# U-RIGHT INTERNATIONAL HOLDINGS LIMITED

**(Provisional Liquidators Appointed)**

# 佑威國際控股有限公司*

（已委任臨時清盤人）

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00627)**

## Interim Report 2009

* *for identification purposes only*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Executive Director*

TANG Kwok Hung

*Independent Non-Executive Directors*

CHUNG Wai Man
MAK Ka Wing Patrick

## AUDITOR

ANDA CPA Limited
Unit D, 21st Floor
Max Share Centre
373 King's Road, North Point
Hong Kong

## JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

LAI Kar Yan Derek and YEUNG Lui Ming
35th Floor, One Pacific Place
88 Queensway, Hong Kong

## REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

35th Floor, One Pacific Place
88 Queensway, Hong Kong

## FINANCIAL REVIEW

The turnover of U-RIGHT International Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2009 amounted to approximately HK$21 million, representing a substantial decrease as compared with the Group's turnover of approximately HK$105 million for the six months ended 30 September 2008. This significant decrease was mainly attributable to the deconsolidation of the subsidiary, U-Right Garments Limited (In Liquidation), due to the loss of its control since 21 January 2009.

The consolidated loss attributable to equity holders of the Company amounted to approximately HK$1 million for the six months ended 30 September 2009 (six months ended 30 September 2008: loss of approximately HK$3,430 million). Basic loss per share was approximately HK0.03 cents for the six months ended 30 September 2009 (six months ended 30 September 2008: loss per share of approximately HK96.09 cents).

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2009 was approximately HK$5.56 million (31 March 2009: approximately HK$2.63 million). The Group's gearing ratio measured on the basis of the Group's borrowings net of cash and bank balances (net borrowing) related to the net asset value and it was not applicable as the Group had net liabilities (31 March 2009: not applicable) as at 30 September 2009.

## FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance,

### a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

**b) Credit risk**

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 September 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the condensed consolidated statement of financial position. The Group's credit risk is primarily attributable to its available-for-sale financial assets and bank balances. In order to minimise credit risk, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group has certain concentration of credit risk.

**c) Liquidity risk**

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

**d) Interest rate risk**

At 30 September 2009, the Group did not have significant interest rate risk.

**e) Fair values**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

## SUSPENSION OF TRADING IN SHARES AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

Trading in the shares of the Company has been suspended since 17 September 2008.

On 6 October 2008, Deutsche Bank A.G., Hong Kong Branch (the "Petitioner") petitioned for the winding-up of the Company as the Company could not meet demands for the repayment of outstanding debts (the "Petition"). Upon the application of the Petitioner, on 6 October 2008, Messrs. LAI Kar Yan (Derek) and YEUNG Lui Ming, both of Deloitte Touche Tohmatsu, were appointed as joint and several provisional liquidators (the "Provisional Liquidators") of the Company by the High Court of the Hong Kong Special Administrative Region (the "High Court"),

The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Company and its subsidiaries, to close or cease or operate all or any part of the business operations of the Company and its subsidiaries, to take control of such of the subsidiaries of the Company, joint ventures, associated companies or other entities in which the Company or any of its subsidiaries holds an interest and to consider if thought to be in the best interests of creditors of the Company, to enter into discussions and negotiations for and on behalf of the Company for the purpose of, but not limited to, restructuring of the Company's business, operations, or indebtedness or to implement a scheme of arrangement between the Company and its creditors and/or shareholders for such restructuring.

After the appointment of the Provisional Liquidators on 6 October 2008, the then management of the Company together with the Provisional Liquidators used their best endeavour to maintain the business of the Group both in Hong Kong and the People's Republic of China (the "PRC"). Notwithstanding changes in personnel subsequently as the Provisional Liquidators gradually replaced the management team, the total turnover achieved by the Group according to the financial statements of the Group for the year ended 31 March 2009 was approximately HK$124 million.

Due to the lack of working capital affecting a continued flow of new products for the retail market, and against the high shop rental costs, the Provisional Liquidators decided to close down the retail operations pro tem.

Currently, the only business carried out by the Company is garment wholesale trading, which was resumed from early August 2009. The garment trading business carried out by the Group is in the same line with the original principal trading business of the Company prior to the suspension of the trading in its shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As shown in this report for the six months ended 30 September 2009, total garment trading turnover achieved by the Group was approximately HK$21 million.

