TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)

ANNUAL REPORT 2011

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CORPORATE INFORMATION

Joint and Several Provisional Liquidators

Mr. FOK Hei Yu
Mr. Roderick John SUTTON

Board of Directors

Non-Executive Directors

Mr. James McMULLEN

Independent Non-Executive Directors

Mr. PAU Chin Hung, Andy
Mr. CHOONG Khuat Leok
Mr. KOOI Tock Chian

Audit Committee

Mr. PAU Chin Hung, Andy
Mr. CHOONG Khuat Leok
Mr. KOOI Tock Chian

Hong Kong Branch Share Registrar

Tricor Tengis Limited
26th Floor Tesbury Centre
28 Queen's Road East
Hong Kong

Principal Office

c/o FTI Consulting (Hong Kong) Limited
(formerly as Ferrier Hodgson Limited and FS Asia Advisory Limited)
14th Floor, The Hong Kong Club Building
3A Chater Road, Central, Hong Kong

Company Website

www.tackfatgroup.com

Registered Office

Century Yard
Cricket Square, Hutchins Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

Auditors

Hopkins CPA Limited
3rd Floor, Sun Hung Kai Centre
30 Harbour Road,
Hong Kong

PROVISIONAL LIQUIDATORS' REPORT

Trading in the shares of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the "**Company**") has been suspended on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 30 July 2008.

On 11 September 2008, the Company filed a self petition for winding up and Bank of America N.A. filed an application to support the winding up petition against the Company. Accordingly, the High Court of Hong Kong (the "**High Court**") appointed Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting (Hong Kong) Limited (formerly as Ferrier Hodgson Limited and FS Asia Advisory Limited) ("**FTI Consulting**"), to act as joint and several provisional liquidators to the Company (the "**Provisional Liquidators**") on the same day.

The Provisional Liquidators have been granted the authority to sign, approve, publish and do all such acts in connection with this report pursuant to an order of the High Court. The Provisional Liquidators herein present their report together with the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2011 based on the books and records made available to them.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

Details of the principal activities of the principal subsidiaries of the Company as at 31 March 2011 are set out in note 18 to the financial statements.

FINANCIAL REVIEW

For the year ended 31 March 2011, the Group's turnover was approximately HK$53.69 million (2010: HK$55.65 million), representing a slight decrease of approximately 3.52% from the last financial year.

The consolidated loss attributable to shareholders of the Company amounted to approximately HK$93.14 million (2010: HK$59.24 million) for the year. Loss per share was approximately HK42.09 cents as compared with loss per share of approximately HK26.77 cents for the preceding year.

BUSINESS REVIEW

The main business activity of the Group is the retail of garment in the People's Republic of China (the "**PRC**").

As the conditional approval of resumption of trading from the Stock Exchange has not been obtained during the financial period, the Group's plan to expand its sales network in the PRC has been delayed and had affected the turnover.

For the year ended 31 March 2011, the Group's turnover was approximately HK$53.69 million (2010: HK$55.65 million), representing a slight decrease of approximately 3.52% as compared to last year.

PROVISIONAL LIQUIDATORS' REPORT

The Group's gross margin for the year ended 31 March 2011 was 56.30% (2010: 32.00%), representing an increase of approximately 24.30% as compared to the corresponding period of last year which is consistent with management's expectation on the improvement in purchase and inventory management system which result in timelier stock ordering and delivery and their continuous effort on the negotiation with the suppliers on the supply term.

Closing inventories at 31 March 2011 were approximately HK$18.76 million (2010: HK$7.83 million). Inventory turnover on sales for the year ended 31 March 2011 was 207 days (2010: 111 days). The increase in inventory turnover days is caused by the build-up of inventories for future expansion as the management expected the restructuring of the Company will be completed before Autumn 2011.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash including escrow money as at 31 March 2011 was approximately HK$5.88 million (2010: HK$13.04 million). The Group's gearing ratio measured, on the basis of the Group's total bank borrowings relative to the shareholders' funds, is not applicable as the Group had shareholders' deficits as at 31 March 2011 and 31 March 2010 respectively.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 28 to the financial statements.

FINANCIAL RISK MANAGEMENT

Details of the financial risk management of the Company are set out in note 6 to the financial statements.

