



**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 2011**

\* *for identification purposes only*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

TANG Kwok Hung  
NG Cheuk Fan, Keith

### *Independent Non-Executive Directors*

CHUNG Wai Man  
MAK Ka Wing, Patrick  
CHAN Chi Yuen

## AUDITOR

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

## COMPANY SECRETARY

NG Cheuk Fan, Keith

## AUDIT COMMITTEE MEMBERS

CHAN Chi Yuen (*Committee Chairman*)  
CHUNG Wai Man  
MAK Ka Wing, Patrick

## 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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2011 amounted to approximately HK\$193.05 million, representing an increase as compared with the Group’s turnover of approximately HK\$142.60 million for the six months ended 30 September 2010. This increase was mainly attributable to the contribution of the subsidiaries, U-RIGHT Trading Development Limited (“URTDL”) and Xiamen U-Right Garment Co. Ltd. (“Xiamen U-Right”).

The consolidated profit attributable to equity holders of the Company amounted to approximately HK\$0.61 million for the six months ended 30 September 2011 (six months ended 30 September 2010: approximately HK\$0.62 million). Basic earnings per share was approximately HK0.02 cents for the six months ended 30 September 2011 (six months ended 30 September 2010: approximately HK0.02 cents).

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2011 was approximately HK\$14.58 million (31 March 2011: approximately HK\$14.80 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 2011: not applicable) as at 30 September 2011.

## 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

#### *Exposure to fluctuations in exchange rates*

Most of the Group’s transactions were denominated in Hong Kong dollars, Renminbi and US dollars. Given that the exchange rate of Hong Kong dollars against Renminbi has been and is likely to remain stable, and the Hong Kong government’s policy of linking the Hong Kong dollars to the US dollars remains in effect, the directors consider that the

# MANAGEMENT DISCUSSION AND ANALYSIS

Group's risk on foreign exchange will remain minimal and no hedging or other alternative measures have been adopted by the Group. As at 30 September 2011, the Group had no significant risk exposure in regard to foreign exchange contracts, interest rates, currency swaps, or other financial derivatives.

## **(b) Credit risk**

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 30 September 2011 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 trade receivables, prepayments, deposits and other receivables 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**

As at 30 September 2011, 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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”) presented petitions (the “Petitions” and each referred to as “Petition”) to the High Court of the Hong Kong Special Administration Region (the “High Court”) for the winding-up of the Company and Uni-Capital Limited (in Liquidation) (“Uni-Capital”), an indirectly wholly-owned subsidiary of the Company, as the Company and Uni-Capital could not meet demands for the repayment of outstanding debts. 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 and Uni-Capital by 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.

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.

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 six months ended 30 September 2011 was approximately HK\$193.05 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

The hearing of the Petition was originally scheduled on 10 December 2008 and the High Court adjourned the hearing of the Petition against the Company to 19 March 2012. A winding-up order against Uni-Capital was granted by the High Court on 9 November 2009.

It is expected that 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 Provisional Liquidators, Advance Lead International Limited (the “Investor”), the Company and an escrow agent entered into an escrow agreement (as supplemented by three supplementary agreements and hereinafter collectively referred as the “Escrow Agreement” unless otherwise specified) in anticipation of the implementation of the restructuring proposal. Pursuant to the Escrow Agreement, the Provisional Liquidators granted the Investor an exclusivity for a period up to 31 March 2012 by undertaking not to offer to any other party the opportunity to negotiate any terms for the restructuring of the outstanding indebtedness and/or share capital of the Company and setting out certain key terms of the debt and capital restructuring of the Company.

On 2 July 2009, UR Group Limited (“UR Group”), a new directly 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 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 garments trading business has been carried out through URTDL.

