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**U-RIGHT INTERNATIONAL HOLDINGS LIMITED**

**佑威國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 627)**

**ANNOUNCEMENT**

**RECENT DEVELOPMENTS  
TERMINATION OF THE  
PROPOSED CAPITAL REORGANISATION  
AND CHANGE IN BOARD LOT SIZE  
PROPOSED RIGHTS ISSUE OF NOT LESS THAN  
1,784,682,455 RIGHTS SHARES BUT NOT MORE THAN  
1,947,799,100 RIGHTS SHARES AT HK\$0.12 EACH  
ON THE BASIS OF  
FIVE RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE HELD  
ON RECORD DATE  
AND CONTINUE SUSPENSION OF TRADING IN SHARES**

**SUMMARY**

The share price dropped by approximately 68.89% from the closing price of HK\$0.045 per share on 3 September 2008, being the last trading day immediately before the Company issued the first two clarification announcements on 4 September 2008 and 11 September 2008 respectively on unusual price and volume movements of the Company's shares, to HK\$0.014 per Share on 17 September 2008 being the last trading day immediately prior to this announcement.

Since the significant decrease in the share price by approximately 53.33 % to close at HK\$0.021 per share on 11 September 2008, the Company has received enquiries from lending banks and financial institutions with regard to the financial position of the Group. Some of these lending banks and financial institutions have expressed concerns over the Group's ability to service its existing indebtedness and have withheld their Group's existing short term unsecured bilateral facilities and frozen the Group's cash balances held by the banks. The Company believes that most of the demands by the lending banks and other financial institutions have been precipitated by the significant decrease in the Company's share price.

On 10 September 2008, the Company convened a meeting with all bankers to present an update on the Company's financial performance with an aim to present the financial picture and the business operations of the Group and to seek their continued support for the Group.

The Group has received written demands from banks and other financial institutions dated between 10 September 2008 and the date of this announcement to repay indebtedness (and related interest and expenses) in amounts totaling approximately HK\$850 million. The Group is currently unable to satisfy such demands.

On 17 September 2008, at the request of certain major lenders, the Company appointed Deloitte Touche Tohmatsu as the independent financial adviser to review various financial and operational information of the Group and to prepare report(s) in this regard to the Company and its lenders.

Given the liquidity position of the Group, the uncertainty relating to further demands for repayment of loans, and the fact that the report on the Company's financial and operation information has yet to be prepared by Deloitte Touche Tohmatsu, the Group's operations have nevertheless been affected. However the Board and staff of the Group are using their best endeavours to maintain the normal operations of the Group.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:24 a.m. on 17 September 2008 and will remain suspended pending the release of all price-sensitive information in the Company's possession.

On 24 September 2008, the Company was notified by the Underwriter that in view of the uncertainties in the financial outlook of the Company and the adverse conditions in the worldwide financial markets, the Underwriting Agreement was terminated in accordance with its terms. As a result, on 24 September 2008 the Company has confirmed with the Underwriter that pursuant to the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement have ceased and terminated. Accordingly, the proposed Capital Reorganization and change in board lot size and the proposed Rights Issue will not proceed. Accordingly, the original dates, from 3 October 2008 (Friday) to 9 October 2008 (Thursday), both dates inclusive, fixed for the closure of register of members of the Company for the Rights Issue will be cancelled.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

## **RECENT DEVELOPMENTS**

On 2 September 2008 an announcement was issued whereby the Company proposed to have a Capital Reorganization which involves:-

- i. **Capital Reduction:** the reduction of the nominal value of all the issued Shares from HK\$0.10 to HK\$0.01 by canceling paid up capital to the extent of HK\$0.09 on each issued share of the Company;
- ii. **Share Consolidation:** the consolidation of every 10 Reduced Shares of HK\$0.01 each into 1 Adjusted Share of HK\$0.10.