RESTRUCTURING OF THE GROUP FROM 2010

On 9 April 2010, the Company was informed by the Stock Exchange in a letter that trading in the shares of the Company (the "**Shares**") would be resumed subject to the satisfaction of the following conditions by 8 October 2010:

1. completion of the open offer, subscription of convertible bonds and all other transactions in the resumption proposal;

2. publication of a circular containing (i) detailed disclosure of the resumption proposal comparable to prospectus standard; (ii) profit forecast for each of the two years ending 31 March 2012 which should be prepared by the directors of the Company (the "**Directors**") (including proposed Directors) after due and careful enquiry; and (iii) pro forma statement of financial position upon completion of the resumption proposal;

3. provision of a comfort letter from the auditor or the financial advisor relating to working capital sufficiency for the next 12 months from the latest practicable date before expected resumption date; and

4. provision of an undertaking to (i) appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date; and (ii) disclose the review results in subsequent financial reports.

The Stock Exchange may modify the resumption conditions if the Company's situation changes.

On 9 April 2010, the Company, the Provisional Liquidators, Forefront Finance Co. Limited ("**Forefront**"), Merrier Limited ("**Merrier**"), Hansom Finance Limited ("**Hansom**") and Radford Developments Limited (the "**Investor**") entered into the supplemental deed (the "**Supplemental Deed**") to the settlement deed entered on 3 April 2009 (the "**Settlement Deed**"). Pursuant to the Supplemental Deed, Forefront and Hansom agreed to extend the period of not exercising their respective share charge over the shares of Ever Century Holdings Limited (the "**Ever Century Shares**") from 12 months to 24 months from the date of the Settlement Deed (i.e. 3 April 2009).

On 26 May 2010, the Company, the Provisional Liquidators, the Investor and FTI Consulting entered into a formal agreement (the "**Restructuring Agreement**") which provided for, inter alia, a proposed capital reorganisation, a proposed open offer, a proposed subscription of convertible bonds by the Investor, a proposed debt restructuring and schemes of arrangement in both Hong Kong and the Cayman Islands (collectively as the "**Schemes**").

On 28 May 2010, New Profit Holdings Limited ("**New Profit**"), an indirect 90% owned subsidiary of the Company, was placed into creditors' voluntary liquidation pursuant to the Companies Ordinance (Chapter 32 of Laws of Hong Kong) (the "**Companies Ordinance**").

On 30 July 2010, the Company, the Provisional Liquidators, Anway Limited ("**Anway**"), Best Favour Investments Limited ("**Best Favour**"), Tack Fat Swimwear Manufacturing Limited (In Liquidation) ("**Swimwear**") and CITIC Bank International Limited ("**CITIC Bank**") entered into an agreement such that at completion of the Restructuring Agreement:

(i) the Company shall transfer or procure the transfer of the remaining two sevenths of the cash consideration of HK$50 million out of the proceeds from the subscription of the convertible bonds by the Investor and two sevenths of the convertible bonds to be issued for the benefit of the creditors of the Company pursuant to the Schemes to New Profit, or as it directs;

(ii) after receipt of the distributions described in (i) above, New Profit shall distribute to the Swimwear, CITIC Bank and Noble Group Investment Limited ("**Noble**"), the 10% shareholder of Best Favour, and any other person that may be identified during the restructuring process, as having an interest in New Profit as creditor or shareholder in the agreed order of priority;

(iii) upon Swimwear's receipt of its respective entitlements, Swimwear's claims against New Profit shall be settled and Swimwear shall be deemed to have no further claim against New Profit and to have waived any and all rights of action of any nature against New Profit arising prior to the date of payment of its respective entitlements;

(iv) upon CITIC Bank's receipt of its respective entitlements, CITIC Bank shall be deemed to have no further claims against Anway and to have waived any and all rights of action of any nature against Anway arising prior to the date of payment of its respective entitlements. CITIC Bank will take all steps necessary to release, on the completion date of the Restructuring Agreement, the security over the shares in Best Favour; and

(v) Noble will receive 10% of any residual amount due to Best Favour upon the distribution by New Profit.

On 8 August 2010, the Company notified its shareholders for the proposed capital reorganisation (the "**Capital Reorganisation**") which comprise (i) the reduction in par value of all the issued Shares from HK$0.10 to HK$0.001 whereby all unissued Shares being cancelled; (ii) the consolidation of every 10 issued shares of par value of HK$0.001 into one new share of par value of HK$0.01 each; and (iii) the increase of the Company's authorised share capital from HK$400 million to HK$500 million, divided into 50,000,000,000 new shares of HK$0.01 each.

The extraordinary general meeting in relation to the proposed Capital Reorganisation was convened on 30 August 2010 and the special resolution to approve the proposed Capital Reorganisation was passed by the majority of not less than 75% of the votes cast by the shareholders of the Company present in person or by proxy or by duly authorised representative by way of poll.

The creditors' meetings to approve the Schemes were held on 30 August 2010. The Schemes were passed by the required majority of the creditors with the scheme of arrangement in the Cayman Islands being sanctioned by the Grand Court of Cayman Islands (the "**Cayman Court**") on 7 September 2010. The Schemes will become effective upon the completion of the restructuring of the Company.

