



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 2016

* *for identification purposes only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

NG Cheuk Fan, Keith (*Chairman*)

TANG Kwok Hung

(*Chief Executive Officer*)

Independent Non-Executive Directors

CHAN Chi Yuen

MAK Ka Wing, Patrick

XIE Tom

COMPANY SECRETARY

CHAN Lo Sho

AUDITOR

ZHONGHUI ANDA CPA Limited

WEBSITE

www.uright.com.hk

REGISTERED OFFICE

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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

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

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

For the six months ended 30 September 2016

The board (the “Board”) of directors (the “Directors”) of U-RIGHT International Holdings Limited (the “Company”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2016 together with comparative figures for the previous period:

		Six months ended	
		30 September	
	<i>Notes</i>	2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
			(Restated)
Continuing operations			
Revenue	2	116,845	121,854
Cost of sales		(114,119)	(118,689)
		<hr/>	<hr/>
Gross profit		2,726	3,165
Other income	4	188	149
Selling and distribution costs		(1,668)	(1,754)
Administrative expenses		(3,631)	(4,334)
		<hr/>	<hr/>
Loss before tax		(2,385)	(2,774)
Income tax expense	5	(204)	(276)
		<hr/>	<hr/>
Loss for the period from continuing operations		(2,589)	(3,050)
Discontinued operations			
Profit for the period from discontinued operations	6(b)	2,481	2,198
		<hr/>	<hr/>
Loss for the period	7	(108)	(852)
		<hr/>	<hr/>
Other comprehensive expense:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(2,290)	(3,476)
Fair value changes of available-for-sale financial assets		(400)	(100)
		<hr/>	<hr/>
Total comprehensive expense for the period		(2,798)	(4,428)
		<hr/> <hr/>	<hr/> <hr/>

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

For the six months ended 30 September 2016

	Notes	Six months ended 30 September 2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited) (Restated)
(Loss)/profit for the period attributable to:			
Owners of the Company			
Loss from continuing operations		(2,589)	(3,050)
Profit from discontinued operations		2,494	2,219
		<u>(95)</u>	<u>(831)</u>
Non-controlling interests			
Loss from discontinued operations		(13)	(21)
		<u>(108)</u>	<u>(852)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company			
		(2,678)	(4,229)
Non-controlling interests			
		(120)	(199)
		<u>(2,798)</u>	<u>(4,428)</u>
(Loss)/earning per share attributable to owners of the Company			
	8		
From continuing and discontinued operations			
Basic (HK cents per share)		<u>(0.01)</u>	<u>(0.06)</u>
Diluted (HK cents per share)		<u>(0.01)</u>	<u>(0.06)</u>
From continuing operations			
Basic (HK cents per share)		<u>(0.20)</u>	<u>(0.23)</u>
Diluted (HK cents per share)		<u>(0.20)</u>	<u>(0.23)</u>
From discontinued operations			
Basic (HK cents per share)		<u>0.19</u>	<u>0.17</u>
Diluted (HK cents per share)		<u>0.19</u>	<u>0.17</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		As at 30 September 2016 <i>HK\$'000</i> (unaudited)	As at 31 March 2016 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	10	2,526	2,668
Investment properties	11	8,212	8,212
		10,738	10,880
Current assets			
Inventories		16	41
Trade receivables	12	33,943	35,354
Prepayments, deposits and other receivables		1,812	4,642
Bank and cash balances		3,597	3,668
		39,368	43,705
Disposal groups classified as held for sale	14	120,344	122,709
		159,712	166,414
Current liabilities			
Trade payables	13	631	1,112
Accruals and other payables		7,037	7,682
Current tax liabilities		262	83
		7,930	8,877
Liabilities directly associated with the disposal groups	14	36,335	39,434
		44,265	48,311
Net current assets		115,447	118,103
Total assets less current liabilities		126,185	128,983
NET ASSETS		126,185	128,983
Capital and reserves			
Share capital	15	13,217	13,217
Reserves		108,746	111,424
		121,963	124,641
Equity attributable to owners of the Company		121,963	124,641
Non-controlling interests		4,222	4,342
TOTAL EQUITY		126,185	128,983