On 24 January 2010, URTDL entered into a joint venture contract with 石獅市意利王製衣發展有限公司 (for identification purpose, Shishi City Yiliwang Clothes Development Co., Ltd.) (“Shishi Yiliwang”) and 廈門大騰工貿有限公司 (for identification purpose, Xiamen Dateng Industry Trade Limited) (“Xiamen Dateng”) (collectively the “Joint Venture Partners”) for the establishment of an equity joint venture company, Xiamen U-Right and subscribed to the constitution of Xiamen U-Right, all dated 24 January 2010. The Joint Venture Partners have also agreed all the material terms of, and procured Xiamen U-Right to enter into the subcontracting agreement (as further explained below) when Xiamen U-Right was established.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 11 February 2010, Xiamen U-Right was established. The subcontracting agreement was entered into between Xiamen U-Right and the Joint Venture Partners on the same date delineating the operations, rights, duties and obligations between Xiamen U-Right and the Joint Venture Partners. Xiamen U-Right is principally engaged in the garment retail and trading business and also trading of garment materials.

On 6 August 2010, the Investor entered into secured loan facility arrangements with UR Group and a directly wholly-owned subsidiary of the Company, Alfreda Limited (“Alfreda”) respectively, for the provision of general working capital and part of the consideration for the acquisition (the “Acquisition”) of the entire share capital of Sino Hill Group Limited (“Sino Hill”).

On 9 August 2010, an indirectly wholly-owned subsidiary of the Company, Right Season Limited (“Right Season”), entered into a sale and purchase agreement (the “S&P Agreement”) for the Acquisition, at a consideration of HK\$40 million by way of cash and the promissory note. Details of the S&P Agreement are set out in the Company’s announcement dated 31 August 2010.

On 31 December 2010, Right Season entered into a supplemental agreement to the S&P Agreement (the “1st Supplemental Agreement”) to extend the long stop date to 31 March 2011 and amend certain terms and conditions as set out in the S&P Agreement.

On 4 April 2011, Right Season entered into the second supplemental agreement to the S&P Agreement (the “2nd Supplemental Agreement”) to further extend the long stop date to 30 September 2011.

Details of the 1st Supplemental Agreement and the 2nd Supplemental Agreement are set out in the Company’s announcement dated 4 January 2011 and 4 April 2011 respectively.

The Acquisition constitutes a very substantial acquisition of the Company and is subject to the requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Therefore, the S&P Agreement (as supplemented by the two supplementary agreements and hereinafter collectively referred as the “Supplemented S&P Agreement” unless otherwise specified) and the transactions contemplated thereunder will be subject to reporting, announcement and the approval of the Company’s shareholders at a special general meeting by way of poll.



# MANAGEMENT DISCUSSION AND ANALYSIS

Accordingly, a special general meeting of the Company's shareholders was held on 19 September 2011 and at this meeting, the Supplemented S&P Agreement and the transactions contemplated thereunder were approved. The Acquisition was eventually completed on 1 October 2011.

The principal elements of the Escrow Agreement are, inter alia, as follows:

## **(a) Capital Restructuring**

The Company will undergo, inter alia, a capital restructuring, involving a capital cancellation, a share consolidation, a capital reduction, an authorized share capital increase and a full discharge of the existing convertible notes subject to the provisions of a scheme of arrangement (the "Scheme").

## **(b) Share Subscription**

The Company will raise new funds by way of the ordinary share subscription and the issue of the convertible preference shares to the Investor.

## **(c) Provision of Loan Facilities**

The Investor will provide secured loan facilities without any interest to the Company as general working capital and part of the consideration for the Acquisition.

## **(d) Scheme and Debt Restructuring**

The Provisional Liquidators and the Investor further negotiated on the terms of the Escrow Agreement after taking into considerations of the comments made by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The put options proposed to be granted to the creditors of the Company by the Investor in respect of the approximately 5% of issued shares of the Company as enlarged by the share subscription, which was mentioned as part of the Scheme proposed to be implemented by the Provisional Liquidators, will not be part of the Scheme. The Company will issue such number of shares representing about 5% of the issued share capital of the Company on a fully diluted basis (the "Creditors Shares") immediately upon completion of (1) the capital restructuring; and (2) the Scheme and debt restructuring.

