



**U-RIGHT INTERNATIONAL HOLDINGS LIMITED**

**佑威國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 00627)**

## **Interim Report 2013**

\* *for identification purposes only*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### *Executive Directors*

NG Cheuk Fan, Keith (*Chairman*)

TANG Kwok Hung

YEUNG Sau Han, Agnes

(*Chief Executive Officer*)

### *Non-Executive Director*

CHUNG Wai Man

### *Independent Non-Executive Directors*

MAK Ka Wing, Patrick

CHAN Chi Yuen

XIE Tom

## COMPANY SECRETARY

WONG Chi Yan

## AUDITOR

ZHONGHUI ANDA CPA Limited

## WEBSITE

[www.uright.com.hk](http://www.uright.com.hk)

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F., Bank of China Tower

1 Garden Road

Central, Hong Kong

## PRINCIPAL REGISTRAR (IN BERMUDA)

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## BRANCH REGISTRAR (IN HONG KONG)

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wan Chai, Hong Kong

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 September 2013*

The board (the “Board”) of directors (the “Directors”) of U-RIGHT International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2013 together with the comparative figures.

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2013</b>	2012
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Revenue</b>	2	<b>146,538</b>	200,495
Cost of sales		<u>(125,199)</u>	<u>(180,127)</u>
Gross profit		<b>21,339</b>	20,368
Other income	4	<b>337</b>	747
Selling and distribution costs		<b>(4,432)</b>	(4,381)
Administrative expenses		<u>(8,137)</u>	<u>(8,271)</u>
<b>Profit from operations</b>		<b>9,107</b>	8,463
Finance cost	5	<b>(909)</b>	(2,231)
Restructuring costs		<b>(19,891)</b>	–
Gain on the Scheme	6	<u>1,551,776</u>	<u>–</u>
<b>Profit before tax</b>		<b>1,540,083</b>	6,232
Income tax expense	7	<u>(2,007)</u>	<u>(1,776)</u>
<b>Profit for the period</b>	8	<u><b>1,538,076</b></u>	<u>4,456</u>
<b>Attributable to:</b>			
Owners of the Company		<b>1,537,481</b>	4,011
Non-controlling interests		<b>595</b>	445
		<u><b>1,538,076</b></u>	<u>4,456</u>
			(Restated)
<b>Earning per share</b>			
Basic (HK cents per share)	9	<u><b>795</b></u>	<u>4</u>
Diluted (HK cents per share)		<u><b>N/A</b></u>	<u>N/A</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
	Note	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
<b>Profit for the period</b>	8	1,538,076	4,456
<b>Other comprehensive income:</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,027	123
<b>Other comprehensive income for the period, net of tax</b>		1,027	123
<b>Total comprehensive income for the period</b>		1,539,103	4,579
<b>Attributable to:</b>			
Owners of the Company		1,538,443	4,124
Non-controlling interests		660	455
		1,539,103	4,579