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

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>	Investment revaluation 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 2016 (audited)	13,217	783,155	220	3,020	(946)	(3,681)	(670,344)	124,641	4,342	128,983
Total comprehensive expense for the period (unaudited)	-	-	-	-	(400)	(2,183)	(95)	(2,678)	(120)	(2,798)
At 30 September 2016 (unaudited)	<u>13,217</u>	<u>783,155</u>	<u>220</u>	<u>3,020</u>	<u>(1,346)</u>	<u>(5,864)</u>	<u>(670,439)</u>	<u>121,963</u>	<u>4,222</u>	<u>126,185</u>
At 1 April 2015 (audited)	13,217	783,155	220	3,020	(446)	2,078	(656,948)	144,296	4,646	148,942
Total comprehensive expense for the period (unaudited)	-	-	-	-	(100)	(3,298)	(831)	(4,229)	(199)	(4,428)
At 30 September 2015 (unaudited)	<u>13,217</u>	<u>783,155</u>	<u>220</u>	<u>3,020</u>	<u>(546)</u>	<u>(1,220)</u>	<u>(657,779)</u>	<u>140,067</u>	<u>4,447</u>	<u>144,514</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(875)	3,827
Net cash used in investing activities	(71)	(925)
Net cash generated from financing activities	–	–
Net (decrease)/increase in cash and cash equivalents	(946)	2,902
Effect of foreign exchange rate changes	(2,236)	(3,371)
Cash and cash equivalents at beginning of period	23,128	23,984
Cash and cash equivalents at end of period	19,946	23,515
Analysis of cash and cash equivalents		
Bank and cash balances	3,597	5,304
Bank and cash balances included in disposal groups classified as held for sale	16,349	18,211
	19,946	23,515

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

U-RIGHT International Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment holding company. Its subsidiaries are principally engaged in trading and retailing of fashion garments, textiles and leathers, trading of construction materials and property investment.

The unaudited condensed interim consolidated financial statements (the “Interim Financial Statements”) of the Company and its subsidiaries for the six months ended 30 September 2016 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 consolidated financial statements for the year ended 31 March 2016.

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 2016.

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 2016. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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. REVENUE

The Group's revenue is as follow:

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales of goods	252,886	212,400
Property rental income	155	161
	<u>253,041</u>	<u>212,561</u>
Representing:		
— Continuing operations	116,845	121,854
— Discontinued operations (note 6(b))	136,196	90,707
	<u>253,041</u>	<u>212,561</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

3. SEGMENT INFORMATION

Segment profits or losses do not include interest income on bank deposits, central administration costs, directors' salaries and finance costs. Segment assets do not include bank and cash balances.

The Group has three reportable segments as follows:

- Garment (discontinued operations) — Trading and retailing of fashion garments, textiles and leathers
- Construction materials — Trading of construction materials
- Property investment — Rental of commercial properties

The revenue and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

Six Months ended 30 September 2016

	Continuing operations			Discontinued operations	Total HK\$'000 (unaudited)
	Property investment HK\$'000 (unaudited)	Construction materials HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Garment HK\$'000 (unaudited)	
Reporting segment revenue from external customers	155	116,690	116,845	136,196	253,041
Reporting segment profit	130	629	759	3,273	4,032
Reporting segment assets	8,324	35,819	44,143	102,918	147,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

3. SEGMENT INFORMATION (continued)

Six Months ended 30 September 2015

	Continuing operations			Discontinued operations	Total
	Property investment	Construction materials	Sub-total	Garment	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reporting segment revenue from external customers	161	121,693	121,854	90,707	212,561
Reporting segment profit	49	687	736	2,912	3,648
Reporting segment assets	8,739	34,554	43,293	102,568	145,861

The Group's segment profit reconciles to the Group's profit/(loss) before income tax as presented in its Interim Financial Statements as follows:

	Six months ended	
	30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit or (loss)		
Total reporting segment profit	4,032	3,648
Unallocated corporate expenses	(4,140)	(4,500)
Consolidated loss for the period	(108)	(852)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

4. OTHER INCOME

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Interest income	23	16
Net foreign exchange gain	102	184
Others	158	82
	283	282
Representing:		
— Continuing operations	188	149
— Discontinued operations (<i>note 6(b)</i>)	95	133
	283	282

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (unaudited)	2015 <i>HK\$'000</i> (unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	573	343
Current tax — the PRC Enterprise Income Tax		
Provision for the period	294	428
	867	771
Representing:		
— Continuing operations	204	276
— Discontinued operations (<i>note 6(b)</i>)	663	495
	867	771

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

5. INCOME TAX EXPENSE (continued)

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the period. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25% for both periods.