The Provisional Liquidators proposed to implement the Scheme to settle the debts owed to the creditors by (i) HK\$50 million cash (from the proceeds of subscriptions for shares by the Investor); and (ii) the Creditors Shares. At a meeting of the creditors of the Company held on 7 September 2011, the Scheme was approved and it was subsequently sanctioned by the High Court on 3 November 2011. Since 11 November 2011, the Scheme has become effective.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## PROSPECTS

On 26 February 2010, the Company was placed in the third stage of the delisting procedures pursuant to Practice Note 17 of the Listing Rules and that the Company was required to submit a viable resumption proposal which demonstrates its compliance with the requirement stipulated under Rule 13.24 of the Listing Rules.

On 9 August 2010, a resumption proposal was submitted by the Company to the Stock Exchange to demonstrate to the Stock Exchange that when the resumption proposal is successfully implemented, the Group will have in place suitable structures and have a sufficient level of operations, tangible assets of sufficient value and intangible assets of a sufficient potential value and will be able to fully comply with Rule 13.24 of the Listing Rules.

The Company is confident that, with the Investor’s strong support, the Group will be able to regain a strong foothold in its principal 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.

It is anticipated that the financial position of the Group will be substantially improved upon the Completion as all the 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 Scheme.

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

## WARNING STATEMENT

Shareholders and potential investors of the Company should note that, (1) the Acquisition forms part of the Company’s resumption proposal which may or may not be approved by the Stock Exchange; (2) the principal elements of the Escrow Agreement may be subject to further changes; and (3) the resumption proposal may or may not be approved by the Stock Exchange.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SIGNIFICANT INVESTMENTS

On 9 August 2010, an indirectly wholly-owned subsidiary of the Company, Right Season, entered into the S&P Agreement for the Acquisition at a consideration of HK\$40 million by way of cash and promissory note. A loan of HK\$10 million from the Investor was paid to the owner of Sino Hill as deposit on 15 September 2010.

On 31 December 2010, Right Season entered into the 1st Supplemental Agreement to extend the long stop date to 31 March 2011 and amend certain terms and conditions as set out in the S&P Agreement. A loan of HK\$5 million from the Investor was paid to the owner of Sino Hill as a further deposit on 31 January 2011.

On 4 April 2011, Right Season entered into the 2nd Supplemental Agreement to further extend the long stop date to 30 September 2011.

On 19 September 2011, the Supplemented S&P Agreement and the transactions contemplated thereunder were approved by the shareholders of the Company at a special general meeting.

On 30 September 2011, a loan of HK\$5 million from the Investor was paid to the owner of Sino Hill as the final cash payment. On 1 October 2011, Right Season issued a promissory note in the sum of HK\$20 million to the owner of Sino Hill, following which, all consideration of the Acquisition was paid.

On 1 October 2011, the Acquisition was completed.

## 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 2011.

## CAPITAL STRUCTURE

For the six months ended 30 September 2011, 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 15 to the condensed consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 16 to the condensed consolidated financial statements.

## EMPLOYMENT AND REMUNERATION

Most of the full-time employees of the Group were working in the Company's subsidiaries in the PRC. During the six months ended 30 September 2011 under review, the total employees' costs including directors' remuneration were approximately HK\$1,374,000. It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include retirement schemes, training programmes and education subsidies.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## CHARGES ON GROUP'S ASSETS

Details of charges on the Group's assets are set out in note 13 to the condensed consolidated financial statements.

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

As at 30 September 2011, 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").

