESENTATIVES

Mr. Leung Ngok
Mr. Ng Chi Yin

COMPANY SECRETARY

Mr. Ng Chi Yin

QUALIFIED ACCOUNTANT

Mr. Ng Chi Yin

REGISTERED OFFICE

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Hamilton HM11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

32nd Floor, Billion Plaza, 8 Cheung Yue Street
Cheung Sha Wan, Kowloon, Hong Kong

AUDITORS

RSM Nelson Wheeler Certified Public Accountants
29/F Caroline Centre
Lee Gardens Two
28 Yun Ping Road, Hong Kong

LEGAL ADVISORS

Hong Kong: Sidley Austin
Bermuda: Conyers Dill & Pearman

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Bangkok Bank Public Co. Ltd.
The Bank of East Asia, Limited
Deutsche Bank
Hang Seng Bank
HSBC Group
Industrial and Commercial Bank of China Group
Oversea-Chinese Banking Corporation Ltd.

PRINCIPAL REGISTRARS & TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building, 6 Front Street
Hamilton HM11, Bermuda

BRANCH REGISTRARS & TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

STOCK CODE

627

COMPANY'S WEBSITE

www.u-right.com

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 2007 together with the comparative figures for the corresponding period in 2006. 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\$989,756,000 for the six months ended 30 September 2007, representing a 10% increase from HK\$896,646,000 in the corresponding period last year. During the period under review, the group not only actively expanded its sales network in the PRC and Hong Kong, but also widened its garment brand portfolio to provide more variety to consumers. As the sales network in the PRC and Hong Kong continued to expand, growth of the Group’s fashion garments business was sustained. The Group’s profit attributable to the equity holders of the Group was HK\$68,775,000, representing an increase of 4% as compared to HK\$66,026,000 in the corresponding period last year. Earnings per share was HK2.1 cents for the six months ended 30 September 2007. In view of the rapid growth of the fashion garments business, as well as to facilitate the Group’s long-term development, the Directors did not recommend the payment of any interim dividend.

Turnover

Leveraging on the strong economic growth in the PRC and the rebound in Hong Kong’s economy, both businesses operated by the Group achieved growth. The fashion garments business recorded a turnover of HK\$710,694,000, representing an increase of 10% as compared to HK\$648,428,000 in the corresponding period last year, and accounted for 72% of the Group’s total turnover. The Technology Nano business recorded a turnover of HK\$279,062,000, representing an increase of 12% as compared to HK\$248,218,000 in the corresponding period last year, and accounted for 28% of the Group’s total turnover.

Gross Profit

During the period under review, the Group recorded a gross profit of HK\$251,814,000, representing an increase of 28% from HK\$196,734,000 in the corresponding period last year, while gross profit margin increased to 25% from 22% in the corresponding period last year. The increase in the overall gross profit margin was mainly attributable to the synergy achieved by multiple brands of the Group as well as the continuous expansion of the sales network, which helped accentuating the brands’ image and attracting consumers to purchase garment products with higher gross profit margin.

Fashion Garments Business

The PRC

U-RIGHT, a proprietary brand name

The Group continued to expand the sales coverage of the U-RIGHT brand in the 2nd and 3rd tier cities of the PRC by enhancing the brand image of the U-RIGHT brand among consumers through expanding its sales network. As at 30 September 2007, there were 460 U-RIGHT outlets in the PRC.

SEVENDAYS, a multi-brand shop

Starting from the end of 2006, the Group commenced its operation of SEVENDAYS shops in 1st tier cities in the PRC, such as Beijing and Shanghai. SEVENDAYS are multi-brand fashion garments shops targeted at the younger generation, providing them with a shopping platform for trendy fashion garments that most suit their unique styles and cultures. To satisfy the needs of the customers, SEVENDAYS offer trendy clothing of different brands, including brands of independent designers from Hong Kong and the PRC, as well as its newly created own brand, PEZZX. As at 30 September 2007, there were 5 SEVENDAYS outlets.

Strategic Partners

In October 2007, the Group entered into two separate cooperation agreements with ITAT, a major fashion garment retailer in the PRC, and Jusco, a subsidiary of Aeon Stores (Hong Kong) Co., Limited. Pursuant to these agreements, the Group will set up U-RIGHT counters and booths in department stores of ITAT in the PRC; on the other hand, a medium to high end casual wears brand, U-ZONE, will be selling in Jusco department stores in the PRC and Hong Kong. Such initiative will swiftly increase the number of sales outlets of different brands of the Group.