On 20 August 2010, the Stock Exchange agreed the extension of the time for the satisfaction of the resumption conditions granted on 9 April 2010 to 15 December 2010.

On 24 August 2010, the parties to the Restructuring Agreement entered into a side letter to extend the long stop date to 15 December 2010 and include the approval of special deal by the Company's shareholders and consent being granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong in addition to the existing conditions under the Restructuring Agreement.

On 31 August 2010, the Company despatched a circular (the "**Circular**") to the shareholders notifying the proposed restructuring of the Company which principally comprises (a) the proposed open offer of 15,001,474,104 offer shares at the subscription price of HK$0.01 per offer share on the basis of 339 offer shares for every 5 new shares upon the Capital Reorganisation in order to raise approximately HK$150 million; (b) the subscription of convertible bonds by the Investor and the creditors of the Company in the principal amount of HK$100 million and HK$20 million respectively at a conversion price of HK$0.01 per conversion share; (c) the application of whitewash waiver; (d) the approval of the special deal; and (e) the appointment of new Directors to the Company.

PROVISIONAL LIQUIDATORS' REPORT

The extraordinary general meeting (the "**EGM**") in relation to the implementation of the terms under the Circular was convened on 15 September 2010 and the proposed ordinary resolutions, except for the appointment of the new Directors to the Company upon completion of the restructuring, were not passed by the majority of the shareholders attending and eligible to vote at the EGM.

Subsequent to the EGM, the Provisional Liquidators have been informed that two entities (the "**Dissenting Shareholders**") holding a beneficial interest in not less than 28.68% in aggregate of the existing issued share capital of the Company as at the date of the EGM caused the legal holder to vote against the ordinary resolutions at the EGM.

Based on the information and evidence collected from their investigation, the Provisional Liquidators believe that implementation of the Restructuring Agreement is in the best interests of all of the shareholders, and that in causing the legal holder to vote against the ordinary resolutions referred to above, the Dissenting Shareholders have not exercised their votes in the best interests of the shareholders as a whole.

The Company has filed proceedings in the Cayman Court against the Dissenting Shareholders and the legal holder in order to have the relevant votes cast at the EGM set aside, and declared to be void and of no effect on the basis that they were not properly exercised. However, the Company had decided not to continue the proceedings subsequently as it is likely that there will be a successful implementation of the new proposal for the restructuring.

By an order of the High Court dated 22 October 2010, the hearing for the winding up of the Company was further adjourned to 9 February 2011.

On 8 November 2010, the Investor, the Provisional Liquidators and FTI Consulting entered into a revolving loan facility agreement of which the Investor consented to make available to the Company a revolving facility in an aggregate amount of HK$15 million for the retail operation of the Company in the PRC.

By a letter dated 7 December 2010, the Listing Committee of the Stock Exchange conditionally confirmed the Listing Approval, subject to fulfilment of all conditionals of the Capital Reorganisation. As the obtaining of the Listing Approval was the only outstanding condition, the Capital Reorganisation has become unconditional and has become effective after 5:00 p.m. on Monday, 20 December 2010.

On 18 May 2011, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the second supplemental deed to the Settlement Deed (the "**Second Supplemental Deed**"), pursuant to which, (i) Hansom agreed to extend the period of not exercising its share charge over the Ever Century Shares from 24 months to 36 months from the date of the Settlement Deed (i.e. 3 April 2009); (ii) Forefront agreed and acknowledged that all outstanding amounts due from the Group to Forefront under the loan agreement dated 12 June 2008 had been unconditionally and irrevocably settled in full; and (iii) Forefront further agreed and undertook to take all necessary steps to release the Ever Century Shares from all security interests created pursuant to the share charge exercisable by Forefront. Save for the amendments made by the Second Supplemental Deed, all the terms of the Settlement Deed remain in full force and effect.

The Company submitted a new proposal, which is substantially the same as the previous proposal presented to the Shareholders at the EGM, except for that the Investor would not sub-underwrite the open offer and a further share consolidation was proposed, to the Stock Exchange, and on 26 May 2011, the Stock Exchange agreed the extension of the time for the satisfactory of the following resumption conditions to 15 September 2011:

1) completion of the open offer, subscription of convertible bonds and all other transactions in the resumption proposal;

2) publication of a circular containing the following: (i) detailed disclosure of the resumption proposal comparable to prospectus standard; (ii) profit forecast for each of the two years ending 31 March 2013 which should be prepared by the Directors (including proposed Directors) after due and careful enquiry; (iii) pro forma balance sheet upon completion of the resumption proposal;

3) provision of a comfort letter from the auditors or the financial advisor relating to working capital sufficiency for the next 12 months from the latest practicable date before expected resumption date; and

4) provision of an undertaking to (a) appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date; and (b) disclose the review results in subsequent financial reports.

PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon (i) the successful implementation of the Restructuring Agreement; and (ii) resumption of trading in the Shares on the Stock Exchange. The Investor and the Provisional Liquidators anticipate all existing liabilities owed to the creditors of the Company and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the Schemes.

It is the Investor's intention to maintain the Group's existing retail business. With the strong and continuous support provided by the Investor to the Group in terms of both business and financial aspects, the Group will be able to sustain its retail business at a sufficient level in upcoming financial years and expand its retail business to a substantial level within a reasonable period of time after the resumption of trading in the Shares on the Stock Exchange.

PROVISIONAL LIQUIDATORS' REPORT

PLEDGE OF ASSETS

On 3 April 2009, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into Settlement Deed pursuant to which Merrier agreed to transfer the interest in Ever Century Holdings Limited (a wholly-owned subsidiary of the Company the entire equity interest of which was charged and transferred to Forefront by the Company in June 2008 and August 2008 respectively) ("**Ever Century**") back to the Company for a period of 12 months in order to facilitate the restructuring of the Company and Forefront and Hansom acknowledged, confirmed and agreed that there was no intention to change the beneficial ownership of interest in Ever Century or the Company's control over Ever Century. The period was extended to 24 months from the date of the Settlement Deed pursuant to the Supplemental Deed entered into among such parties on 9 April 2010 and further extended to 36 months from the date of the Settlement Deed pursuant to the Second Supplemental Deed dated 18 May 2011. The charge over the Ever Century Shares will be discharged upon completion of the restructuring of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 31 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Provisional Liquidators as at the latest practicable date prior to the issue of this report, the Company has complied with the sufficiency of public float requirement under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Following the resignations of the Company's independent non-executive directors in or around September 2008, there have been no replacements of independent non-executive directors until the appointment of Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian on 7 October 2009. The Company has received from each of the independent non-executive directors a confirmation of independence for the year pursuant to Rule 3.13 of the Listing Rules and still considers each of them independent.

PROVISIONAL LIQUIDATORS' REPORT

REVIEW BY THE AUDIT COMMITTEE

On 24 November 2009, the audit committee of the Company was reconstituted. Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian were appointed as members of the audit committee, with Mr. Choong being appointed as chairman. Accordingly, the audit committee considered and accepted its terms of reference to:

- make recommendations to the Company regarding external auditor;
- review and monitor external auditor independence and objectivity and effectiveness of audit process in accordance with applicable standard;
- develop and implement policy on engagement of external auditor to provide non-audit services;
- review the financial information of the Company prior to publication; and
- oversee the of Company's financial reporting system and internal control procedures.

The annual report for the year ended 31 March 2011 has been reviewed by the audit committee and the external auditor.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions are set out in note 32 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2011, the Group employed about 306 full time employees. The Group remunerates its employees and the Directors based on performance and experience.

The Group's subsidiary in the PRC participates in a defined contribution retirement scheme organised by the PRC municipal government. The said subsidiary is required to make contributions at approximately 20% of the relevant PRC employees' salaries to the scheme.

Save as disclosed above, the Group has no other significant obligations to make payments in respect of retirement benefits of the employees.

Details of Directors' remuneration are set out in note 13 to the financial statements.

DIVIDEND

The board of Directors (the "**Board**") does not recommend the payment of dividend for the year ended 31 March 2011 (2010: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of published results and assets and liabilities of the Group for the last five financial years, extracted from the audited consolidated financial statements of the Company, is set out on page 68. This summary does not form part of the audited financial statements.

PROVISIONAL LIQUIDATORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS SCHEME

Movements in share capital of the Company and details of share option scheme of the Company are set out in note 28 and note 29 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2011, purchase from the 5 largest suppliers accounted for 71% of the total cost of sales for the year with the largest supplier accounted for 20% of the total cost of sales for the year.

As the Group is engaged in the retail of garment business, there is no statistics in respect of the largest and 5 largest customers.