# MANAGEMENT DISCUSSION AND ANALYSIS

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO 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 ( <i>Note 1</i> )	30.66%
ACE Target (PTC) Inc.	Long	Trustee	1,094,541,179 ( <i>Note 1</i> )	30.66%
Trident Trust Company (B.V.I.) Limited	Long	Trustee	1,094,541,179 ( <i>Note 1</i> )	30.66%
Trident Corporate Services (B.V.I.) Limited	Long	Trustee	1,009,557,179 ( <i>Note 1</i> )	28.28%
Kingston Securities Limited	Long	Other	1,203,762,179 ( <i>Note 2</i> )	33.72%
Ms. Chu Yuet Wah	Long	Interest of corporation controlled by the substantial shareholder	1,216,614,179 ( <i>Note 2</i> )	34.08%
Ms. Yim Yuk Lam	Long	Interest of spouse	1,203,762,179 ( <i>Note 3</i> )	33.72%
Ms. Ma Siu Fong	Long	Interest of corporation controlled by the substantial shareholder	1,203,762,179 ( <i>Note 2</i> )	33.72%
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner	222,066,624	6.22%

# MANAGEMENT DISCUSSION AND ANALYSIS

## *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 2011.

## INFORMATION ON SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option 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 Share Option 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 Share Option Scheme should, unless otherwise terminated or amended, remain in force for ten years from 17 July 2002.

No share options were outstanding nor granted during the six months ended 30 September 2011.

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

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 2011.

## **AUDIT COMMITTEE**

The unaudited results of the Group for the six months ended 30 September, 2011 have been reviewed by the Audit Committee. The Audit Committee constitutes three independent non-executive Directors.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2011*

	<i>Notes</i>	<b>Six months ended 30 September</b>	
		<b>2011</b>	<b>2010</b>
		<i>HK\$ '000</i>	<i>HK\$ '000</i>
		(unaudited)	(unaudited)
<b>Turnover</b>	2	193,050	142,603
Cost of sales		<u>(182,054)</u>	<u>(134,712)</u>
Gross profit		10,996	7,891
Other income	4	829	949
Selling and distribution expenses		(2,569)	(2,871)
Administrative expenses		<u>(4,689)</u>	<u>(3,018)</u>
<b>Profit from operations</b>		4,567	2,951
Finance costs	5	<u>(2,589)</u>	<u>(1,446)</u>
<b>Profit before tax</b>		1,978	1,505
Income tax	6	<u>(999)</u>	<u>(646)</u>
<b>Profit for the period</b>	7	<u>979</u>	<u>859</u>
<b>Other comprehensive income after tax:</b>			
Exchange differences on translation of foreign operations		<u>172</u>	<u>37</u>
<b>Total comprehensive income for the period</b>		<u><u>1,151</u></u>	<u><u>896</u></u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		605	621
Non-controlling interests		<u>374</u>	<u>238</u>
		<u><u>979</u></u>	<u><u>859</u></u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		777	658
Non-controlling interests		<u>374</u>	<u>238</u>
		<u><u>1,151</u></u>	<u><u>896</u></u>
<b>Earnings per share</b>	8		
Basic (HK cents per share)		<u>0.02</u>	<u>0.02</u>
Diluted (HK cents per share)		<u>N/A</u>	<u>N/A</u>



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Notes	As at 30 September 2011 HK\$ '000 (unaudited)	As at 31 March 2011 HK\$ '000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	42	33
<b>Current assets</b>			
Inventories		9,351	3,305
Trade receivables	11	35,554	33,084
Prepayments, deposits and other receivables		25,057	21,162
Bank and cash balances		14,575	14,800
		<u>84,537</u>	<u>72,351</u>
<b>Current liabilities</b>			
Trade payables	12	35,076	20,815
Accruals and other payables		12,734	20,843
Due to deconsolidated subsidiaries		416,408	416,323
Due to the Investor	13	22,306	19,800
Financial guarantee liabilities	14	1,118,325	1,118,325
Convertible notes		74,166	71,577
Current tax liabilities		1,611	1,899
		<u>1,680,626</u>	<u>1,669,582</u>
<b>Net current liabilities</b>		<u>(1,596,089)</u>	<u>(1,597,231)</u>
<b>Total assets less current liabilities</b>		<u>(1,596,047)</u>	<u>(1,597,198)</u>
<b>NET LIABILITIES</b>		<u>(1,596,047)</u>	<u>(1,597,198)</u>
<b>Capital and reserves</b>			
Share capital	15	356,936	356,936
Reserves		(1,954,620)	(1,955,397)
Equity attributable to owners of the Company		(1,597,684)	(1,598,461)
Non-controlling interests		1,637	1,263
<b>TOTAL EQUITY</b>		<u>(1,596,047)</u>	<u>(1,597,198)</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2011*