Overall Review of the Fashion Garments Business in the PRC

During the year under review, the Group's fashion garments retail and wholesale business in the PRC recorded a total turnover of HK\$311,181,000, representing an increase of 30% as compared to HK\$239,691,000 in the corresponding period last year. The turnover accounted for 44% of the Group's fashion garments business.

Hong Kong

During the period under review, the Group has been proactive in opening new U-RIGHT outlets in order to expedite the expansion of its local sales network, increasing the brand's market share and promoting its brand image. In the meantime, the Group also opened its first brand-matching shop U-MIX to introduce new elements to the fashion garments business. The concept of U-MIX is to mix and match U-RIGHT brand, which acts the main element, with other designers' brands to create synergy while highlighting each of their unique style, offering a diversified selection of fashion garments to the consumers. The first U-MIX shop has chosen a trendy fashion garment label, JD, for matching and such arrangement has achieved satisfactory results. In addition, the Group also opened the first U-JUNIOR outlet in Island Place, which focuses on selling trendy kids' wear. During the period under review, the fashion garments business in Hong Kong recorded a turnover of HK\$112,510,000, representing an increase of 91% as compared to HK\$58,807,000 in the corresponding period last year, and accounted for 16% of the Group's total turnover of fashion garments business. As at 30 September 2007, the fashion garments business in Hong Kong operated a total of 83 shops.

Trading Business

During the period under review, the Group offered one-stop textile products solution to its customers ranging from the design of textile products, materials procurement, production planning and quality control, catering to each customer's specific needs. Development in the Group's textile business was thus strengthened. During the period under review, the fashion garments trading business recorded a turnover of HK\$287,003,000, representing a decrease of 18% as compared to HK\$349,930,000 in the corresponding period last year. This accounted for 40% of the Group's total turnover of fashion garments business.

Texnology Nano Business

The Texnology Nano business continued to gain support from customers and achieved stable growth. The environmental friendly "NanoEco Series" launched by the Group continued to be well received by the market. Driven by the rising demand of nano textiles product, the Group accelerates the establishment of up-stream production lines in order to increase the processing capacity to fulfil market demand. The Group will also continue to develop its nano technology licensing business with a view to strengthening the competitive edge of its Texnology Nano Business.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group has financed its business development by a combination of internal resources, equity funding and bank borrowings. During the period under review, the Group raised net proceeds of approximately HK\$140,000,000 through placement of shares, which provided the Group with the necessary general working capital.

During the period, the Group's liquidity and financial resources position remained sound. As at 30 September 2007, the Group's net current assets amounted to approximately HK\$904,356,000 while the current ratio maintained at 2.68. The Group's cash and bank balances amounted to approximately HK\$432,967,000.

As at 30 September 2007, the Group has utilized banking facilities amounting to HK\$731,752,000. The Group's borrowings net of cash and bank balances amounted to HK\$327,367,000 (net borrowing) while its net gearing ratio (net borrowings to net assets value) was 21%.

Foreign Exchange

The exchange rate of Renminbi has been strong in recent years. As the Group's core businesses are in the PRC and Hong Kong and its assets are mainly dominated in Hong Kong dollars, US dollars and Renminbi, the appreciation of Renminbi in recent years has the effect of strengthening the financial position of the Group.

Pledge of Assets

As at 30 September 2007, the Group's certain leasehold land and buildings, prepaid land lease payments and investment properties with an aggregate carrying amount of approximately HK\$270 million, have been pledged for general banking facilities granted to the Group.

Contingent Liabilities

As at 30 September 2007, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposals

The Group did not have any material acquisition nor disposal during the period under review.

Convertible Notes and Warrants

On 23 October 2007, the Group issued convertible notes due 2010 with a principal amount of HK\$24,000,000, and warrants in respect of warrant shares with an amount up to HK\$54,000,000 to Deutsche Bank AG. The proceeds raised will be used to finance the expansion of the Group's fashion garments sales network and general working capital.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 30 September 2007, the Group had a total of 2,866 employees, including 464 in Hong Kong and Macau, and a total of 2,402 in the PRC. The Group provides its employees with comprehensive remuneration and benefits packages, including a mandatory provident fund, according to market trend, individual expertise and performance.