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

6. DISCONTINUED OPERATIONS

- (a) On 27 October 2015, the Company entered into two sale and purchase agreements to dispose of the entire equity interest in the UR Group Limited and its subsidiaries (the “UR Group”) and Alfreda Limited and its subsidiaries (the “Alfreda Group”). The results of the UR Group and Alfreda Group under the business segment of trading and retailing of fashion garments, textiles and leather has been presented as discontinued operations during the period ended 30 September 2016, and the UR Group and Alfreda Group were classified as disposal groups held for sale on the consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

6. DISCONTINUED OPERATIONS (continued)

(b) The profit for the period from discontinued operations is analysed as follows:

	UR Group HK\$'000	Alfreda Group HK\$'000	Total HK\$'000
Six Months ended			
30 September 2016			
Revenue (<i>note 2</i>)	129,430	6,766	136,196
Cost of sales	<u>(125,805)</u>	<u>(4,681)</u>	<u>(130,486)</u>
Gross profit	3,625	2,085	5,710
Other income (<i>note 4</i>)	46	49	95
Selling and distribution costs	(1,019)	(202)	(1,221)
Administrative expenses	<u>(628)</u>	<u>(812)</u>	<u>(1,440)</u>
Profit from operations	2,024	1,120	3,144
Income tax expense (<i>note 5</i>)	<u>(392)</u>	<u>(271)</u>	<u>(663)</u>
Profit for the period from discontinued operations	<u><u>1,632</u></u>	<u><u>849</u></u>	<u><u>2,481</u></u>
Six Months ended			
30 September 2015			
Revenue (<i>note 2</i>)	81,385	9,322	90,707
Cost of sales	<u>(78,629)</u>	<u>(6,554)</u>	<u>(85,183)</u>
Gross profit	2,756	2,768	5,524
Other income (<i>note 4</i>)	123	10	133
Selling and distribution costs	(1,001)	(444)	(1,445)
Administrative expenses	<u>(643)</u>	<u>(876)</u>	<u>(1,519)</u>
Profit from operations	1,235	1,458	2,693
Income tax expense (<i>note 5</i>)	<u>(137)</u>	<u>(358)</u>	<u>(495)</u>
Profit for the period from discontinued operations	<u><u>1,098</u></u>	<u><u>1,100</u></u>	<u><u>2,198</u></u>

During the period, the UR Group and Alfreda Group used approximately HK\$1,771,000 (2015: received HK\$7,266,000) in respect of operating activities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

7. LOSS FOR THE PERIOD

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

	Six months ended 30 September					
	2016			2015		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Directors' emoluments						
— As directors	750	-	750	750	-	750
— For management	-	-	-	-	-	-
	750	-	750	750	-	750
Depreciation	145	53	198	114	238	352
Cost of sales	114,119	130,486	244,605	118,689	85,183	203,872
Staff costs (including Directors' remuneration):	1,514	1,319	2,833	1,489	1,795	3,284

8. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) From continuing and discontinued operations

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss for the six months period attributable to owners of the Company of approximately HK\$95,000 (2015: HK\$831,000) and the weighted average number of ordinary shares of 1,321,682,525 (2015: 1,321,682,525) in issue during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

8. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

(a) From continuing and discontinued operations (continued)

Diluted earning per share

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

(b) From continuing operations

Basic earning per share

The calculation of basic earning per share attributable to owners of the Company is based on the loss for the six months period attributable to owners of the Company of approximately HK\$2,589,000 (2015: HK\$3,050,000) and the weighted average number of ordinary shares of 1,321,682,525 (2015: 1,321,682,525) in issue during the period.