Subject to the Capital Reorganization becoming effective, the Company proposed to raise not less than approximately HK\$214 million but not more than approximately HK\$234 million before expenses, by way of the Rights Issue, underwritten by Kingston Securities Limited, of not less than 1,784,682,455 Right Shares but not more than 1,947,799,100 Rights Share at a price of HK\$0.12 per Rights Share on the basis of five Rights Shares for every one Adjusted Share held on 9 October, 2008.

The share price dropped by approximately 68.89% from the closing price of 0.045 per share on 3 September 2008, being the last trading day immediately before the Company issued the first of a series of clarification announcements between 4 September 2008 and 11 September 2008 on unusual price and volume movements of the Company's shares, to HK\$0.014 per Share on 17 September 2008 being the last trading day immediately prior to this announcement.

The Board has become aware of a media report dated 17 September 2008 stating that the Company was in financial difficulty and met with the creditor banks the week before. The Board confirmed that the Company was in financial difficulty but the meeting held on 10 September 2008 with all bankers was to present an update on the Company's financial performance with the aim to present a financial picture and the business operations of the Group and to seek their continued support for the Group.

The Board has become aware of another media report dated 23 September 2008 stating that:—

- (i) the Company has appointed Deloitte Touche Tohmatsu to perform a due diligence exercise on whether the Company was involved in any illegal act and Deloitte Touche Tohmatsu would review the balance sheet and cash flow statement of the Group;
- (ii) Meeting was held with 18 lending banks whereby a standstill agreement was agreed with expiry date at end of September 2008.
- (iii) The amount of outstanding indebtedness owed to the 18 lending banks by the Company was over HK\$1 billion; and
- (iv) The reason of the suspension in the trading of the Company's Shares on 17 September 2008 might be related to a change of the right issue plan of the Company as announced on 2 September 2008.

The Board clarified the above statements in the media report dated 23 September 2008. First of all, the appointment of Deloitte Touche Tohmatsu was for the review of various financial and operational information of the Group and not for due diligence exercise on any illegal act. Secondly, the Company had a meeting with its Hong Kong and Macau Bankers on 19 September 2008. Although no standstill agreement was agreed with the 18 lending banks, a Steering Committee consisted of the representatives from Deutsche Bank, ABN Amro Bank, Hang Seng Bank and Bangkok Bank was formed. The Company was given to understand that the lending banks would not take immediate actions against the Company at present. Thirdly, the total outstanding indebtedness owed to the 18 lending banks and other PRC banks amounted to approximately HK\$1.2 billion. Lastly, the reason of the suspension in trading of the Company's shares on 17 September 2008 was mainly due to the media report on 17 September 2008.

Due to the sudden decrease in the Company's share price, the Group has received written demands from banks and other financial institutions dated between 10 September 2008 and the date of this announcement to repay indebtedness (and related interest and expenses) in amounts totaling approximately HK\$850 million. The Group is currently unable to satisfy such demands. These demands have resulted in an unexpected and significant strain on the Group's working capital and liquidity position.

The Group's operations have nevertheless been affected. However the Board and staff of the Group are still using their best endeavour to maintain the normal operations of the Group.

At the request of the banks, on 17 September 2008, the Company appointed Deloitte Touche Tohmatsu as the independent financial adviser to review various financial and operational information of the Group and to prepare report(s) in this regard to the Company and its lenders.

Furthermore, as a result of the Group's failure to make repayment in accordance within the time frame set out in the aforementioned demand letters and the continued suspension of trading in the Shares, the Company has breached certain covenants set out in various facility agreements entered into by the Group.

As of the date of this Announcement, the Company has failed to repay its debts as they fall due.

As a result of the foregoing, the daily operation of the Group has been affected since 17 September 2008 as the core management team has focused their attention on resolving the liquidity issue, attending meetings with lenders and addressing concerns raised from certain suppliers and customers. The Board advises that, as at the date of this announcement, all of its retail outlets continue to carry on their operations as usual. The Company continues to review the economic benefits for operating the outlets and to make commercial assessment as to the viability for renewing the leases which are expired or to be expired soon.