	Attributable to owners of the Company									
	Share capital <i>HKS'000</i>	Share premium account <i>HKS'000</i>	Statutory reserve <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Share-based compensation reserve <i>HKS'000</i>	Foreign currency translation reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total <i>HKS'000</i>	Non- controlling interests <i>HKS'000</i>	Total equity <i>HKS'000</i>
At 1 April 2011	356,936	614,493	220	3,020	1,904	146	(2,575,180)	(1,598,461)	1,263	(1,597,198)
Total comprehensive income for the period	-	-	-	-	-	172	605	777	374	1,151
At 30 September 2011 (unaudited)	<u>356,936</u>	<u>614,493</u>	<u>220</u>	<u>3,020</u>	<u>1,904</u>	<u>318</u>	<u>(2,574,575)</u>	<u>(1,597,684)</u>	<u>1,637</u>	<u>(1,596,047)</u>
At 1 April 2010	356,936	614,493	220	3,020	1,904	-	(2,576,919)	(1,600,346)	69	(1,600,277)
Contributions from non - controlling shareholders	-	-	-	-	-	-	-	-	476	476
Total comprehensive income for the period	-	-	-	-	-	37	621	658	238	896
At 30 September 2010 (unaudited)	<u>356,936</u>	<u>614,493</u>	<u>220</u>	<u>3,020</u>	<u>1,904</u>	<u>37</u>	<u>(2,576,298)</u>	<u>(1,599,688)</u>	<u>783</u>	<u>(1,598,905)</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	<b>Six months ended 30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(unaudited)
<b>Net cash generated from operating activities</b>	2,287	7,041
<b>Net cash used in investing activities</b>	(18)	(10,006)
<b>Net cash (used in)/generated from financing activities</b>	(2,494)	10,476
<b>Net (decrease)/increase in cash and cash equivalents</b>	(225)	7,511
<b>Cash and cash equivalents at beginning of period</b>	14,800	3,373
<b>Cash and cash equivalents at end of period</b>	<u>14,575</u>	<u>10,884</u>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<u>14,575</u>	<u>10,884</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 and textiles business.

The unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) of the Company and its subsidiaries for the six months ended 30 September 2011 together with the comparative figures for the previous corresponding period 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 (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

As at 30 September 2011 the Group had net current liabilities of approximately HK\$1,596,089,000 (31 March 2011: HK\$1,597,231,000) and net liabilities of approximately HK\$1,596,047,000 (31 March 2011: HK\$1,597,198,000) respectively.

The Interim Financial Statements were prepared on the basis that the proposed restructuring (the “Restructuring Proposal”) of the Company will be implemented in accordance with its terms and the Group will be able to improve its financial position and business upon completion of the Restructuring Proposal. As at the date of these Interim Financial Statements, the Directors are not aware of any circumstances or reasons that would likely affect the implementation of the Restructuring Proposal. In light of the foregoing, the Directors opined that it is appropriate to prepare the Interim Financial Statements on a going concern basis. The Interim Financial Statements do not incorporate any adjustments for possible failure of the Restructuring Proposal and the continuance of the Group as a going concern.

The Interim Financial Statements do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2011.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, HKAS, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the financial statements and amounts reported for the current period and prior periods.

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

The Interim Financial Statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

## 2. TURNOVER

The Group's turnover is as follow:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Sales of goods	<u>193,050</u>	<u>142,603</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 3. SEGMENT INFORMATION

Segment profits or losses do not include finance costs, income tax and unallocated corporate income and expenses. Segment assets do not include bank and cash balances, and other unallocated corporate assets.