In mid December 2009, the Group started a discussion with two potential joint venture partners in relation to the establishment of a PRC joint venture to recommence its garment retail business in the PRC and to expand its garment trading business both in the PRC and other countries. It is expected that the PRC joint venture can be set up by early March 2010.

The hearing of the Petition was originally scheduled on 10 December 2008 and was adjourned by the High Court to 9 February 2009, 11 May 2009, 9 November 2009 and further adjourned to 10 May 2010.

The Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed “Restructuring of the Group” below.

## RESTRUCTURING OF THE GROUP

On 16 May 2009, the Company, the Provisional Liquidators, Advance Lead International Limited (the “Investor”) and an escrow agent, entered into an escrow agreement for the implementation of the restructuring proposal.

On 2 July 2009, UR Group Limited (“UR Group”), a new wholly-owned subsidiary of the Company was incorporated in the British Virgin Islands. UR Group is an investment holding company which beneficially owns 100% interest in both U-RIGHT Trading Development Limited (“URTDL”) and Nano Garment Holdings Limited (“NGHL”). URTDL and NGHL were both incorporated in Hong Kong on 17 July 2009. Since August 2009, the Group’s trading of garments business has been carried out through URTDL.

The Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited as the financial adviser to the Company for the restructuring of the Group. The Company is in the process of taking the steps necessary to prepare a viable resumption proposal to be submitted to the Stock Exchange.

On 14 January 2010, a supplementary escrow agreement was executed by the Provisional Liquidators, the Investor, the Company and the escrow agent, setting out the terms on which, in exchange for the Investor providing funds, the debts and liabilities of the Company would be settled through the scheme of arrangement (the escrow agreement together with the supplemental escrow agreement collectively referred to as "Restructuring Agreement"). The principal elements of the Restructuring Agreement are as follows:

**a) Capital Restructuring**

The Company will undergo a capital restructuring, involving a capital reduction, a capital cancellation, a share consolidation, an authorized share capital increase and a cancellation of the existing convertible bonds.

**b) Share Subscription**

The Company will raise new funds amounting to approximately HK$150 million by way of the ordinary share subscription and the issue of the convertible bonds to the Investor.

**c) Provision of loan facility**

The Investor will provide a secured revolving loan facility in the sum of HK$10 million without any interest to the Company as general working capital.

**d) Scheme and Debt Restructuring**

The Provisional Liquidators will implement a scheme of arrangement to settle the debts owed to the creditors by approximately HK$50 million cash (from the proceeds of subscription for shares) and by approximately 5% of issued shares of the Company as enlarged by the share subscription.

The Investor would become a controlling shareholder of the Company upon completion ("Completion") of the proposed restructuring of the Group as contemplated under the Restructuring Agreement.

## PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon Completion of the proposed restructuring of the Group as contemplated under the Restructuring Agreement as all liabilities arising from the creditors of the Company and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the proposed scheme of arrangement, to be approved by the creditors of the Company and the High Court.

Upon Completion, the Company's shares will resume trading on the Stock Exchange subject to the approval of the Stock Exchange

It is the Group's intention to expand its trading of fashion garments currently conducted through URTDL and to form a joint venture with a party to carry out PRC retailing business of fashion garments. In mid December 2009, the Group started a discussion with two potential joint venture partners in relation to the establishment of a PRC joint venture to recommence its garment retail business in the PRC and to expand its garment trading business both in the PRC and other countries. It is expected that the PRC joint venture can be set up by the early of March 2010.

On 30 July 2009, the Stock Exchange issued a letter (the "Letter") to the Provisional Liquidators to state that the Stock Exchange had placed the Company in the second stage of the delisting procedures under Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") after taking into consideration that the Company had not submitted any resumption proposal to the Stock Exchange before 20 July 2009 and it did not have an operation in compliance with Rule 13.24 of the Listing Rules as of the date of the Letter. The Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 29 January 2010, the expiry of the six months period from the date the Company was placed in the second stage of the delisting procedures. At the end of this six months period and after considering any resumption proposal the Company may have submitted, the Stock Exchange will determine whether or not it would be appropriate to place the Company in the third stage of the delisting procedures.