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2013*

	<i>Notes</i>	As at <b>30 September 2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	As at 31 March 2013 <i>HK\$'000</i> <b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	1,333	1,207
Goodwill		<u>14,202</u>	<u>14,202</u>
		<u>15,535</u>	<u>15,409</u>
<b>Current assets</b>			
Inventories		18,945	13,004
Trade receivables	12	48,730	62,753
Prepayments, deposits and other receivables		10,509	20,236
Bank and cash balances		<u>167,686</u>	<u>9,424</u>
		<u>245,870</u>	<u>105,417</u>
<b>Current liabilities</b>			
Trade payables	13	25,099	32,411
Accruals and other payables		27,557	13,787
Payable to the Scheme Creditors	6	56,907	–
Due to deconsolidated subsidiaries		–	416,314
Due to the Investor	14	–	11,300
Financial guarantee liabilities	15	–	1,118,325
Convertible notes		–	78,367
Promissory note		–	19,091
Current tax liabilities		<u>10,361</u>	<u>10,375</u>
		<u>119,924</u>	<u>1,699,970</u>
<b>Net current assets/(liabilities)</b>		<u>125,946</u>	<u>(1,594,553)</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>141,481</u>	<u>(1,579,144)</u>
<b>Capital and reserves</b>			
Share capital	16	13,217	356,936
Reserves		<u>124,298</u>	<u>(1,939,386)</u>
Equity/(deficiency) attributable to owners of the Company		137,515	(1,582,450)
Non-controlling interests		<u>3,966</u>	<u>3,306</u>
<b>TOTAL EQUITY/(DEFICIENCY)</b>		<u>141,481</u>	<u>(1,579,144)</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company									
	Share capital	Share premium account	Statutory reserve	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 April 2013	356,936	614,493	220	3,020	-	934	(2,558,053)	(1,582,450)	3,306	(1,579,144)
Total comprehensive income for the year	-	-	-	-	-	962	1,537,481	1,538,443	660	1,539,103
Capital restructuring	(356,579)	-	-	-	-	-	356,579	-	-	-
Share subscription	9,700	135,800	-	-	-	-	-	145,500	-	145,500
Open offer	1,785	24,986	-	-	-	-	-	26,771	-	26,771
Transaction costs related to the open offer	-	(669)	-	-	-	-	-	(669)	-	(669)
Issue of shares to creditors	661	9,259	-	-	-	-	-	9,920	-	9,920
Issue of bonus shares	714	(714)	-	-	-	-	-	-	-	-
At 30 September 2013	<u>13,217</u>	<u>783,155</u>	<u>220</u>	<u>3,020</u>	<u>-</u>	<u>1,896</u>	<u>(663,993)</u>	<u>137,515</u>	<u>3,966</u>	<u>141,481</u>
At 1 April 2012	356,936	614,493	220	3,020	1,904	571	(2,568,290)	(1,591,146)	2,227	(1,588,919)
Total comprehensive income for the period	-	-	-	-	-	113	4,011	4,124	455	4,579
Transfer upon forfeiture of share options	-	-	-	-	(1,904)	-	1,904	-	-	-
At 30 September 2012	<u>356,936</u>	<u>614,493</u>	<u>220</u>	<u>3,020</u>	<u>-</u>	<u>684</u>	<u>(2,562,375)</u>	<u>(1,587,022)</u>	<u>2,682</u>	<u>(1,584,340)</u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2013*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>17,375</b>	(2,007)
<b>Net cash flows used in investing activities</b>	<b>(445)</b>	(198)
<b>Net cash flows generated from financing activities</b>	<b>140,301</b>	–
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>157,231</b>	(2,205)
Effect of foreign exchange rate changes	<b>1,031</b>	–
<b>Cash and cash equivalents at beginning of period</b>	<b>9,424</b>	20,237
<b>Cash and cash equivalents at end of period</b>	<b>167,686</b>	18,032
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>167,686</b>	18,032



# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

*For the six months ended 30 September 2013*

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

U-RIGHT International Holdings Limited 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 2013 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 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”).

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 2013.

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.

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 2013.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

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

In the current period, the Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting period beginning on 1 April 2013. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, 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 Statement 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>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Sales of goods	<b><u>146,538</u></b>	<b><u>200,495</u></b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 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.

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>2013</b>	2012
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Revenue from external customers	<b>146,538</b>	200,495
Segment profit	<b>10,041</b>	8,455
Interest income	<b>6</b>	8
Interest expenses	<b>909</b>	2,231
Additions to segment non-current assets	<b>445</b>	882
	<u><u><b>80,445</b></u></u>	<u><u>97,240</u></u>
	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2013</b>	2013
	<i><b>HK\$'000</b></i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Segment assets	<u><u><b>80,445</b></u></u>	<u><u>97,240</u></u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2013*

## 3. SEGMENT INFORMATION (continued)

Reconciliation of reportable segment profit:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Total profit of reportable segments	<b>10,041</b>	8,455
Other unallocated income/(expenses):		
Interest income	<b>6</b>	8
Interest expenses	<b>(909)</b>	(2,231)
Income tax expenses	<b>(2,007)</b>	(1,776)
Gain on the Scheme	<b>1,551,776</b>	–
Corporate and unallocated loss	<b>(20,831)</b>	–
	<hr/>	<hr/>
Consolidated profit for the period	<b><u>1,538,076</u></b>	<u>4,456</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 4. OTHER INCOME

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (unaudited)	2012 <i>HK\$'000</i> (unaudited)
Reimbursement of restructuring expenses from Advance Lead International Limited (the "Investor")	331	720
Interest income	6	8
Others	—	19
	<u>337</u>	<u>747</u>

## 5. FINANCE COSTS

	Six months ended 30 September	
	2013 <i>HK\$'000</i> (unaudited)	2012 <i>HK\$'000</i> (unaudited)
Interest expenses on:		
— Convertible notes wholly repayable within 5 years	—	1,404
— Promissory notes wholly repayable within 5 years	909	827
	<u>909</u>	<u>2,231</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 6. GAIN ON THE SCHEME

Pursuant to a scheme of arrangement between the creditors and the Company (the “Scheme”), upon completion of subscription of shares of the Company by the Investor on 18 September 2013, the indebtedness of the Company owing to the creditors of the Company (the “Scheme Creditors”) as at the effective date of the Scheme (i.e. 11 November 2011) was fully released and discharged by way of a combination of cash payment of approximately HK\$56,907,000 and issuance of 66,133,333 Company’s shares at HK\$0.15 per share. In addition, the Company’s entire interest in a wholly owned subsidiary, Lucky Formosa International Group Limited, was transferred to the nominee of the scheme administrators of the Scheme.