None of the Directors or any of their associates or shareholders (which, to the best knowledge of the Provisional Liquidators, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 23 and page 64 respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

DIRECTORS

The Directors during the year and/or up to the date of this report were:

Non-Executive Director

Mr. James McMULLEN

Independent Non-Executive Directors

Mr. PAU Chin Hung, Andy
Mr. CHOONG Khuat Leok
Mr. KOOI Tock Chian

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at 31 March 2011, to the best information and knowledge of the Provisional Liquidators, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement(s) to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

Having made all reasonable enquiries, the Provisional Liquidators are not aware of any Director having a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Having made all reasonable enquiries, the Provisional Liquidators are not aware of any of the Directors, the shareholders of the Company and their respective associates had any interest in a business which causes or may cause a significant competition with the business of the Group or any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2011.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"):

	Ordinary shares held	Percentage of total issued shares
Fidelitycorp Limited *(Note 1)*	10,000,000,000 (L)	4,519.56%
Moon Light Investments Group Limited *(Note 1)*	10,000,000,000 (L)	4,519.56%
Radford Developments Limited *(Note 1)*	10,000,000,000 (L)	4,519.56%
Kwok Wing	76,242,400 (L)	34.46%
Wan Lai Ngan *(Note 2)*	76,242,400 (L)	34.46%
Efulfilment Enterprises Limited *(Note 3)*	65,280,000 (L)	29.50%
Kwok Chiu *(Note 3)*	65,280,000 (L)	29.50%
Sharp Asset Holdings Limited *(Note 4)*	10,962,400 (L)	4.95%
Sansar Capital Management, LLC *(Note 5)*	43,463,600 (L)	19.64%
Sansar Capital Master Fund, LP *(Note 5)*	26,227,590 (L)	11.85%
Sansar Capital Special Opportunity Master Fund, LP *(Note 5)*	15,239,640 (L)	6.89%
Citigroup Inc.	31,536,840 (L) 523,940 (P)	14.25% 0.24%
Jayhawk China Fund (Cayman, Ltd.) *(Note 6)*	19,570,000 (L)	8.84%

"L" denotes long position

"P" denotes lending pool

Notes:

1. These interests represent Investor subscription of the convertible bonds at completion of the restructuring of the Company in a principal amount of HK$100 million and convertible into new shares at the option of the bondholders at a conversion price of HK$0.01 per share. According to the form filed pursuant to Part XV of the SFO by the Investor, the Investor is wholly-owned by Moon Light Investments Group Limited, which in turn is wholly-owned by Fidelitycorp Limited. Fidelitycorp Limited is the trustee for Moon Light Trust.

2. Ms. Wan Lai Ngan is the spouse of Mr. Kwok Wing (the former chairman and executive director of the Company who retired on 6 October 2009) and is therefore deemed to be interested in the shares held or deemed to be held by Mr. Kwok Wing under the SFO.

3. The issued share capital of Efulfilment Enterprises Limited is beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, the former chairman and executive Director, in the proportion of 50:50. Mr. Kwok Chiu is therefore deemed to be interested in the Shares held by Efulfilment Enterprises Limited under the SFO.

4. The entire issued share capital of Sharp Asset Holdings Limited is owned by Mr. Kwok Wing.

5. These interests include the shares held by Sansar Capital Master Fund, LP and Sansar Capital Special Opportunity Master Fund, LP.

6. According to the form filed pursuant to Part XV of the SFO by McCarthy Kent C. and Jayhawk China Fund (Cayman) Ltd., the Shares are held by Jayhawk China Fund (Cayman), Ltd. as investment manager which was owned 100% by McCarthy Kent C. According to information available to the Provisional Liquidators, Mr. McCarthy Kent C had ceased to be interested in at least 5% issued share capital of the Company since 17 November 2008.

Other than as disclosed above, there was no person who had an interest or short position in the issued share capital of the Company as at 31 March 2011.

CORPORATE GOVERNANCE

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Listing Rules. However, due to the severe financial difficulties of the Group and the appointment of the Provisional Liquidators, the Directors are unable to comment as to whether the Company has complied with the CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2011.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors.

To the best knowledge of the Provisional Liquidators, after making reasonable enquiries, all the existing Directors have complied with the required standard set out in the Model Code during the year ended 31 March 2011.

PROVISIONAL LIQUIDATORS' REPORT

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 33 to the financial statements.

AUDITOR

The financial statements for the years ended 31 March 2009, 2010 and 2011 were audited by Hopkins CPA Limited. The financial statements for the year ended 31 March 2008 were audited by Pan-China (H.K.) CPA Limited (formerly known as NCN CPA Limited).

A resolution proposing the reappointment of Hopkins CPA Limited as auditor of the Company and giving authority to the Provisional Liquidators to determine its remuneration will be submitted to the forthcoming annual general meeting.