In placing the Company in the second stage of the delisting procedures, the Stock Exchange also set out, in the Letter, that a viable resumption proposal should enable the Company to meet the following conditions:

1. demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules;

2. demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules;

3. publish all outstanding financial results and address any concerns that may be raised by auditors through qualification of their audit reports; and

4. withdraw and/or dismiss the Petition, and discharge the Provisional Liquidators.

The Group is now finalizing a resumption proposal and will make submission to the Stock Exchange in due course.

The Company is confident that, with the Investor's strong support, the Group will be able to gain a strong foothold in the fashion garments business and achieve a substantial level of operations within a reasonable period of time after the resumption of trading in the Company's shares on the Stock Exchange.

## SIGNIFICANT INVESTMENTS

On the basis of the available books and records, the Group did not have any significant investment throughout the six months ended 30 September 2009.

## INTERIM DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 September 2009.

## CAPITAL STRUCTURE

For the six months ended 30 September 2009, there was no change in the capital structure and issued share capital of the Company.

Details of the capital structure of the Company are set out in note 14 to the condensed consolidated financial statements.

## CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 15 to the condensed consolidated financial statements.

## HUMAN RESOURCES

The remuneration policies of the Group are reviewed periodically based on the nature of job, market trends and individual performance.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CHARGES ON GROUP'S ASSETS

As at 30 September 2009, there were no charges on the Group's assets.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2009, none of the Directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under Section 352 of 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").

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

| Name | Position | Type of interest | Number of shares | Approximate % of the Company's issued share capital |
|---|---|---|---|---|
| Mr. Leung Ngok | Long | Beneficial owner | 109,221,000 | 3.06% |
| | | Founder of a discretionary trust | 1,094,541,179 *(Note 1)* | 30.66% |
| ACE Target (PTC) Inc. | Long | Trustee | 1,094,541,179 *(Note 1)* | 30.66% |
| Trident Trust Company (B.V.I) Limited | Long | Trustee | 1,094,541,179 *(Note 1)* | 30.66% |
| Trident Corporate Services (B.V.I.) Limited | Long | Trustee | 1,009,557,179 *(Note 1)* | 28.28% |
| Kingston Securities Limited | Long | Other | 1,203,762,179 *(Note 2)* | 33.72% |
| Ms. Chu Yuet Wah | Long | Interest of corporation controlled by the substantial shareholder | 1,216,614,179 *(Note 2)* | 34.08% |
| Ms. Yim Yuk Lam | Long | Interest of spouse | 1,203,762,179 *(Note 3)* | 33.72% |
| Ms. Ma Siu Fong | Long | Interest of corporation controlled by the substantial shareholder | 1,203,762,179 *(Note 2)* | 33.72% |
| Deutsche Bank Aktiengesellschaft | Long | Beneficial owner | 222,066,624 | 6.22% |

*Notes:*

(1) These shares were owned by ACE Target (PTC) 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 (PTC) Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.

(2) On 20 October 2008, Mr. Leung Ngok, the then executive Director and chairman of the Company, surrendered all his voting rights and other rights and powers attaching to 109,221,000 shares of the Company to Kingston Securities Limited; and Ace Target (PTC) Inc. surrendered all its voting rights and other rights and powers attaching to 1,094,541,179 shares of the Company to Kingston Securities Limited. Accordingly, Ms. Chu Yuet Wah and Ms. Ma Siu Fong, holding 51% and 49% interests respectively in Kingston Securities Limited, were deemed to retain the voting rights and other rights and powers surrendered by Mr. Leung Ngok and Ace Target (PTC) Inc. Ms. Chu Yuet Wah also owned the 12,852,000 shares of the Company through Best China Limited, a wholly controlled company of Ms. Chu Yuet Wah.

(3) 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.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 September 2009.

## INFORMATION ON 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.

During the six months ended 30 September 2009, the Company did not have any outstanding option.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Company has been appointed Provisional Liquidators, the Company has not complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Appropriate personnel will be appointed to the Board and arrangements will be made to comply with the Code of Corporate Governance Practices before the resumption of the trading in shares of the Company.

## CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 September 2009.

## NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this report, the Board included one executive Director and only two independent non-executive Directors. The Company has been identifying a right candidate for appointment of the third independent non-executive Director and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

## AUDIT COMMITTEE

By the time the financial statements for the six months ended 30 September 2009 of the Group were prepared, no audit committee had been established owing to the current insufficient number of non-executive directors in accordance with Rule 3.21 of the Listing Rules. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company.

Since the audit committee has yet to establish, the interim report have not been reviewed by the audit committee.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2009*

| | Notes | Six months ended 30 September 2009 HK$'000 (unaudited) | 2008 HK$'000 (unaudited) |
|---|---|---|---|
| **Turnover** | 3 | 21,258 | 105,058 |
| Cost of sales | | (21,034) | (42,805) |
| Gross profit | | 224 | 62,253 |
| Other income | 4 | 494 | 4,607 |
| Selling and distribution costs | | – | (45,295) |
| Administrative expenses | | (568) | (5,273) |
| **Profit from operations** | | 150 | 16,292 |
| Loss on deconsolidation of the subsidiaries and impairment on investment costs and due from deconsolidated subsidiaries | | – | (2,270,449) |
| Other losses | | – | (1,157,283) |
| Finance cost | 6 | (1,147) | (18,529) |
| **Loss before tax** | | (997) | (3,429,969) |
| Income tax expense | 7 | – | – |
| **Loss for the period, attributable to equity holders of the Company** | 8 | (997) | (3,429,969) |
| **Other comprehensive income for the period, net of tax** | | – | – |
| **Total comprehensive loss for the period attributable to equity holders of the Company** | | (997) | (3,429,969) |
| **Loss per share attributable to equity holders of the Company** | 9 | | |
| Basic (HK cents per share) | | (0.03) | (96.09) |
| Diluted (HK cents per share) | | N/A | N/A |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2009*

| | Notes | At 30 September 2009 HK$'000 (unaudited) | At 31 March 2009 HK$'000 (audited) |
|---|---|---|---|
| **Current assets** | | | |
| Trade receivables | 11 | 11,617 | – |
| Available-for-sale financial assets | | 4,000 | 4,000 |
| Bank and cash balances | | 5,556 | 2,627 |
| | | 21,173 | 6,627 |
| **Current liabilities** | | | |
| Trade payables | 12 | 11,483 | – |
| Accruals and other payables | | 5,830 | 5,678 |
| Due to a related party | 13 | 4,000 | – |
| Due to deconsolidated subsidiaries | | 415,973 | 417,212 |
| Financial guarantee liabilities | 17 | 1,118,325 | 1,118,325 |
| Convertible notes | | 66,245 | 65,098 |
| | | 1,621,856 | 1,606,313 |
| **Net current liabilities** | | (1,600,683) | (1,599,686) |
| **Total assets less current liabilities** | | (1,600,683) | (1,599,686) |
| **NET LIABILITIES** | | (1,600,683) | (1,599,686) |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 14 | 356,936 | 356,936 |
| Deficiency | | (1,957,619) | (1,956,622) |
| **TOTAL EQUITY** | | (1,600,683) | (1,599,686) |

Approved By: **TANG Kwok Hung** *Director* **CHUNG Wai Man** *Director*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2009*

| | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium account | Property revaluation reserve | Statutory reserve | Foreign currency translation reserve | Capital reserve | Share-based compensation reserve | Retained profits/ (accumulated losses) | Total | Minority interests | Total |
| | *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 2008 | 356,936 | 614,493 | 56,493 | 220 | 148,919 | 3,020 | 1,904 | 445,569 | 1,627,554 | 964 | 1,628,518 |
| Total comprehensive loss for the period | – | – | – | – | – | – | – | (3,429,969) | (3,429,969) | – | (3,429,969) |
| Deconsolidation of subsidiaries | – | – | (56,493) | – | (148,919) | – | – | 56,493 | (148,919) | (964) | (149,883) |
| At 30 September 2008 (unaudited) | 356,936 | 614,493 | – | 220 | – | 3,020 | 1,904 | (2,927,907) | (1,951,334) | – | (1,951,334) |
| At 1 April 2009 | 356,936 | 614,493 | – | 220 | – | 3,020 | 1,904 | (2,576,259) | (1,599,686) | – | (1,599,686) |
| Total comprehensive loss for the period | – | – | – | – | – | – | – | (997) | (997) | – | (997) |
| At 30 September 2009 (unaudited) | 356,936 | 614,493 | – | 220 | – | 3,020 | 1,904 | (2,577,256) | (1,600,683) | – | (1,600,683) |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2009*