	<b>30 September 2013</b>
	<b>HK\$’000</b>
	<b>(unaudited)</b>
Debts discharged:	
Financial guarantee liabilities	<b>1,118,325</b>
Convertible notes	<b>78,367</b>
Due to deconsolidated subsidiaries	<b>416,328</b>
Accruals and other payables	<b>5,583</b>
	<hr/>
	<b>1,618,603</b>
	<hr/>
Satisfied by:	
Cash consideration payable to Scheme Creditors	<b>(56,907)</b>
Issue of shares to creditors	<b>(9,920)</b>
	<hr/>
	<b>(66,827)</b>
	<hr/>
Gain on the Scheme	<b>1,551,776</b>
	<hr/> <hr/>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 7. INCOME TAX

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	125	312
Current tax — Overseas		
Provision for the period	<u>1,882</u>	<u>1,464</u>
Income tax expense	<u><u>2,007</u></u>	<u><u>1,776</u></u>

Hong Kong profits tax is calculated at 16.5% (2012: 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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 8. PROFIT FOR THE PERIOD

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

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Directors' emoluments	25	–
Depreciation	316	165
Cost of inventories sold	125,199	180,127
Staff cost	4,818	4,285

## 9. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the six months period attributable to owners of the Company of approximately HK\$1,537,481,000 (2012: HK\$4,011,000) and the weighted average number of ordinary shares of 193,364,120 (2012: 107,080,947) in issue during the period. The weighted average number of ordinary shares for the period ended 30 September 2013 and 2012 for the purpose of calculating the basic earnings per share has been adjusted and restated respectively resulting from the share consolidation, bonus issue and open offer of the Company (Note 16) during the current period.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 9. EARNINGS PER SHARE (continued)

### Diluted earnings per share

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

## 10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>30 September</b>	31 March
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
At beginning of the period/year	<b>1,207</b>	949
Additions	<b>445</b>	641
Exchange difference	<b>(3)</b>	4
Depreciation	<b>(316)</b>	(387)
	<hr/>	<hr/>
At end of the period/year	<b>1,333</b>	1,207
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 12. 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</b> <b>2013</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 March 2013 <i>HK\$'000</i> (audited)
1–30 days	<b>20,657</b>	27,167
31–60 days	<b>17,784</b>	12,240
61–90 days	<b>5,350</b>	12,486
91–120 days	<b>1,884</b>	4,481
Over 120 days	<b>3,055</b>	6,379
	<hr/> <b>48,730</b> <hr/>	<hr/> 62,753 <hr/>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 13. 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 2013 HK\$'000 (unaudited)</b>	31 March 2013 HK\$'000 (audited)
1–30 days	<b>13,693</b>	18,328
31–60 days	<b>7,540</b>	11,409
61–90 days	<b>2,748</b>	2,181
91–120 days	<b>252</b>	56
Over 120 days	<b>866</b>	437
	<b>25,099</b>	32,411

## 14. DUE TO THE INVESTOR

On 6 August 2010, a directly wholly-owned subsidiary of the Company, Alfreda Limited (“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. The amount due to the Investor was wholly repaid during the period.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2013*

## 15. 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. The Company was liable to financial guarantee liabilities of approximately HK\$1,118,325,000 immediately before 18 September 2013 (31 March 2013: approximately HK\$1,118,325,000). These liabilities of the Company had been discharged under the Scheme as detailed in note 6.

