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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)

ISSUE OF HK\$60,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2011 AND RESUMPTION OF TRADING

On 5 October, 2006, the Company and ABN AMRO entered into the Subscription Agreement in relation to the subscription of the Bonds.

Under the Subscription Agreement, the Company agreed to issue and ABN AMRO agreed to subscribe and pay for, or to procure subscriptions and payment for, the Bonds. ABN AMRO undertakes that it will, for a period of 180 days after the Closing Date, hold (a) the issued share capital of the Company; and/or (b) the Bonds of an amount (when converted) equal to not less than five per cent. of the issued and outstanding share capital of the Company. The obligations of ABN AMRO to subscribe for the Bonds are subject to certain conditions which are set out in the paragraph headed "Conditions" in this announcement.

The Bonds are convertible into Shares at the Conversion Price.

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors, including the independent non-executive Directors, are of the view that they are fair and reasonable so far as the Company is concerned and in the interests of the Company and the Shareholders taken as a whole.

The Bonds will be issued, and the Shares to be issued upon the conversion of the Bonds will be allotted and issued, pursuant to the Existing General Mandate.

Trading in the Shares was suspended on the Stock Exchange from 9:38 a.m. on 5 October 2006 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 10 October, 2006.

SUBSCRIPTION AGREEMENT

Principal terms

The principal terms of the Subscription Agreement and the Bonds are as follows:

- Date: 5 October, 2006
- Issuer: The Company
- Subscriber: ABN AMRO
- Principal amount: The aggregate principal amount of the Bonds is HK\$60,000,000.
- Coupon: Zero
- Ranking: The Bonds will rank pari passu and without any preference or priority among themselves.
- Transferability: A Bond may be transferred to any third party by delivering the Bond certificate in respect of that Bond for registration into the register of the Bonds.
- The Company undertakes that it will notify the Stock Exchange upon becoming aware of any dealings in the Bonds by a connected person of the Company.
- Maturity Date: 19 October 2011. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Bonds at 137.69 per cent. of their principal amount on the Maturity Date.

- Redemption:
- (a) The Company may at any time prior to the Maturity Date redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the redemption date if at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled. The Company may at any time redeem all, but not some only, of the Bonds at a redemption price equal to the Early Redemption Amount on the redemption date if the Company is obliged, on account of taxation reasons, to pay additional amounts as set out in the terms and conditions of the Bonds.
 - (b) The Bondholders will have the option to require the Company to redeem the Bonds on 19 October 2009 at 121.15 per cent. of their principal amount. Upon the occurrence of certain events, including without limitation where the Shares cease to be listed on the Stock Exchange, a Bondholder will have the right to require the Company to redeem all or some of that Bondholder's Bonds at the Early Redemption Amount.
- Conversion: The Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period.
- Conversion Price: The price at which Shares will be issued upon conversion of the Bonds will initially be HK\$0.288 per Share, subject to adjustments.
- The Conversion Price was arrived after arm's length negotiation between the Company and ABN AMRO and is on normal commercial terms with reference to the previous closing price of the Shares. The Conversion Price represents:
- (a) a premium of approximately 12.94% of the closing price per Share as quoted on the Stock Exchange of HK\$0.255 per Share on the Last Trading Day;
 - (b) a premium of approximately 25.22% of the average closing price per Share as quoted on the Stock Exchange of approximately HK\$0.23 per Share for the five consecutive trading days up to and including the Last Trading Day; and
 - (c) a premium of approximately 27.77% of the average closing price per Share as quoted on the Stock Exchange of HK\$0.2254 per Share for the ten consecutive trading days up to and including the Last Trading Day.
- Reset Conversion Price: If the average closing price of per Share for the period of 20 consecutive trading days immediately prior to any of the Reset Dates is lower than the initial Conversion Price, the Conversion Price will be adjusted so that such average closing price will be the Conversion Price in effect from the relevant Reset Date provided that the Conversion Price so adjusted will not be less than 75 per cent. of the initial Conversion Price (taking account of any adjustments set out in the terms and conditions of the Bonds) (the "Reset Conversion Price").
- Adjustments of Conversion Price: The Conversion Price will be subject to adjustment upon occurrence of certain events as set out in the terms and conditions of the Bonds. The Conversion Price will be adjusted upon:
- (a) any alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification of Shares;
 - (b) issue of Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves or by way of a scrip dividend;
 - (c) the Company paying or making any capital distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under sub-paragraph (b) above);
 - (d) issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than the Current Market Price (as defined in the terms and conditions of the Bonds) per Share on the last trading day preceding the date of the announcement of the terms of such issue or grant;
 - (e) issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities;