| | Six months ended 30 September 2009 | 2008 |
|---|---|---|
| | 2009 | 2008 |
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) |
| **Net cash used in operating activities** | (1,071) | (1,860) |
| **Net cash used in investing activities** | – | (437,184) |
| **Net cash generated from financing activities** | 4,000 | – |
| **Net increase/(decrease) in cash and cash equivalents** | 2,929 | (439,044) |
| **Cash and cash equivalents at beginning of period** | 2,627 | 439,348 |
| **Cash and cash equivalents at end of period** | 5,556 | 304 |
| **Analysis of cash and cash equivalents** | | |
| Bank and cash balances | 5,556 | 304 |
| | 5,556 | 304 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2009*

## 1. BASIS OF PREPARATION AND 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").

U-RIGHT International Holdings Limited (Provisional Liquidators Appointed) (the "Company", together with its subsidiaries the "Group") is an investment holding company. Its subsidiaries are principally engaged in fashion garments business.

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 2009, except as stated in note 2 below.

*Going concern*

The Group incurred a loss attributable to equity holders of the Company of approximately HK$997,000 for the six months ended 30 September 2009 (2008: approximately HK$3,429,969,000) and as at 30 September 2009 the Group had net current liabilities and net liabilities of approximately HK$1,600,683,000 (31 March 2009: approximately HK$1,599,686,000). These conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

On 6 October 2008, Deutsche Bank A.G., Hong Kong Branch (the "Petitioner") petitioned for the winding-up of the Company as the Company could not meet demands for the repayment of outstanding debts (the "Petition"). Upon the application of the Petitioner, on 6 October 2008, Messrs. LAI Kar Yan Derek and YEUNG Lui Ming, both of Deloitte Touche Tohmatsu, were appointed as joint and several provisional liquidators (the "Provisional Liquidators") of the Company by the High Court of the Hong Kong Special Administrative Region (the "High Court").

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

*Going concern (Continued)*

On 16 May 2009, the Provisional Liquidators, Advance Lead International Limited (the "Investor"), the Company and an escrow agent, entered into an escrow agreement for the implementation of the restructuring proposal. Pursuant to the escrow agreement, the Provisional Liquidators granted the Investor an exclusive right for a period up to 30 June 2010 to negotiate a legally binding restructuring agreement for the implementation of the restructuring proposal.

The Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited as the financial adviser to the Company for the restructuring of the Group. The Company is in the process of taking the steps necessary to enable it to prepare a viable resumption proposal to be submitted to the Stock Exchange.

On 30 July 2009, the Stock Exchange issued a letter to the Company to state that the Stock Exchange had placed the Company in the second stage of the delisting procedures under Practice Note 17 of the Listing Rules.

On 14 January 2010, the Provisional Liquidators, the Investor, the Company and the escrow agent, entered into a supplemental escrow agreement. Pursuant to the supplemental escrow agreement the final restructuring proposal to be formulated shall include, inter alia, (i) a capital restructuring; (ii) a subscription of new shares and convertible bonds of the Company; (iii) a provision of loan facility; and (iv) a creditors' scheme of arrangement.

The financial statements have been prepared on a going concern basis on the basis that the restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligation as they fall due in the foreseeable future.

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 April 2009. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) has been applied retrospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. TURNOVER

The Group's turnover is as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2009** | **2008** |
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) |
| Sales of goods | 21,258 | 105,058 |

## 4. OTHER INCOME

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | **2008** |
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) |
| Reimbursement of restructuring expenses from the Investor | 366 | – |
| Fair value gain on derivative financial instruments | – | 4,607 |
| Others | 128 | – |
| | 494 | 4,607 |

## 5. SEGMENT INFORMATION

During the two periods ended 30 September 2009 and 30 September 2008, all of the Group's revenue are derived from operations based in Hong Kong and accordingly, no analysis of the Group's geographical segments is disclosed.