PROSPECTS

Fashion Garments Business

In recent years, purchasing power in the PRC has been rising, resulting in stronger internal consumption. The Group seizes this opportunity through cooperating with several large enterprises in actively expanding its sales network in the PRC. Such initiative enables the Group to optimise its portfolio of business partners while accelerates the development of its outlets, and enhance its market penetration and extend its coverage. The Group will continue to strengthen its cooperation with different large corporations, such as Jusco and ITAT, in order to expand the coverage of the U-RIGHT brand in the PRC. In addition, the Group will also continue in developing SEVENDAYS multi-brand shops and identifying potential brands with a view to providing customers with more diversified product choices.

In Hong Kong, the Group will increase the number of outlets and further develop diversified branding. Based on its past successful experience, the Group will develop fashion stores, such as U-MIX and U-JUNIOR, with a variety of products on offer, thereby providing more options to the consumers. Furthermore, JD, one of the trendy fashion garment brands sold in U-MIX shops, has opened its first brand boutique in Mega Box which is located in Kowloon Bay during the year. This shows that the concept of mix and match is expected to be promising in the future.

Management Discussion and Analysis

With respect to overseas markets, in addition to the Middle East market, the Group has also entered into a letter of intent in October 2007 for cooperation with Aerospace Science & Industry Shenzhen (Group) Co., Ltd. (“Aerospace Science & Industry”), the Group’s business partner and an enterprise with extensive experience in wholesaling and retailing in Vietnam. To tap the potential growth of this emerging market, both parties are planning to launch the U-Right branded casual wears in Vietnam.

As the 2008 Beijing Olympic Games is expected to stimulate demand in the retail industry in the PRC and Hong Kong, the Group’s diversified fashion garments business will ride on and capture this opportunity, including U-RIGHT, U-MIX, U-JUNIOR, U-ZONE, SEVENDAYS and JD, which all have independent operations in place. The Group expects such diversified development in fashion garments business shall be able to cater to different customers’ preferences, and achieve prosperous results with continuous growth of the PRC economy.

Innovative Textile Technology

Technology Nano Business

The Group is putting forth all its effort to expand its nano processing capacity by actively pursuing the development of up-stream nano textile processing facilities. Meanwhile, the Group is also carrying out studies on the application of nano processing technology on other materials, such as leather and down apparel, and exploring the feasibility of their mass production. It is also committed to introduce the nano processing technology and nano products to the global markets through the sales network of its international business partners.

Feather-fibre Textile Technology

The Group will continue to promote feather-fibre textile products, with its “light-weight, thin and warm” distinctive merits, will become the new standards for future thermal-retention garments. The Group will license the technology to other winter wear or household products’ manufacturers to share the benefits of this technology with them. In addition, the Group also intends to widen the product range in feather-fibre textile technology. Towards this end, tests have been carried out for the application of this technology on various textile products such as feather-fibre denim, feather-fibre woven fabrics and feather-fibre knitted fabrics. The Group will actively identify other suitable products and strategic partners to jointly develop new areas of application of this innovative technology.

Looking forward, the Group will accelerate its development to tap into the huge market demand arising from rapid growth of the PRC economy. In respect of the fashion garments business, the Group will enhance its cooperation with other large-scale chain stores so as to swiftly expand its sales network. In relation to the innovation of textile technology business, the Group will apply innovative technology to traditional garment retail business and create garments products with new functionalities that cater to the various needs of consumers by cooperating with different enterprises. The Group believes that both of our businesses will grow rapidly and bring satisfactory returns to our shareholders.