## 16. SHARE CAPITAL

	<b>30 September</b>	31 March
	<b>2013</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each (31 March 2013: 5,000,000,000 ordinary shares of HK\$0.10 each) ( <i>Note (i)</i> )	<b>500,000</b>	500,000
Issued and fully paid:		
1,321,682,525 ordinary shares of HK\$0.01 each (31 March 2013: 3,569,364,916 ordinary shares of HK\$0.10 each)	<b>13,217</b>	356,936

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

## 16. SHARE CAPITAL (continued)

A summary of the movements in the issued share capital of the Company is as follows:

	Number of shares issued	Nominal value of shares issued HK\$'000
At 1 April 2012, 31 March 2013 and 1 April 2013	3,569,364,916	356,936
Capital restructuring ( <i>Note (i)</i> )	(3,533,671,267)	(356,579)
	35,693,649	357
Share subscription ( <i>Note (ii)</i> )	970,000,000	9,700
Open offer ( <i>Note (iii)</i> )	178,468,245	1,785
Issue of shares to creditors ( <i>Note (iv)</i> )	66,133,333	661
Issue of bonus shares ( <i>Note (v)</i> )	71,387,298	714
At 30 September 2013	<u>1,321,682,525</u>	<u>13,217</u>

Notes:

- (i) There was a capital restructuring of the Company effected on 23 August 2013 which comprised the following:

### *Share Consolidation*

The share consolidation was implemented to consolidate every 100 issued shares of par value of HK\$0.10 each into 1 share ("Consolidated Share") of par value of HK\$10.00 each.

### *Capital reduction*

The capital reduction involved a reduction of the par value of every Consolidated Share from HK\$10.00 to HK\$0.01 and become a new share.

### *Share Subdivision*

The share subdivision was implemented to subdivide each of the authorized but unissued shares into 10 subdivided shares of par value of HK\$0.01 each.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*For the six months ended 30 September 2013*

## 16. SHARE CAPITAL (continued)

*Notes: (continued)*

### (ii) Share subscription

Completion of the share subscription took place on 18 September 2013 pursuant to which 970,000,000 subscription shares were issued to the Investor at the subscription price of HK\$0.15 per subscription share with par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by HK\$9,700,000 and its share premium account was increased by HK\$135,800,000.

### (iii) Open offer

Completion of the open offer took place on 18 September 2013 pursuant to which 178,468,245 offer shares were issued under the open offer on the basis of five offer shares for every one share held by the qualifying shareholders after completion of the capital restructuring at the subscription price of HK\$0.15 per offer share with par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$1,785,000 and its share premium account was increased by approximately HK\$24,986,000. The transaction costs related to the open offer was approximately HK\$669,000.

### (iv) Issue of shares to creditors

Pursuant to the Scheme as detailed in note 6, 66,133,333 Company's shares were issued to the nominee of the scheme administrators of the Scheme. Accordingly, the Company's share capital was increased by approximately HK\$661,000 and its share premium account was increased by approximately HK\$9,259,000.

### (v) Issue of bonus shares

On 18 September 2013, 71,387,298 offer shares were issued under the bonus issue on the basis of two bonus shares for every one share held by the qualifying shareholders after completion of the capital restructuring. Part of the net proceeds raised from the open offer in the sum of approximately HK\$714,000 standing to the credit of the share premium account of the Company were applied to pay up in full at par the bonus shares such that the bonus shares will be allotted, issued and credited as fully paid to the qualifying shareholders. Accordingly, the Company's issued share capital was increased by approximately HK\$714,000 and its share premium account was decreased by approximately HK\$714,000.

## 17. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2013 (31 March 2013: Nil).

## 18. EVENTS AFTER THE REPORTING PERIOD

There is no significant event happened after the end of the reporting period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## GROUP RESTRUCTURING AND RESUMPTION OF TRADING OF SHARES

During the period, the Company has successfully completed a series of corporate restructuring exercises, including but not limited to capital restructuring, debt restructuring, fundraising by ways of open offer and subscription, issue of bonus shares and creditors' shares. In addition, pursuant to the order of the High Court of Hong Kong dated 16 September 2013, the winding-up petition against the Company was dismissed and the Provisional Liquidators of the Company were discharged on 16 September 2013. As all the resumption conditions of the Company have been fulfilled on 18 September 2013, the trading of shares of the Company was resumed on 23 September 2013.

## BUSINESS REVIEW

For the six months ended 30 September 2013, the Group continued to engage in operating with distinctive business lines of wholesale of garments and retail of fashion garments covering men, women and children's wear. The Group reported a turnover of approximately HK\$146.5 million (six months ended 30 September 2012: approximately HK\$200.5 million), and achieved profit from operations of approximately HK\$9.1 million, representing an increase of 7.6% from the previous period (six months ended 30 September 2012: approximately HK\$8.5 million). Basic earnings per share increased from HK\$0.04 for the six months ended 30 September 2012 to HK\$7.95 for the six months ended 30 September 2013.