Trading in Shares will continue to be suspended pending further announcement(s) to be made by the Company regarding the Company's discussions with the steering committee representing the lenders.

## **TERMINATION OF THE RIGHTS ISSUE**

On 24 September 2008, the Company was notified by the Underwriter that in view of the uncertainties in the financial outlook of the Company and the adverse conditions in the worldwide financial markets, the Underwriting Agreement was terminated in accordance with its terms. As a result, on 24 September 2008 the Company has confirmed with the Underwriter that pursuant to the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement have ceased and terminated. Accordingly, the proposed Capital Reorganization and change in board lot size and the proposed Rights Issue will not proceed.

## **CLOSURE OF REGISTER OF MEMBERS**

As the proposed Rights Issue will not proceed, the original dates, from 3 October 2008 (Friday) to 9 October 2008 (Thursday), both dates inclusive, fixed for the closure of register of members of the Company for the Rights Issue will be cancelled.

## **GENERAL**

Further announcements will be made as and when necessary in accordance with the Listing Rules.

As at the date of the announcement, the Company has a total of HK\$3,569,364,916 shares in issue and there are (i) outstanding CN2011 with principal amount of HK\$30 million convertible into 104,166,667 Shares upon exercise in full at the conversion price of HK\$0.288 per Share, (ii) outstanding CN2010 with principal amount of HK\$24,000,000 convertible into 70,381,231 Shares upon exercise in full at the conversion price of HK\$0.341, (iii) outstanding Warrants which entitle the holders thereof to convert for 151,685,393 Shares at an exercise price of HK\$0.356, and (iv) outstanding Share Options granted under the Share Option Scheme which entitle the holders thereof to subscribe for 50,000,000 Shares. Save for the aforesaid, the Company has no other securities outstanding.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 10:24 a.m. on 17 September 2008 and will remain suspended pending the release of all price-sensitive information in the Company's possession.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

|           |   |
|-----------|---|
| “Board”   | The board of Directors, including executive Directors and the independent non-executive directors of the Company          |
| “Company” | U-RIGHT International Holdings Limited (Stock Code: 627), whose Shares are listed on the main board of the Stock Exchange |
| “CN2010”  | The HK\$24 million convertible notes due 2010 issued by the Company on 15 November 2006                                   |

|                          |   |
|--------------------------|---|
| “CN2011”                 | The HK\$60 million convertible notes due 2011 issued by the Company on 19 October 2006, of which a principal amount of HK\$30 million remains outstanding |
| “Director(s)”            | The director(s) of the Company  |
| “Group”                  | The Company and its subsidiaries  |
| “Hong Kong”              | The Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Listing Rules”          | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “Option(s)”              | Outstanding option(s) granted under the share option scheme adopted by the Company on 9 July 2002   |
| “Share(s)”               | Ordinary share(s) of HK\$0.10 each in the share capital of the Company  |
| “Shareholder(s)”         | Registered holder(s) of the Shares  |
| “Stock Exchange”         | The Stock Exchange of Hong Kong Limited   |
| “Underwriting Agreement” | Signed on 28 August 2008 after trading hours between Kingston Securities Limited and the Company regarding Rights Issue                                   |
| “HK\$”                   | Hong Kong dollars, the lawful currency of Hong Kong   |

By order of the Board  
**U-RIGHT International Holdings Limited**  
**Leung Ngok**  
*Chairman*

Hong Kong, 26 September 2008

*As at the date of this announcement, the Board comprises Mr. Leung Ngok, Mr. Leung Shing, Mr. Leung Siu Kan, Stephen as executive directors and Mr. Jia Luqiao, Mr. Yang Dong Hui and Mr. Wong Kai Cheong as independent non-executive directors.*