Condensed Consolidated Income Statement

		Six months ended 30 September	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
	Notes		
Turnover	2	989,756	896,646
Cost of sales		(737,942)	(699,912)
Gross profit		251,814	196,734
Other income		3,953	5,579
Selling and distribution costs		(96,484)	(69,220)
Administrative expenses		(53,404)	(29,253)
Amortisation and impairment loss of intangible assets		(2,031)	(2,709)
Profit from operations	2, 3	103,848	101,131
Finance costs	4	(21,301)	(17,917)
Share of (losses)/profits of jointly-controlled entities		(835)	312
Profit before tax		81,712	83,526
Income tax expense	5	(9,936)	(8,950)
Profit for the period		71,776	74,576
Attributable to:			
Equity holders of the Company		68,775	66,026
Minority interests		3,001	8,550
		71,776	74,576
Dividend	6	—	18,758
Earnings per share	7		
Basic		HK2.1 cents	HK2.5 cents
Diluted		HK2.1 cents	HK2.5 cents

Condensed Consolidated Balance Sheet

	Notes	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Non-current assets			
Fixed assets	8	522,902	430,691
Prepaid land lease payments		86,852	87,290
Investment properties		23,133	28,453
Intangible assets		166,228	168,259
Interests in jointly-controlled entities		49,070	49,905
Available-for-sale financial assets		27,953	32,953
Prepayments and other deposits	8	129,160	60,105
		1,005,298	857,656
Current assets			
Inventories		368,204	313,194
Trade receivables	9	289,925	320,035
Prepayments, deposits and other receivables		348,253	180,189
Prepaid land lease payments		2,158	2,179
Tax recoverable		1,019	1,019
Bank and cash balances		432,967	549,182
		1,442,526	1,365,798
Current liabilities			
Trade and bills payables	10	106,747	138,347
Accruals and other payables		16,525	34,535
Due to jointly-controlled entities		113	113
Provision for taxation		14,908	14,287
Interest-bearing borrowings		399,320	500,380
Finance lease payables		557	1,279
		538,170	688,941
Net current assets		904,356	676,857
Total assets less current liabilities		1,909,654	1,534,513
Non-current liabilities			
Interest-bearing borrowings		332,432	188,430
Finance lease payables		—	220
Deferred taxation		24,453	24,777
Convertible bonds		28,025	53,425
		384,910	266,852
Net assets		1,524,744	1,267,661
Capital and reserves			
Share capital	11	351,192	293,770
Reserves		1,147,557	950,897
Total equity attributable to equity holders of the Company		1,498,749	1,244,667
Minority interests		25,995	22,994
Total equity		1,524,744	1,267,661

Condensed Consolidated Statement of Changes in Equity-Unaudited

For the period ended 30 September 2007

	Share capital	Share premium	Properties revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Capital reserve	Share-based compensation reserve	Retained profits	Attributable to equity holders of the Company	Minority interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 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
Dividend 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
At 1 April 2007	293,770	470,460	51,325	220	31,893	6,040	6,757	384,202	1,244,667	22,994	1,267,661
Expenses incurred in connection with placement	—	(4,000)	—	—	—	—	—	—	(4,000)	—	(4,000)
Net expense recognised directly in equity	—	(4,000)	—	—	—	—	—	—	(4,000)	—	(4,000)
Profit for the period	—	—	—	—	—	—	—	68,775	68,775	3,001	71,776
Total recognised income and expense for the year	—	(4,000)	—	—	—	—	—	68,775	64,775	3,001	67,776
Issue of shares upon:											
Conversion of convertible bonds	10,417	20,047	—	—	—	(3,020)	—	—	27,444	—	27,444
Exercise of share options	7,005	10,858	—	—	—	—	—	—	17,863	—	17,863
Placement	40,000	104,000	—	—	—	—	—	—	144,000	—	144,000
At 30 September 2007	351,192	601,365	51,325	220	31,893	3,020	6,757	452,977	1,498,749	25,995	1,524,744

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	17,989	(88,069)
Net cash used in investing activities	(334,067)	(217,349)
Net cash inflow from financing activities	199,863	77,842
Net decrease in cash and cash equivalents	(116,215)	(227,576)
Cash and cash equivalents at beginning of period	549,182	619,544
Cash and cash equivalents at end of period	432,967	391,968
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	432,967	391,968

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 Company is an investment holding company. Its subsidiaries are principally engaged in fashion garments business and Texnology Nano business.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of leasehold land and buildings, investment properties and available-for-sale financial assets which are carried at their fair values.