The increase in profit from operations of the Group shows that the Group has maintained steady business after the resumption.

## DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Liquidity and Financial Resources

Upon the completion of a series of corporate and debt restructuring exercises of the Company on 18 September 2013, the Group's financial position had been significantly improved. As at 30 September 2013, the Group had total assets of approximately HK\$261,405,000 (31 March 2013: approximately HK\$120,826,000), comprising bank and cash balances of approximately HK\$167,686,000 (31 March 2013: approximately HK\$9,424,000). The Group's current ratio, calculated as current assets of approximately HK\$245,870,000 (31 March 2013: approximately HK\$105,417,000) over current liabilities of approximately HK\$119,924,000 (31 March 2013: approximately HK\$1,699,970,000), had been improved to 2.1 (31 March 2013: 0.1) as at 30 September 2013.

### Group Reorganization

Pursuant to the terms of the Scheme of the Company effective on 11 November 2011, the Excluded Subsidiaries of the Company, as defined in circular of the Company dated 26 July 2013, have been ceased to be subsidiaries of the Company. Therefore, the net liabilities carried by the Excluded Subsidiaries were not consolidated in the consolidated financial statement of the Group for the period ended 30 September 2013.

### Scheme of Arrangement

On 18 September 2013, all indebtedness and liabilities of the Company owing to the creditors as at 11 November 2011 were discharged and certain assets of the Company had been paid or transferred to a company which holds the assets for the benefit of the creditors in pursuant to the terms of the Scheme. The debts discharged under the Scheme resulted in a gain of approximately HK\$1,552 million during the current period.

### Foreign currency management

Most of the Group's transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the Group entities. Therefore, the Group believes it faces minimal foreign currency risk and thus has not undertaken any hedging activities.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital Commitment

The Group does not have any material capital commitment as at 30 September 2013 (31 March 2013: nil).

## Pledged of Assets and Contingent Liabilities

The Group had no significant pledge of assets nor contingent liabilities as at 30 September 2013 (31 March 2013: nil).

## CAPITAL STRUCTURE

As part of the group restructuring, the Company has completed a series of capital restructuring including share consolidation, capital reduction and share subdivision. As a result, the authorized share capital of the Company after the capital restructuring was 50,000,000,000 of HK\$0.01 each with total par value of HK\$500,000,000.

On 18 September 2013, the Company has issued (i) 178,468,245 shares under open offer pursuant to the underwriting agreement; (ii) 970,000,000 shares to investor (now the controlling shareholder of the Company) pursuant to the subscription agreement; (iii) 71,387,298 bonus shares to qualifying shareholders and (iv) 66,133,333 shares to creditors pursuant to the Scheme. The gross proceed from open offer and the subscription of approximately HK\$172 million was used as intend. Details were set out in the circular and announcement of the Company dated 26 July 2013 and 18 September 2013 respectively.

At the period end, the Company comprise of 1,321,682,525 issued shares with par value of HK\$0.01 as enlarged by the issue of open offer shares, subscription shares, bonus shares and the creditors shares.

## MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

Save as disclosed above, the Group does not have any material acquisition, disposal or investment for the period ended 30 September 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICIES

At 30 September 2013, the Group had approximately 170 employees. For the six months ended 30 September 2013, the total staff cost including the Directors' emolument was approximately HK\$4,843,000. Remuneration of the employees is determined by reference to the market terms and commensurates with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. The Group provides benefits in accordance with the relevant laws and regulations including the Mandatory Provident Fund Scheme of Hong Kong.

## PROSPECTS

Under the completion of the corporate and debt restructuring exercises of the Company in September 2013, the financial position of the Group had been successfully improved by turning from net liabilities to net assets amounting to approximately HK\$141 million as at 30 September 2013. The successful completion of the share subscription by the investor (now the controlling shareholder of the Company) and the open offer of new shares in September 2013 contributed new working capital for the continuation as well as the future expansion of the Group's businesses.

Nevertheless, the Group has been managing its businesses prudently since keen competition of the garment business will exert pressure on the performance regarding both the business volume and the profit margin of the Group. Looking forward, the Group will continue to manage its businesses in a prudent manner to ensure a stable prospect for the shareholders of the Company.