- (f) issue (otherwise than as mentioned in sub-paragraph (d) above) by the Company of any Shares (other than Shares issued on the exercise of the conversion rights of the Bonds or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant (otherwise than as mentioned in sub-paragraph (d) above) of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price which is less than the Current Market Price on the last trading day preceding the date of the announcement of the terms of such issue;
- (g) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (g), the issue by any member of the Group (otherwise than as mentioned in sub-paragraph (d), (e) or (f)) or (at the direction or request of or pursuant to any arrangements with any member of the Group) any other person of any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price on the last trading day preceding the date of the announcement of the terms of such issue;
- (h) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (g) (other than in accordance with the terms of such securities) so that the consideration per Share is reduced and is less than the Current Market Price on the last trading day preceding the date of the announcement of the proposals for the modification;
- (i) the issue, sale or distribution by or on behalf of any member of the Group or any other person of any securities in connection with an offer by or on behalf of any member of the Group or such other person pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be required by them; or
- (j) where the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in the terms and conditions of the Bonds and the Company shall consult an independent investment bank of international repute to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect.

The Conversion Price will be adjusted upon the occurrence of any of the above events. However, the aggregate number of Shares to be issued and delivered upon conversion of the Bonds will be limited to 535,939,650 Shares (being the authority granted under the Existing General Mandate) and the Bonds corresponding to the excess number of Shares will not be so converted will be redeemed in cash on the date which would otherwise be fixed for conversion of such unconverted Bonds at their Early Redemption Amount.

Conversion Shares: The Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with all other Shares in issue on the date of issue of such Shares pursuant to the conversion.

Undertakings

The Company undertakes that:

- (a) it will not for a period of 90 days after the Closing Date, issue, offer, lend, sell, contract to sell, pledge, grant or otherwise dispose of or encumber any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares unless with prior written consent of ABN AMRO;
- (b) it will procure that its controlling shareholder will not for a period of 180 days after the Closing Date offer, sell, contract to sell, grant or otherwise dispose of any Shares unless with prior written consent of ABN AMRO; and
- (c) it will procure that its controlling shareholder (whether on its own or together with its associates (as defined in the Listing Rules) will hold not less than 30 per cent. of the voting rights in the Company for so long as any Bond remains outstanding,

save, with respect to paragraph (a) above, for the issue, offer, exercise, allotment, appropriation or grant of Shares to or for the benefit of employees of the Group pursuant to any employees' share scheme and which is in compliance with the regulations and listing rules and does not amount to, relate to, or entitle such persons to receive, Shares in excess of 10 per cent. of the average number of issued and outstanding Shares during any 12 months.

ABN AMRO undertakes that it will, for a period of 180 days after the Closing Date, hold (a) the issued share capital of the Company; and/or (b) the Bonds of an amount (when converted) equal to not less than five per cent. of the issued and outstanding share capital of the Company.