By Order of the Board	For and on behalf of
TACK FAT GROUP INTERNATIONAL LIMITED	**TACK FAT GROUP INTERNATIONAL LIMITED**
(Provisional Liquidators Appointed)	*(Provisional Liquidators Appointed)*
CHOONG Khuat Leok	**FOK Hei Yu**
Independent Non-Executive Director	**Roderick John SUTTON**
	Joint and Several Provisional Liquidators who act without personal liabilities

30 June 2011

BIOGRAPHICAL DETAILS OF DIRECTORS

To the best knowledge of the Provisional Liquidators, the biographical details of Directors are set out as follows:

NON-EXECUTIVE DIRECTOR

Mr. James McMULLEN, aged 41, is a graduate of the University Of Kansas School Of Law in the United States of America with a J.D. degree with Order of the Coif. He is also a graduate of the University of Georgetown with a degree in Bachelor of Science in Foreign Service, cum laude. Mr. McMullen is a partner of Shapiro & McMullen, P.A. (formerly as Shapiro, Protzman and McMullen, P.A.), a law firm in the United States of America. He was appointed in August 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PAU Chin Hung, Andy, aged 36, holds a Bachelor of Finance degree in The Hong Kong University and Science Technology (1997). He has over 10 years' experience in financial and securities industry. He is also a managing director of a private equity fund in Hong Kong. At the same time, he is a director of China Oil & Methanol Group, Inc., a company listed in the United States of America. He was appointed in October 2009.

Mr. CHOONG Khuat Leok, aged 49, was appointed in October 2009. He was the chief financial officer, company secretary, qualified accountant and authorised representative (for the purpose of Listing Rules) of Byford International Limited ("**Byford**") (Stock Code: 8272), a company listed on the GEM Board of the Stock Exchange, from November 2003 to July 2006. Mr. Choong was a non-executive director of Byford from 1 March 2003 to 10 September 2004 and was subsequently re-designated as an alternate director to Mr. Chai Sing Hong, an executive director of Byford, from 10 September 2004 to 31 July 2006. Mr. Choong is a Chartered Accountant in the United Kingdom and retired as a partner of Deloitte Touche Tohmatsu in Hong Kong in May 2002. He has over 20 years of experience in the corporate finance, assurance and advisory services.

Mr. Choong served as a member of the Auditing Standards Committee of the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants ("**HKICPA**")) from 1993 to 1999 and is currently a fellow member of the Institute of Chartered Accountants in England and Wales ("**ICAEW**"), an associate and practising member of the HKICPA, a member of the Hong Kong Securities Institute and was an investment representative under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong, repealed in 2002) from March 2001 to February 2003.

Mr. Choong is an accountancy graduate of the London Guildhall University (formerly the City of London Business School) and obtained an MBA degree awarded by the J.L. Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology. In 2006, Mr. Choong was awarded an advanced diploma in Corporate Finance from the ICAEW. Following the successful restructuring and moving of all operations of Sinobiomed Inc. to the U.S. in June 2011, Mr. Choong resigned as the Chief Financial Officer of Sinobiomed Inc., a company listed on Over-The–Counter Bulletin Board, the over-the-counter securities market in the United States of America.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. KOOI Tock Chian, aged 45 graduated with a Bachelor of Science degree in Business Administration from Rochester Institute of Technology in the United States of America. He was appointed in October 2009. Mr. Kooi began his career with Ernst & Young in New York and has more than 10 years of working experience in the field of Accounting and Insolvency Practice in the United States of America.

HOPKINS CPA LIMITED
3/F, Sun Hung Kai Centre
30 Harbour Road
Hong Kong

Independent Auditor's Report to the Members of:–
Tack Fat Group International Limited
(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)

We were engaged to audit the consolidated financial statements of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 68, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Provisional Liquidators are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Provisional Liquidators determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate evidence as explain below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. Because of the matter described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited on 20 July 2009. The consolidated financial statements have been prepared on a going concern basis on the assumption that the Resumption Proposal will be successfully completed in the foreseeable future and following that the Group will continue to meet in full its financial obligations as they fall due. The consolidated financial statements do not include any adjustments that would result from a failure to complete the Resumption Proposal. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the Resumption Proposal, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION

Because of the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2011 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hopkins CPA Limited
Albert Man-Sum Lam
Practising Certificate Number P02080
Hong Kong

30 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

(Amounts expressed in Hong Kong dollars)