## 6. FINANCE COST

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | **2008** |
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) |
| Interest expenses on: | | |
| Convertible notes wholly repayable within 5 years | 1,147 | 18,529 |

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2009 (2008: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the period.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

## 8. LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's loss for the period is stated after charging the following:

| | Six months ended 30 September | |
|---|---|---|
| | **2009** | **2008** |
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (unaudited) |
| Staff costs | 134 | – |

## 9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

*Basic loss per share*

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the six months ended 30 September 2009 attributable to equity holders of the Company of approximately HK$997,000 (2008: loss attributable to equity holders of the Company of approximately HK$3,429,969,000) and the weighted average number of ordinary shares of 3,569,364,916 (2008: 3,569,364,916) in issue during the period.

## 9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (Continued)

*Diluted loss per share*

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary sharing during the periods in respect of the warrants and share options and the effects of all convertible notes are anti-dilutive for the two periods ended 30 September 2009 and 30 September 2008.

## 10. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: nil).

## 11. TRADE RECEIVABLES

Sales invoices are normally payable within 60 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.

An aging analysis of the trade receivables as at the end of the reporting period, based on invoice dates, is as follows:

| | **At 30 September 2009** | **At 31 March 2009** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) |
| 30 days or less | 7,383 | – |
| 31 days to 60 days | 4,234 | – |
| | 11,617 | – |

## 12. TRADE PAYABLES

The aging analysis of the trade payables as at the end of the reporting period, based on invoice dates, is as follows:

| | At 30 September 2009 *HK$'000* (unaudited) | At 31 March 2009 *HK$'000* (audited) |
|---|---|---|
| 30 days or less | 8,144 | – |
| 31 days to 60 days | 3,339 | – |
| | 11,483 | – |

## 13. DUE TO A RELATED PARTY

The advance received from the Investor is unsecured, non-interest bearing and has no fixed repayment terms.

## 14. SHARE CAPITAL

| | At 30 September 2009 *HK$'000* (unaudited) | At 31 March 2009 *HK$'000* (audited) |
|---|---|---|
| Authorised: | | |
| 5,000,000,000 ordinary shares of HK$0.10 each | 500,000 | 500,000 |
| Issued and fully paid: | | |
| 3,569,364,916 ordinary shares of HK$0.10 each | 356,936 | 356,936 |

## 15. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2009.

## 16. CAPITAL COMMITMENTS

The Group has no material capital commitment as at 30 September 2009.

## 17. FINANCIAL GUARANTEE LIABILITIES

At 31 March 2008, the Group's banking facilities were secured by partly/all of (i) corporate guarantees of the Company; (ii) joint and several corporate guarantees provided by the Group's subsidiaries; and (iii) charge over certain leasehold land and buildings, prepaid land lease payments and investment properties of the Group.

The effective interest rates at 31 March 2008 were as follows:

| | |
|---|---|
| Bank loans | |
| – floating rate (HK$19,099,000) | Prime rate minus 1% |
| – floating rate (HK$12,100,000) | RMB Benchmark Interest Rate |
| – floating rate (remaining) | HIBOR plus 0.975% to 1.5% |
| Export loans – floating rate | HIBOR plus 1% to 2.25% |
| Trust receipt loans – floating rate | HIBOR plus 1% to 2.25% |
| Term and syndicated loans | |
| – floating rate as per most recent rate fixing (HK$234,000,000) | 2.96% |
| – floating rate (remaining) | HIBOR plus 1% |

The bank loans stated above were deconsolidated from the financial statements of the Group on 1 April 2008. However, since the Company provides corporate guarantees for all the bank loans, the Company is therefore liable to financial guarantee liabilities of approximately HK$1,118,325,000.

## 18. EVENTS AFTER THE REPORTING PERIOD

On 9 November 2009, the High Court ordered that the Petition be further adjourned to 10 May 2010.

On 14 January 2010, the Provisional Liquidators, the Investor, the Company and an escrow agent, entered into a supplemental escrow agreement. Pursuant to the supplemental escrow agreement, the final restructuring proposal to be formulated shall include, inter alia, (i) a capital restructuring; (ii) a subscription of new shares and convertible bonds of the Company; (iii) a provision of loan facility; and (iv) a creditors' scheme of arrangement.