Conditions

The obligations of ABN AMRO to subscribe and pay for the Bonds are conditional upon, among others:

- (a) the trust deed and paying and conversion agency agreement having been executed and delivered;
- (b) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at the Closing Date;
- (c) on or before the Closing Date, there having been delivered to ABN AMRO, each in form and substance satisfactory to ABN AMRO, opinions of:
 - (i) the Company's legal adviser as to Bermuda law; and
 - (ii) its legal advisers as to Hong Kong law,
- (d) the Stock Exchange having granted an approval for the listing of and permission to deal in the Shares to be issued upon conversion of the Bonds;
- (e) ABN AMRO having been reasonably satisfied with the results of its due diligence investigations on the Group; and
- (f) on or before the Closing Date, there having been delivered to ABN AMRO any other documents (including, but not limited to, any resolutions, consents and authorities) relating to the issue of the Bonds which ABN AMRO may reasonably require.

ABN AMRO may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the conditions.

GENERAL MANDATE

The maximum number of new Shares which may be issued upon conversion of the Bonds based on the initial Conversion Price of HK\$0.288 per Share is 208,333,333 Shares, representing approximately 7.77 per cent. and approximately 7.21 per cent. of the existing issued share capital and the enlarged issued share capital respectively. The maximum number of new Shares which may be issued upon conversion of the Bonds based on the Reset Conversion Price at its lowest of HK\$0.216 per Share is 277,777,778 Shares, representing approximately 10.37 per cent. and approximately 9.39 per cent. of the existing issued share capital and the enlarged issued share capital respectively.

No part of the Existing General Mandate of 535,939,650 Shares has been utilised as at the date of this announcement. The Shares which may be issued upon the full conversion of the Bonds will be issued pursuant to, and within the authority of the Existing General Mandate. The actual total number of Shares which may be issued upon full conversion of the Bonds will depend on the amount of the Conversion Price. However, the aggregate number of Shares to be issued and delivered upon conversion of the Bonds will be limited to 535,939,650 Shares (being the authority granted under the Existing General Mandate) and the Bonds corresponding to the excess number of Shares will not be so converted will be redeemed in cash on the date which would otherwise be fixed for conversion of such unconverted Bonds at their Early Redemption Amount.

REASONS FOR THE ISSUE OF THE BONDS

Having considered other possible fund raising alternatives, the Directors considered that the issue of the Bonds gives an opportunity for the Company to raise funds for future development with no immediate effect on the shareholding structure of the Company. Further, upon conversion of the Bonds, this will introduce a reputable institutional investor as a major shareholder of the Company and broaden its shareholders' base. The Directors, including the independent non-executive Directors, further consider that the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds of the issue of the Bonds after deducting related expenses will be approximately HK\$56,800,000. The Company intends to use such net proceeds for general corporate financing purposes of the Group. At the date of this announcement, no specific investment has been identified by the Group.

SHAREHOLDING STRUCTURE

The following table sets out the existing shareholding structure of the Company, the shareholding structure of the Company upon exercise in full of the conversion rights attaching to the Bonds at the initial Conversion Price, the shareholding structure of the Company upon conversion in full of the Bonds based on the Reset Conversion Price at its lowest and the shareholding structure of the Company based on the maximum limit of Shares to be issued:

Name of shareholders	Number of Shares held and approximate percentage of shareholding as at the date of this announcement		Number of Shares held and approximate percentage of shareholding upon the exercise in full of the conversion rights attaching to the Bonds based on the initial Conversion Price of HK\$0.288 per Share		Number of Shares held and approximate percentage of shareholding upon the exercise in full of the conversion rights attaching to the Bonds based on the Reset Conversion Price at its lowest of HK\$0.216 per Share		Number of Shares held and approximate percentage of shareholding based on the maximum limit of Shares to be issued and allotted upon full exercise of the conversion rights attaching to the Bonds (taking account of also any adjustments of the Conversion Price)	
	Shares	%	Shares	%	Shares	%	Shares	%
ACE Target Inc. (note 1)	1,009,557,179	37.67	1,009,557,179	34.96	1,009,557,179	34.14	1,009,557,179	31.40
Leung Ngok	109,221,000	4.08	109,221,000	3.78	109,221,000	3.69	109,221,000	3.40
the Public (only Bondholders)	–	–	208,333,333	7.21	277,777,778	9.39	535,939,650	16.67
								(note 2)
the Public (other than Bondholders)	1,560,920,071	58.25	1,560,920,071	54.05	1,560,920,071	52.78	1,560,920,071	48.53
Total:	<u>2,679,698,250</u>	<u>100</u>	<u>2,888,031,583</u>	<u>100</u>	<u>2,957,476,028</u>	<u>100</u>	<u>3,215,637,900</u>	<u>100</u>