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 2007, except for the adoption of the following new standards, amendments to standards and interpretations which are effective for the accounting periods beginning on or after 1 April 2007 as set out below:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Interpretation 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economics
HK(IFRIC) — Interpretation 8	Scope of HKFRS 2
HK(IFRIC) — Interpretation 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Interpretation 10	Interim Financial Reporting and Impairment
HK(IFRIC) — Interpretation 11	HKFRS 2 — Group and Treasury Share Transactions

The adoption of the above has no material impact to the Group’s unaudited condensed consolidated interim financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective and have not been early adopted. The directors of the Company is currently assessing the impact of these standards and interpretations but are not yet in position to state whether they would have material financial impact on the Group’s financial statements.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Interpretation 12	Service Concession Arrangements ²
HK(IFRIC) — Interpretation 13	Customer Loyalty Programmes ³
HK(IFRIC) — Interpretation 14	HKAS 19 — The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction ²

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

Notes

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 ("PRC").

The Group's business segments comprise fashion garments business and Texnology Nano business. Texnology 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 2007, together with the comparative figures for the corresponding period in 2006, is as follows:—

	Hong Kong		PRC		Elimination		Consolidated	
	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	112,510	58,807	877,246	837,839	—	—	989,756	896,646
Intersegment sales	597	—	50,505	9,449	(51,102)	(9,449)	—	—
Total revenue	113,107	58,807	927,751	847,288	(51,102)	(9,449)	989,756	896,646
Segment results	(5,132)	5,783	129,692	112,695	—	—	124,560	118,478
Unallocated expenses							(20,712)	(17,347)
Profit from operations							103,848	101,131
Finance costs							(21,301)	(17,917)
Share of (losses)/profits of jointly-controlled entities							(835)	312
Profit before tax							81,712	83,526
Income tax expense							(9,936)	(8,950)
Profit for the period							71,776	74,576

(b) Business segments

An analysis of the Group's turnover by business segments for the six months ended 30 September 2007, together with the comparative figures for the corresponding period in 2006, is as follows:—

	Fashion garments business		Technology Nano business		Elimination		Consolidated	
	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000	Six months ended 30 September 2007 (Unaudited) HK\$'000	Six months ended 30 September 2006 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	710,694	648,428	279,062	248,218	—	—	989,756	896,646
Intersegment sales	44,001	—	7,101	9,449	(51,102)	(9,449)	—	—
Total revenue	754,695	648,428	286,163	257,667	(51,102)	(9,449)	989,756	896,646

3. Profit from operations

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

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Staff costs	31,602	23,683
Minimum lease payments under operating leases in respect of land and buildings	36,392	23,847
Depreciation	28,721	20,628

4. Finance costs

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts	21,228	17,591
Finance leases	73	326
	21,301	17,917

Notes

5. Income tax expense

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	6,301	5,870
Elsewhere	3,635	3,080
Tax charge for the period	9,936	8,950

Hong Kong profits tax is provided at the rate of 17.5% (2006: 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	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interim — Nil (2006: HK0.7 cent per share, paid)	—	18,758

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: HK0.7 cent per share).

7. Earnings per share

The calculations of the basic and diluted earnings per share are based on the following:

	Six months ended 30 September	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Earnings		
Profit attributable to equity holders of the Company, used in basic earnings per share calculation	68,775	66,026
Finance costs saving on conversion of convertible bonds outstanding	2,044	—
Profit attributable to equity holders of the Company, used in diluted earnings per share calculation	70,819	66,026
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation	3,223,478	2,679,698
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	104,167	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	3,327,645	2,679,698

Notes

8. Capital expenditure

Total capital expenditures of the Group for the period amounted to approximately HK\$184 million, of which HK\$86 million was incurred by the fashion garments for the expansion of the retail and distribution network, while HK\$98 million was incurred for the development and expansion of the production capacity for Texnology 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 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 30 days	82,366	111,765
31 days to 60 days	93,582	67,989
61 days to 90 days	104,647	91,828
91 days to 120 days	3,956	41,886
121 days to 150 days	7,103	7,908
Over 150 days	223	530
	291,877	321,906
Allowance for impairment	(1,952)	(1,871)
	289,925	320,035

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 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Within 30 days	39,886	57,589
31 days to 60 days	33,667	35,311
61 days to 180 days	33,194	45,447
	106,747	138,347