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

As at 30 September 2013, none of the Directors 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 2013, 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
Advance Lead International Limited	Long	Beneficial owner	970,000,000 <i>(Note 1)</i>	73.39%
Easy Advance Investments Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note 1)</i>	73.39%
Advance Shine Holdings Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note 1)</i>	73.39%
Mr. Chau Pak Chuen	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note 1)</i>	73.39%
Ms. Au Tsui Yee, Maggie	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note 1)</i>	73.39%

# MANAGEMENT DISCUSSION AND ANALYSIS

Name	Position	Type of interest	Number of shares	Approximate % of the Company's issued share capital
Mr. Chau Kai Man	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note 1)</i>	73.39%
Eternal Well Trading Limited	Long	Trustee	66,133,333 <i>(Note 2)</i>	5.00%
Mr. Lai Kar Yan	Long	Trustee	66,133,333 <i>(Note 2)</i>	5.00%
Mr. Yeung Lui Ming	Long	Trustee	66,133,333 <i>(Note 2)</i>	5.00%

*Notes:*

- (1) The shares are beneficially owned by Advance Lead International Limited, which is directly and beneficially owned as to 30% by Ms. Au Tsui Yee, Maggie and as to 30% by Mr. Chau Kai Man. The remaining interest of 40% is owned by Easy Advance Investments Limited which is a wholly-owned subsidiary of Advance Shine Holdings Limited. Mr. Chau Pak Chuen is the sole beneficial owner of Advance Shine Holding Limited.
- (2) Eternal Well Trading Limited is a special purpose vehicle owned and controlled by the scheme administrators namely Mr. Lai Kar Yan and Mr. Yeung Lui Ming to hold the shares of the Company for the benefits of the creditors under the scheme of arrangement. The shares held by Eternal Well Trading Limited will be realized by the scheme administrators for distribution to the creditors with admitted claims in accordance with the terms of the scheme of arrangement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below:

<b>Name of Directors</b>	<b>Details of changes</b>
Ng Cheuk Fan, Keith	— Appointed as Chairman, authorized representative and resigned as company secretary of the Company with effect from 18 September 2013
Yeung Sau Han, Agnes	— Appointed as executive Director and chief executive officer of the Company with effect from 18 September 2013
Tang Kwok Hung	— Resigned as executive Director with effect from 18 September 2013 and appointed as executive Director of the Company with effect from 5 November 2013
Chung Wai Man	— Re-designated from an independent non-executive Director to a non-executive Director of the Company with effect from 29 August 2013 — Resigned as authorized representative of the Company with effect from 18 September 2013 — Resigned as independent non-executive director of Fu Ji Food and Catering Services Holdings Limited (stock code: 1175) with effect from 8 July 2013

# MANAGEMENT DISCUSSION AND ANALYSIS

<b>Name of Directors</b>	<b>Details of changes</b>
Mak Ka Wing, Patrick	<ul style="list-style-type: none"><li>— Resigned as authorized representative of the Company with effect from 18 September 2013</li> <li>— Appointed as independent non-executive director of Eyang Holdings (Group) Co., Limited (stock code:117) with effect from 18 September 2013</li> <li>— Resigned as independent non-executive director of Karce International Holdings Company Limited (stock code:1159) with effect from 31 August 2013</li> <li>— Appointed as independent non-executive director of Fu Ji Food and Catering Services Holdings Limited (stock code:1175) with effect from 8 July 2013</li></ul>
Chan Chi Yuen	<ul style="list-style-type: none"><li>— Resigned as executive director and chairman of Kong Sun Holdings Limited (stock code:295) with effect from 30 September 2013</li></ul>
Xie Tom	<ul style="list-style-type: none"><li>— Appointed as an independent non-executive Director of the Company with effect from 29 August 2013</li></ul>

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the period was the Company or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules immediate after the resumption of trading of the Company, except for the deviation of A.4.1 of the Code. The Company has set up Nomination Committee, Remuneration Committee, and Audit Committee with adoption of relevant terms of reference pursuant to the Code.

Pursuant to A.4.1 of the Code, non-executive directors should be appointed for specific terms, subject to re-election. For the period ended 30 September 2013, all the existing non-executive Director and independent non- executive Directors were not appointed for a specific term but are subject to retirement and re-election at the forthcoming annual general meeting of the Company (the “AGM”) and retirement by rotation and re-election at least once every three years at the AGM in accordance with the provisions of the Company’s bye-laws.

## 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 2013.

## REVIEW OF INTERIM REPORT

The Audit Committee constitutes three independent non-executive Directors. The unaudited results of the Group for the six months ended 30 September 2013 have been reviewed by the Audit Committee.

By Order of the Board  
**U-RIGHT International Holdings Limited**  
**TANG Kwok Hung**  
*Executive Director*

Hong Kong, 29 November 2013