	Notes	2011 $'000	2010 $'000
Turnover	7	**53,694**	55,648
Cost of sales		**(23,462)**	(37,846)
Gross profit		**30,232**	17,802
Distribution costs		**(35,535)**	(43,368)
Administrative and other operating expenses		**(24,649)**	(15,367)
		(29,952)	(40,933)
Other revenue	8	**19,965**	47,101
Gain on deconsolidation of subsidiaries		**11,713**	–
Provision for bank loan guarantees for deconsolidated subsidiaries	9	**(59,691)**	(23,598)
Finance costs	10	**(34,780)**	(39,537)
Loss before tax	11	**(92,745)**	(56,967)
Tax	12	**1,564**	(1,954)
Loss for the year		**(91,181)**	(58,921)
Other comprehensive income:			
Exchange differences on translating foreign operations		**202**	13,090
Total comprehensive income for the year		**(90,979)**	(45,831)
Loss for the year attributable to:			
– Owners of the Company		**(93,138)**	(59,239)
– Non-controlling interests		**1,957**	318
		(91,181)	(58,921)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(92,936)**	(46,149)
– Non-controlling interests		**1,957**	318
		(90,979)	(45,831)
			(Restated)
Basic loss per share	15	**(42.09 cents)**	(26.77 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

(Amounts expressed in Hong Kong dollars)

	Notes	2011 $'000	2010 $'000
Non-current assets			
Property, plant and equipment	17	**2,111**	3,282
Current assets			
Inventories	19	**18,762**	7,830
Trade and other receivables	20	**31,448**	28,273
Escrow money	21	**2,504**	352
Cash and cash equivalents		**3,378**	12,687
Amount due from deconsolidated subsidiaries		**642**	–
		56,734	49,142
Current liabilities			
Trade and other payables	22	**78,129**	80,692
Provision for bank loan guarantees for deconsolidated subsidiaries	23	**928,627**	846,121
Other borrowings	23	**52,390**	52,390
Convertible bonds	24	**121,557**	121,557
Loans from the Investor	25	**31,200**	36,400
Amount due to deconsolidated subsidiaries	27	**234,567**	209,956
Tax payable		**–**	1,954
		1,446,470	1,349,070
Net current liabilities		**(1,389,736)**	(1,299,928)
NET LIABILITIES		**(1,387,625)**	(1,296,646)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	28	**2,213**	221,261
Deficiency	28	**(1,436,953)**	(1,563,065)
		(1,434,740)	(1,341,804)
Non-controlling interests		**47,115**	45,158
		(1,387,625)	(1,296,646)

These financial statements were approved and authorised for being issued by the Provisional Liquidators and the Board of Directors on 30 June 2011.

By Order of the Board
Tack Fat Group International Limited
(Provisional Liquidators Appointed)

CHOONG Khuat Leok
Independent Non-Executive Director

For and on behalf of
Tack Fat Group International Limited
(Provisional Liquidators Appointed)

FOK Hei Yu
Roderick John SUTTON
Joint and Several Provisional Liquidators who act without personal liabilities

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

(Amounts expressed in Hong Kong dollars)

	Notes	2011 $'000	2010 $'000
Non-current assets			
Interests in subsidiaries	18	**–**	–
Current assets			
Amount due from subsidiaries	26	**558**	558
Escrow money	21	**2,504**	352
Other receivables		**689**	709
Cash and cash equivalents		**2**	2
		3,753	1,621
Current liabilities			
Trade and other payables	22	**43,449**	31,631
Provision for bank loan guarantees for deconsolidated subsidiaries	23	**928,627**	846,121
Other borrowings	23	**52,390**	52,390
Convertible bonds	24	**121,557**	121,557
Loans from the Investor	25	**31,200**	36,400
Amount due to deconsolidated subsidiaries	27	**88,400**	52,800
		1,265,623	1,140,899
Net current liabilities		**(1,261,870)**	(1,139,278)
NET LIABILITIES		**(1,261,870)**	(1,139,278)
CAPITAL AND RESERVES			
Share capital	28	**2,213**	221,261
Deficiency	28	**(1,264,083)**	(1,360,539)
		(1,261,870)	(1,139,278)

These financial statements were approved and authorised for being issued by the Provisional Liquidators and the Board of Directors on 30 June 2011.

By Order of the Board
Tack Fat Group International Limited
(Provisional Liquidators Appointed)

CHOONG Khuat Leok
Independent Non-Executive Director

For and on behalf of
Tack Fat Group International Limited
(Provisional Liquidators Appointed)

FOK Hei Yu
Roderick John SUTTON
Joint and Several Provisional Liquidators
who act without personal liabilities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011
(Amounts expressed in Hong Kong dollars)

		2011		2010	
	Notes	***$'000***	***$'000***	*$'000*	*$'000*
Total deficiency at 1 April			(1,296,646)		(1,250,814)
Net income recognised directly in equity					
Consolidation of share capital	*28*	**(219,048)**		–	
Capital reserve		**(44,956)**		(31,751)	
Adjusted the accumulated losses due to consolidation of share capital	*28*	**219,048**		–	
Net loss for the year		**(93,138)**		(59,239)	
Total recognised income and expenses for the year			**(138,094)**		(90,990)
Total deficiency attributable to shareholders of the Company			**(1,434,740)**		(1,341,804)
Non-controlling interests			**47,115**		45,158
			(1,387,625)		(1,296,646)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