Diluted earning per share

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

(c) From discontinued operations

Basic earning per share

The calculation of basic earning 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\$2,494,000 (2015: HK\$2,219,000) and the weighted average number of ordinary shares of 1,321,682,525 (2015: 1,321,682,525) in issue during the period.

Diluted earning per share

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2016, property, plant and equipment of approximately HK\$71,000 was acquired by the Group and carrying amount of approximately HK\$20,000 was disposed of by the Group.

11. INVESTMENT PROPERTIES

Investment properties were assessed annually. The Directors considered that there are no significant changes of the market on the valuation of investment properties since 31 March 2016. Therefore, the Directors considered that the fair value of investment properties at 30 September 2016 was approximately the same as that of 31 March 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

12. TRADE RECEIVABLES

Other than cash 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.

At the end of the reporting period, the aging analysis of the trade receivables is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
1–30 days	29,451	27,245
31–60 days	4,492	1,275
61–90 days	–	6,834
Less: Impairments	–	–
	<u>33,943</u>	<u>35,354</u>

13. TRADE PAYABLES

At the end of the reporting period, the ageing analysis of the trade payables is as follows:

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
1–30 days	<u>631</u>	<u>1,112</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

14. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALES

On 27 October 2015, the Company entered into two sale and purchase agreements to dispose of the entire equity interest in the UR Group and Alfreda Group. The assets and liabilities of the UR Group and Alfreda Group, which are expected to be sold within one year, have been classified as disposal groups classified as held for sale and are presented separately in the consolidated statement of financial position.

	UR Group	Alfreda Group	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
30 September 2016			
Property, plant and equipment	95	118	213
Available-for-sale financial assets	2,650	–	2,650
Goodwill	–	14,202	14,202
Inventories	6,292	11,930	18,222
Trade receivables	50,962	5,237	56,199
Prepayments, deposits and other receivables	17,573	7,300	24,873
Bank and cash balances	3,963	12,386	16,349
	81,535	51,173	132,708
Less: Impairment loss recognized	–	(12,364)	(12,364)
Total assets associated with the disposal groups	81,535	38,809	120,344
Trade and other payables, and total for liabilities associated with the disposal groups	(24,479)	(11,856)	(36,335)
Net assets of the disposal groups	57,056	26,953	84,009

At 30 September 2016, cumulative income or expense recognised in other comprehensive income relating to the disposal groups classified as held for sale amounted to a debit balance of HK\$1,746,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

15. SHARE CAPITAL

	30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)
Authorized:		
50,000,000,000 ordinary shares of HK\$0.01 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
1,321,682,525 ordinary shares of HK\$0.01 each	<u>13,217</u>	<u>13,217</u>

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2016 and 31 March 2016.

17. EVENTS AFTER THE REPORTING PERIOD

Save as otherwise disclosed in this report, there is no important event affecting the Company and its subsidiaries which has occurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2016, the Group continued to engage in operating with distinctive business lines of wholesale of garments and retail of fashion garments, textiles and leather, trading of construction materials and property investment.

On 14 April 2015, the Company and a vendor (the “Vendor”) who is an independent third party of the Company and its connected persons entered into a sale and purchase agreement (as amended and supplemented by four supplemental agreements dated 27 October 2015, 23 February 2016, 28 July 2016 and 28 October 2016 respectively) (collectively the “SP Agreement”) pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire issued share capital of Vivalink Limited (the “Target Company”), together with its subsidiaries, and its shareholders’ loan owed to the Vendor (the “Acquisition”) for a total consideration of HK\$1,942,854,000, which will be satisfied by the issue of new shares, issue of convertible bonds, cash and/or promissory note. The Acquisition constitutes: (i) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and (ii) a reverse takeover for the Company under Rule 14.06(a) of the Listing Rules. In addition, the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Company submitted the new listing application on 13 November 2015, and subsequently re-submitted the application to the Stock Exchange on 12 August 2016. Please refer to the Company’s announcements, among others, on 27 October 2015, 13 November 2015, 12 August 2016 and 28 October 2016 for more details.