- (a) The Group has only one operating segment of fashion garments and textiles business. Information about reportable segment profit or loss and segment assets:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(unaudited)
Revenue from external customers	193,050	142,603
Segment profit	4,566	2,950
Interest income	1	1
Interest expenses	2,589	1,446
Additions to segment non-current assets	18	6
	<u>          </u>	<u>          </u>
	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2011</b>	<b>2011</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(audited)
Segment assets	65,004	57,584
	<u>          </u>	<u>          </u>

- (b) Reconciliation of reportable segment profit:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(unaudited)
Total profit of reportable segments	4,566	2,950
Other unallocated income/(expenses):		
Interest income	1	1
Interest expenses	(2,589)	(1,446)
Income tax expenses	(999)	(646)
	<u>          </u>	<u>          </u>
Consolidated profit for the period	979	859
	<u>          </u>	<u>          </u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

## 4. OTHER INCOME

	Six months ended	
	30 September	
	2011	2010
	HK\$ '000	HK\$ '000
	(unaudited)	(unaudited)
Reimbursement of restructuring expenses		
from the Investor	819	903
Interest income	1	1
Others	9	45
	<u>829</u>	<u>949</u>

## 5. FINANCE COSTS

	Six months ended	
	30 September	
	2011	2010
	HK\$ '000	HK\$ '000
	(unaudited)	(unaudited)
Interest expenses on:		
Convertible notes wholly repayable		
within 5 years	2,589	1,446
	<u>2,589</u>	<u>1,446</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 6. INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax		
Provision for the period	376	249
Current tax – Overseas		
Provision for the period	623	397
	<u>          </u>	<u>          </u>
Income tax expense	<u>          999</u>	<u>          646</u>

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for 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.

## 7. PROFIT FOR THE PERIOD

The Group's profit before tax for the period is arrived at after charging the amounts as set out below.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Directors' emoluments		
– As directors	–	–
– For management	–	–
	<u>          </u>	<u>          </u>
	–	–
Depreciation	9	–
Cost of inventories sold	182,054	134,712
Staff cost	1,374	1,061
	<u>          </u>	<u>          </u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

## 8. EARNINGS PER SHARE

### *Basic earnings per share*

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the six months period attributable to equity holders of the Company of approximately HK\$605,000 (2010: HK\$621,000) and the weighted average number of ordinary shares of 3,569,364,916 (2010: 3,569,364,916) in issue during the period.

### *Diluted earnings per share*

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary sharing during the periods.

## 9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(audited)
At beginning of the period/year	33	–
Additions	18	35
Depreciation	(9)	(2)
	<hr/>	<hr/>
At end of the period/year	<u>42</u>	<u>33</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 11. TRADE RECEIVABLES

Other than cash and credit card sales, invoices are normally payable within 30 to 90 days of issuance. 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.

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

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(audited)
1-30 days	29,151	22,479
31-60 days	4,820	3,652
61-90 days	371	2,853
91-120 days	704	2,244
Over 120 days	508	1,856
	35,554	33,084
	35,554	33,084

## 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:

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(audited)
1-30 days	23,838	17,983
31-60 days	6,705	1,635
61-90 days	4,296	748
91-120 days	179	92
Over 120 days	58	357
	35,076	20,815
	35,076	20,815

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## **13. DUE TO THE INVESTOR**

On 6 August 2010, a directly wholly-owned subsidiary of the Company, UR Group and the Investor entered into a secured loan facility agreement, pursuant to which the Investor agreed to provide a working capital facility up to HK\$15,000,000 to UR Group. The advance of HK\$4,800,000 has already been received from the Investor prior to the date of this agreement. This advance is non-interest bearing, secured by the entire issued share capital of an indirectly wholly-owned subsidiary of the Company, URTDL, and repayable on 31 December 2011.