Notes:

- ACE Target Inc. is the trustee of The Target Unit Trust, a unit trust of which all of the units in issue are owned by Trident Trust Company (B.V.I.) Limited (the surviving company after the merger with Trident Corporate Services (B.V.I.) Limited) as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members.
- The actual number of Shares to be held by each Bondholder will depend on the amount of Bonds held by it. Should the number of Shares to be issued and allotted upon conversion of the Bonds held by an individual Bondholder representing 10% or more of the issued share capital of the Company, such Bondholder will not be counted as a member of the public.

FUND RAISING ACTIVITIES

The Directors confirmed the Group has not entered into any equity related fund raising activities within 12 months prior to the date of this announcement.

LISTING APPLICATION

No application will be made for the listing of, or permission to deal in, the Bonds on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.

GENERAL

The terms of the Subscription Agreement were negotiated on an arm's length basis and the Directors, including the independent non-executive Directors, are of the view that they are fair and reasonable so far as the Company is concerned and in the interests of the Company and the Shareholders taken as a whole. The Directors confirmed that other than the Bonds, there are no other outstanding rights convertible into Shares as at the date of this announcement.

Trading in the Shares was suspended on the Stock Exchange from 9:38 a.m. on 5 October, 2006 at the request of the Company pending the issue of this announcement and an application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 10 October, 2006.

DEFINITIONS

Unless otherwise defined herein, capitalised terms used in this announcement shall have the following meanings:

“ABN AMRO”	ABN AMRO Bank N.V.. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, ABN AMRO and its ultimate beneficial owners are third parties independent of the Company, its subsidiaries and the connected persons of the Company and, has no shareholding or interests in or relationship with the Company before the date of this announcement
“Board”	the board of Directors
“Bondholders”	holders of the Bonds

“Bonds”	the unlisted and unsecured zero coupon bonds with an aggregate principal amount of HK\$60,000,000 due 2011 to be issued by the Company in accordance with the terms of the Subscription Agreement
“business day”	any day on which the Stock Exchange is open for trading in Hong Kong
“Closing Date”	19 October 2006, the date on which the Bonds are to be issued
“Company”	U-RIGHT International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period between 19 April 2007 up to the close of business on 12 October 2011 (or seven business days prior to the date fixed for redemption if the Bonds have been called for redemption before the Maturity Date)
“Conversion Price”	the price at which Shares will be issued upon conversion of the Bonds, the initial conversion price being HK\$0.288 per Share, subject to adjustments
“Directors”	directors of the Company
“Early Redemption Amount”	has the meaning ascribed to it in the terms and conditions of the Bonds
“Existing General Mandate”	the general mandate (to issue or otherwise deal in 20 per cent. of the issued share capital of the Company as at the date of passing the resolution) granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 5 September 2006 pursuant to which a maximum of 535,939,650 new Shares may be issued as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	4 October 2006, being the last date on which the Shares were traded on the Stock Exchange immediately before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	19 October 2011, the date on which the Bonds mature
“Reset Date”	being any of 19 October 2007, 19 October 2008 and 4 September 2009
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 5 October, 2006 entered into between the Company and ABN AMRO relating to the subscription of the Bonds

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

Hong Kong, 9 October, 2006

As at the date of this announcement, the executive directors of the Company are Mr. Leung Ngok, Mr. Leung Shing and Mr. Leung Siu Kan, Stephen; and the independent non-executive directors of the Company are Mr. Jia Luqiao, Mr. Wong Kong Hon, Mr. Yang Dong Hui and Mr. Wong Kai Cheong.

* *for identification purpose only*

Please also refer to the published version of this announcement in The Standard.