Pursuant to the SP Agreement and being one of the condition precedent to the completion of the transactions contemplated under the SP Agreement, on 27 October 2015, the Company (as the vendor) and Qiu Wenzhong, an independent third party, (the “UR Purchaser”) entered into an agreement (as amended and supplemented by three supplemental agreements dated 23 February 2016, 29 July 2016 and 28 October 2016 respectively) (collectively the “UR Disposal Agreement”) pursuant to which the Company has agreed to sell and the UR Purchaser has agreed to purchase the entire issued share capital of UR Group Limited and a shareholder’s loan in the sum of approximately HK\$18.56 million owed by the UR Group Limited and its subsidiaries to the Company for a total consideration of approximately HK\$56.50 million. Please refer to the Company’s announcements, among others, on 27 October 2015, 13 November 2015, 12 August 2016 and 28 October 2016 for more details.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the SP Agreement and being one of the conditions precedent to the completion of the transactions contemplated under the SP Agreement, on 27 October 2015, the Company (as the vendor) and Ma Weihong, an independent third party, (the “Alfreda Purchaser”) entered into an agreement (as amended and supplemented by three supplemental agreements dated 23 February 2016, 28 July 2016 and 28 October 2016 respectively) (collectively the “Alfreda Disposal Agreement”) pursuant to which the Company has agreed to sell and the Alfreda Purchaser has agreed to purchase the entire issued share capital of Alfreda Limited and a shareholder’s loan in the sum of approximately HK\$20.30 million owed by the Alfreda Limited and its subsidiaries to the Company for a total consideration of approximately HK\$25.86 million. Please refer to the Company’s announcements, among others, on 27 October 2015, 13 November 2015, 12 August 2016 and 28 October 2016 for more details.

The management of the Group considered it is appropriated to separately report the results of the existing businesses into two categories according to the applicable financial reporting standard, namely “continuing operations” for the remaining business mainly for trading of construction materials, and “discontinued operations” for the business of wholesale of garments and retail of fashion garments, textiles and leather that under disposal. The treatments are also consistent with the Annual Report of the year ended 31 March 2016.

For the six months ended 30 September 2016 (“the Period”), the Company recorded a turnover from the continuing operations of approximately HK\$116.8 million (six months end 30 September 2015 (“2015”) (restated): approximately HK\$121.9 million), and recorded loss before tax of approximately HK\$2.4 million represented a slightly rebound from the same period last year of 14.0% (2015 (restated): loss before tax HK\$2.8 million). Loss attributable to the owners of the Company for the Period amounted to approximately HK\$2.6 million (2015 (restated): HK\$3.1 million). Gross profit margin remained steady for the continuing operations of approximately 2.20% compared to 2015 (restated) 2.31%, and benefited from Renminbi depreciated gradually since 2015 and management efforts, the Company managed to cut down the total of administrative expense for the continuing operations approximately HK\$0.7 million for the Period compared to 2015 (restated). Basic loss per share from the continuing operations for the Period recorded as HK cents 0.20 (2015 (restated) HK cents 0.23).

MANAGEMENT DISCUSSION AND ANALYSIS

The poor retail climate, retailer in all sectors have been very aggressive in promotional activities, retail sales were largely achieved at the expense of margin, and the trends has no change from last year to the Period. And the impact of Brexit on the European and the rising geopolitical tensions continued to plague the global economic development, imposed difficulties to the garment wholesale business, the Company has been taking very cautious step to manage the discontinued operations. The Company recorded a turnover from the discontinued operations as a whole for the Period of approximately HK\$136.2 million (2015 (restated): approximately HK\$90.7 million), and recorded profit before tax of approximately HK\$3.1 million represented a rebound from the same period last year of 16.7% (2015 (restated): profit before tax HK\$2.7 million). Profit attributable to the owners of the Company for the Period amounted to approximately HK\$2.5 million (2015 (restated): HK\$2.2 million). The Gross profit margin of the discontinued operations as a whole dropped to 4.19% (2015 (restated) 6.09%). Basic profit per share from the discontinued operations for the Period recorded as HK cents 0.19 (2015 (restated) HK cents 0.17).