On 6 August 2010, a directly wholly-owned subsidiary of the Company, Alfreda and the Investor entered into a secured loan facility agreement, pursuant to which the Investor agreed to provide a facility up to HK\$20,000,000 to Alfreda as part of the consideration of the Acquisition. Three advances of HK\$10,000,000, HK\$5,000,000 and HK\$5,000,000 were drawn down from the Investor on 15 September 2010, 31 January 2011 and 30 September 2011 respectively. These advances are non-interest bearing, secured by the entire issued share capital of an indirectly wholly-owned subsidiary of the Company, Right Season, and repayable on 31 December 2011.

During the period from 1 April 2011 to 30 September 2011, URTDL repaid the working capital facility approximately HK\$2,494,000 to the Investor.

## **14. FINANCIAL GUARANTEE LIABILITIES**

The Company has provided corporate guarantees for certain bank loans of its subsidiaries which had been deconsolidated from the consolidated financial statements of the Group since 1 April 2008. Consequently, the Company is liable to the financial guarantee liabilities of approximately HK\$1,118,325,000 as at 30 September 2011 (31 March 2011: HK\$1,118,325,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2011*

## 15. SHARE CAPITAL

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
	(unaudited)	(audited)
Authorized:		
5,000,000,000 ordinary shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
3,569,364,916 ordinary shares of HK\$0.10 each	<u>356,936</u>	<u>356,936</u>

## 16. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2011 (2010: nil).

## 17. CAPITAL COMMITMENT

On 9 August 2010, Right Season entered into the S&P Agreement for the Acquisition at a consideration of HK\$40,000,000 by way of cash and promissory note. On 15 September 2010, a non-interest bearing refundable deposit of HK\$10,000,000 was paid to the owner of Sino Hill. Details of the S&P Agreement are set out in the Company's announcement dated 31 August 2010.

On 31 December 2010, Right Season entered into the 1st Supplemental Agreement to extend the long stop date and amend certain terms and conditions as set out in the S&P Agreement. Details of the 1st Supplemental Agreement are set out in the Company's announcement dated 4 January 2011.

On 31 January 2011, a loan of HK\$5,000,000 from the Investor was paid to the owner of Sino Hill as a further deposit.

On 4 April 2011, Right Season entered into the 2nd Supplemental Agreement to further extend the long stop date to 30 September 2011. Details of the 2nd Supplemental Agreement are set out in the Company's announcement dated 4 April 2011.

The Supplemented S&P Agreement and the transactions contemplated thereunder were approved at the special general meeting of the Company's shareholders held on 19 September 2011.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2011

## 17. CAPITAL COMMITMENT (continued)

On 30 September 2011, a loan of HK\$5,000,000 from the Investor was paid to the owner of Sino Hill as the final cash payment. On 1 October 2011, Right Season issued a promissory note in the sum of HK\$20 million to the owner of Sino Hill, following which, all consideration of the Acquisition was paid.

On 1 October 2011, the Acquisition was completed. With effect from 1 October 2011, no capital commitment regarding the Acquisition would be provided.

The Group's capital commitment at the end of the reporting period is as follow:

	<b>30 September 2011</b>	<b>31 March 2011</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Capital commitment contracted but not provided for in respect of the Acquisition	<u>20,000</u>	<u>25,000</u>

## 18. EVENTS AFTER THE REPORTING PERIOD

### *Winding-up petition*

By an order of the High Court dated 23 September 2011, the hearing of the petition to the High Court for the winding-up of the Company was further adjourned to 19 March 2012.

### *Completion of the Acquisition*

On 9 August 2010, an indirectly wholly-owned subsidiary of the Company, Right Season, entered into the S&P Agreement for the Acquisition. On 1 October 2011, the Acquisition was completed.

### *Resumption Proposal*

After the resumption proposal of the Company was submitted to the Stock Exchange on 9 August 2010, the Stock Exchange had made certain queries on the resumption proposal. The Company had replied the Stock Exchange's queries and the resumption proposal is currently under review by the Stock Exchange, which the Stock Exchange has not indicated or confirmed that approval (with or without further conditions) may be granted.