11. Share Capital

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
Authorised: 5,000,000,000 (31 March 2007: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid: 3,511,916,916 (31 March 2007: 2,937,698,250) ordinary shares of HK\$0.10 each	351,192	293,770

12. Related Party Transactions

- (a) During the period, the Group paid rental expenses of HK\$42,000 (2006: 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\$180,000 (2006: 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	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Purchases	1,404	1,863
Licensing fee paid	1,000	1,000

13. Operating Lease Arrangements**(a) As lessor**

At 30 September 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2007 (Unaudited) HK\$'000	30 September 2006 (Unaudited) HK\$'000
Within one year	1,375	2,403

(b) As lessee

At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2007 (Unaudited) HK\$'000	30 September 2006 (Unaudited) HK\$'000
Within one year	68,645	43,298
In the second to fifth years inclusive	62,173	51,134
	130,818	94,432

14. Contingent Liabilities

The Group did not have any significant contingent liabilities at 30 September 2007.

15. Comparative figures

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

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 share option scheme of the Company during the six months ended 30 September 2007 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 2007	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 2007
Directors									
Mr. Leung Shing	6 November 2006	6 November 2006 – 5 November 2009	0.255	N/A	25,000,000	Nil	Nil	Nil	25,000,000
Mr. Leung Siu Kan, Stephen	6 November 2006	6 November 2006 – 5 November 2009	0.255	N/A	25,000,000	Nil	Nil	Nil	25,000,000
Other employees									
In aggregate	6 November 2006	6 November 2006 – 5 November 2009	0.255	0.474	115,500,000	Nil	(65,786,000)	Nil	49,714,000
Suppliers									
In aggregate	6 November 2006	6 November 2006 – 5 November 2009	0.255	0.452	12,000,000	Nil	(4,266,000)	Nil	7,734,000
					177,500,000	Nil	(70,052,000)	Nil	107,448,000

* 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.

USE OF PROCEEDS

The net proceeds from a placement of new shares of the Company was approximately HK\$140 million. Up to 30 September 2007, the un-utilised net proceeds was approximately HK\$100 million, which will be used as intended uses as general working capital of the Group, expansion of retail business and possible investments in the future.

The net proceeds from the issue of the convertible notes and warrants in November 2007 was approximately HK\$21.8 million. The Company has intended to use such net proceeds for general corporate financing purposes of the Group, including the expansion of the Group's fashion garments sales networks in Hong Kong, the PRC and development of fashion garments sales networks in Vietnam.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests of the directors of the Company in the shares and underlying 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:

(1) Interests in shares of the Company

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	3.11%
	Long	Founder of a discretionary trust	1,094,541,179 (Note)	31.16%

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 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) Interests in underlying shares of the Company - physically settled unlisted equity derivatives

Name of director	Long/short position	Capacity	Number of underlying shares in respect the share options granted	Percentage of the underlying shares over the Company's issued share capital
Mr. Leung Shing	Long	Beneficial owner	25,000,000	0.71%
Mr. Leung Siu Kan, Stephen	Long	Beneficial owner	25,000,000	0.71%

Details of the above share options as required to be disclosed by the Listing Rules are set out in the above section headed "Share Option Scheme".

In addition to the above, as at 30 September 2007, 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 and in the above section headed "Share Option Scheme", as at 30 September 2007, 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 nor had there been any grant or exercise of rights during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' Interests in Shares and Underlying 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 2007, 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	Percentage of the Company's issued share capital
ACE Target Inc.	Long	Trustee		1,094,541,179	31.16%
Trident Trust Company (B.V.I.) Limited	Long	Trustee		(Note (1)) 1,094,541,179	31.16%
Ms. Yim Yuk Lam	Long	Interest of spouse		(Note (1)) 1,203,762,179	34.28%
ABN AMRO Holding N.V.	Long	Interest of controlled corporation	262,607,333		
	Long	Custodian corporation/ approved lending agent	546,000	263,153,333	7.49%
			(Note (3))		
			(Note (4))		

Notes:

- (1) Such interest was also disclosed as the interest of Mr. Leung Ngok in the above section headed "Directors' Interests in Shares and Underlying Shares".
- (2) Ms. Yim Yuk Lam was deemed to be interested in the 1,203,762,179 shares of the Company through interest of her spouse, Mr. Leung Ngok.
- (3) As ABN AMRO Bank N.V. ("ABN Bank") was wholly controlled by ABN AMRO Holding N.V. ("ABN Holding"), ABN Holding was deemed to be interested in the 262,607,333 shares of the Company in which ABN Bank had a direct interest.
- (4) As ABN AMRO Mellon Global Securities Services B.V. ("ABN Securities") was controlled as to 50% by ABN Bank, ABN Bank and ABN Holding were deemed to be interested in the 546,000 shares of the Company (in lending pool) in which ABN Securities had a direct interest.