And the total basic loss per share for the Period amounted to HK cents 0.01 (2015 (restated) HK cents 0.06) for the Group as a whole including the continuing operations and discontinued operations.

DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2016, the Group had total assets of approximately HK\$170.5 million (31 March 2016: approximately HK\$177.3 million), comprising bank and cash balances of HK\$19.9 million (31 March 2016: HK\$23.1 million). The Group's current ratio, calculated as current assets of approximately HK\$159.7 million (31 March 2016: approximately HK\$166.4 million) over current liabilities of approximately HK\$44.3 million (31 March 2016: approximately HK\$48.3 million), slightly increased to 3.60 as at 30 September 2016 (31 March 2016: 3.44).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Capital Commitment

The Group had capital commitment, which are contracted but not provided for, in respect of the capital contribution to two subsidiaries amounting to approximately HK\$50,828,000 as at 30 September 2016 (31 March 2016: approximately HK\$52,109,000).

Pledge of Assets and Contingent Liabilities

The Group does not have any pledge of assets and contingent liabilities as at 30 September 2016 and 31 March 2016.

CAPITAL STRUCTURE

The Company comprise of 1,321,682,525 issued shares with par value of HK\$0.01 as at 30 September 2016.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

Save as disclosed in the section of "Business Review", the Group did not have any material acquisition, disposal or investment for the period ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

At 30 September 2016, the Group had approximately 70 employees. For the six months ended 30 September 2016, the total staff cost including the Directors' emolument was approximately HK\$2,833,000. 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

While the Board will hold a more cautious stance keeping the existing business lines viable, the Board also has been continuously exploring different investment opportunities. And the Board believes that the optimization approach for the scope of business of the Group is to enhance the Company's value to shareholders.

At the same time, the management of the Group continues to explore business opportunities for additional value for shareholders.

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

As at 30 September 2016, 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 2016, 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)</i>	73.39%
Easy Advance Investments Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%
Advance Shine Holdings Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%
Sino Classic Global Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%
Great Novel Limited	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%
Mr. Chau Pak Chuen	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%

MANAGEMENT DISCUSSION AND ANALYSIS

Name	Position	Type of interest	Approximate % of the Company's	
			Number of shares	issued share capital
Ms. Au Tsui Yee, Maggie	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%
Mr. Chau Kai Man	Long	Interest of corporation controlled by the substantial shareholder	970,000,000 <i>(Note)</i>	73.39%

Note:

The shares are beneficially owned by Advance Lead International Limited. Advance Lead International Limited is owned by (i) Sino Classic Global Limited as to 30% in which Ms. Au Tsui Yee, Maggie is the sole beneficial owner; (ii) Great Novel Limited as to 30% in which Mr. Chau Kai Man is the sole beneficial owner; and (iii) Easy Advance Investments Limited as to 40%, which is a wholly-owned subsidiary of Advance Shine Holdings Limited. Mr. Chau Pak Chuen is the sole beneficial owner of Advance Shine Holdings Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2016.

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:

Name of Director	Details of changes
Ng Cheuk Fan, Keith	— Resigned as an executive Director of China Fortune Financial Group Limited (stock code: 290) with effect from 8 July 2016
	— Redesignated as executive Director of China Eco-Farming Limited (stock code: 8166) with effect from 1 September 2016

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 2016.

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, 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 2016, all the existing 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.

Risk Management and Internal Control

The Board recognises the importance of internal controls to safeguard shareholders’ interests and investments and the Group’s assets, as well as to manage business risks.

The Board is responsible for ensuring that the Group maintains a sound and effective system of risk management and internal controls, and for reviewing its adequacy and effectiveness through the Audit Committee.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

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 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF INTERIM RESULTS

The Audit Committee constitutes three independent non-executive Directors with Mr. Chan Chi Yuen as the chairman of the Audit Committee. The unaudited results of the Group for the six months ended 30 September 2016 have been reviewed by the Audit Committee.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the public float requirement under the Listing Rules as at the date of this report.

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

Hong Kong, 17 November 2016