Save as disclosed above, as at 30 September 2007, no persons, other than the Company's directors whose interests are set out in the above section headed "Directors' Interests in Shares and Underlying 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2007.

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. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 March 2007.

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 for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Leung Ngok currently assumes the roles 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.

Code Provision B.1.1

During the period from 6 July 2007 to 26 July 2007, the Company has not complied with the code provision B.1.1, which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors. Such deviation is due to the decease of Mr. Wong Kong Hon, a then independent non-executive director and member of the Company's Remuneration Committee, on 6 July 2007. Upon his decease, the Company's Remuneration Committee was left with two members, namely Mr. Leung Ngok (an executive director) and Mr. Wong Kai Cheong (an independent non-executive director). Subsequently on 27 July 2007, the Company appointed Mr. Jia Luqiao, an independent non-executive director, as a member of the Remuneration Committee of the Company and by then, the Company has duly complied with such code provision B.1.1.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three independent non-executive directors of the Company, namely Mr. Wong Kai Cheong (Chairman of the Audit Committee), Mr. Jia Luqiao and Mr. Yang Dong Hui, has reviewed with senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

GENERAL DISCLOSURE OBLIGATION UNDER RULE 13.21 OF THE LISTING RULES

On 18 July, 2005, a wholly owned subsidiary of the Company (the "Borrower"), had entered into an agreement (the "Facility Agreement (A)") 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 "Lenders"). The termination date of Facility Agreement (A) is the date falling 36 months after the date of Facility Agreement (A). On 27 November 2006, the same Borrower had entered into an agreement ("Facility Agreement (B)") relating to a term loan facility of up to HK\$30,000,000 and a revolving facility of up to HK\$10,000,000 with a bank (the "Bank"). The termination date of Facility Agreement (B) is the date falling 30 months after the date of Facility Agreement (B).

Facility Agreement (A) and Facility Agreement (B) have 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 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 Facility Agreement (A) and Facility Agreement (B). Upon the occurrence of an event of default under Facility Agreement (A) and Facility Agreement (B), the loans outstanding, together with the interest accrued thereon, be immediately due and payable.

As detailed in the Company's press announcement dated 6 June 2007, a wholly owned subsidiary of the Company (the "Borrower"), had entered into an agreement (the "Facility Agreement (C)") relating to a term loan facility of US\$30,000,000 with the bank(s) named therein. The termination date of Facility Agreement (C) is the date falling 5 years after the date of Facility Agreement (C).

Facility Agreement (C) has imposed an obligation 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 25% 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 Facility Agreement (C). Upon the occurrence of an event of default under Facility Agreement (C), the loans outstanding, together with the interest accrued thereon, may be immediately due and payable.

As the above specific performance obligation as imposed under all the above Facility Agreements 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.

On Behalf of the Board
Leung Ngok
Chairman

Hong Kong, 21 December 2007



SEVENDAYS



JD

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羽絲棉「輕、薄、暖、可裁剪」的特性，可以取代一般昂貴、外形臃腫及厚薄不均的羽絨衣，是一種嶄新高科技紡織產品。另外，羽絲棉材料取自天然羽毛，屬再生資源，完全符合環保要求；加上可以機洗容易處理，能夠提升人類生活質素以及優化生活環境的最佳禦寒衣物。

Super Warm Micro Feather is an innovative new generation textile product developed by leading edge technology. It is light, thin and warm, and can be tailored into different shapes and hence can be a substitution to traditional down apparel that is generally expensive and bulky with uneven thickness. In addition, Super Warm Micro Feather is made of natural feather, a renewable and environmental friendly material, is easy care and being machine washable. It is the best choice for winter wear that improves both the quality of our lives and our living environment.