(Amounts expressed in Hong Kong dollars)

	2011 *$'000*	2010 *$'000*
Operating Activities		
Loss before taxation	**(92,745)**	(56,967)
Adjustments for:		
Interest income	**(4)**	(4)
Interest on bank advances and other borrowings wholly repayable within five years	**33,737**	33,661
Provision of Bank loan guarantee of deconsolidated subsidiaries	**59,691**	23,598
Interest on convertible bonds	**966**	4,592
Other borrowing costs	**–**	1,280
Depreciation of property, plant and equipment	**2,522**	1,734
Loss on disposal of property, plant and equipment	**601**	1,548
Write-down of inventories	**217**	8,613
Reversal of write-down of inventories	**(6,020)**	–
Deposit written off	**908**	506
Bad debts written off	**1,951**	–
Allowance for doubtful debts	**–**	4,545
Exchange difference	**–**	(152)
Reversal of excess provision in PRC value-added tax payable	**–**	(44,737)
Sundry expenses	**–**	3,655
Written back of trade payables	**(18,607)**	–
Gain on deconsolidation of subsidiaries	**(11,713)**	–
Operating cash outflow before movements in working capital	**(28,496)**	(18,128)
Trade and other receivables	**(6,034)**	(716)
Escrow money	**(2,152)**	5,980
Inventories	**(5,129)**	(1,233)
Trade and other payables	**4,789**	5,366
Amount with deconsolidated subsidiaries	**35,056**	–
Cash used in operating activities	**(1,966)**	(8,731)
Profits tax paid	**(390)**	–
Net cash used in operating activities	**(2,356)**	(8,731)
Investing Activities		
Purchase of property, plant and equipment	**(1,855)**	(63)
Interest received	**4**	4
Net cash outflow on deconsolidation of subsidiaries	**(7)**	–
Net cash used in investing activities	**(1,858)**	(59)
Financing Activities		
Proceeds from Investor's loan	**14,800**	20,000
Repayment of Investor's loan	**(20,000)**	–
Net cash (used in)/generated from financing activities	**(5,200)**	20,000
Net (decrease)/increase in cash and cash equivalents	**(9,414)**	11,210
Cash and cash equivalents at beginning of the year	**12,687**	1,878
Effect of foreign exchange rates changes	**105**	(401)
Cash and cash equivalents at end of the year	**3,378**	12,687
Analysis of cash and cash equivalents		
Cash and cash equivalents	**3,378**	12,687

1 ORGANISATION AND OPERATIONS

Tack Fat Group International Limited (Provisional Liquidators Appointed) was incorporated in the Cayman Islands on 12 March 2001. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business is 14th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong. The shares of the Company were listed on the Main Board of the Stock Exchange on 29 April 2002 and have been suspended from trading since 30 July 2008.

The Company is principally engaged in investment holding. The principal activities of the Company's principal subsidiaries are set out in note 18.

The Company's functional currency is Renminbi. The consolidated financial statements are presented in Hong Kong dollars as the Hong Kong dollars is considered the most appropriate presentation currency in view of the Company's past practice.

These financial statements are presented in Hong Kong dollars and all values are rounded to nearest thousand ($'000) except otherwise indicated.

2 BASIS OF PRESENTATION

Going concern

As at 31 March 2011, the Group had consolidated net current liabilities of approximately HK$1,389.74 million (2010: approximately HK$1,299.93 million) and consolidated net liabilities of approximately HK$1,387.63 million (2010: approximately HK$1,296.65 million). The Group had a net loss after tax, provision for bank loan guarantees for subsidiaries and finance cost for the year ended 31 March 2011 of approximately HK$91.18 million (2010: approximately HK$58.92 million).

On 11 September 2008, pursuant to a court order, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of FTI Consulting, were appointed as the Provisional Liquidators as a result of the Company's self petition for winding up and Bank of America N.A.'s application to support the winding up petition against the Company. Upon the appointment of the Provisional Liquidators, the powers of the Directors were suspended with regard to the affairs and business of the Company.

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

The Company was in the first stage of delisting procedures in accordance with Practice Note 17 to Listing Rule as at 31 March 2011, the date of the financial statements.

The restructuring proposal submitted by the Investor dated 2 December 2008 has been accepted by the Provisional Liquidators and, in principle, by the major creditors of the Group. On 12 January 2009, an exclusivity and escrow agreement was entered into amongst the Provisional Liquidators, FTI Consulting and the Investor. Pursuant to the exclusivity and escrow agreement, the Provisional Liquidators granted the Investor an exclusive right up to 11 July 2009 to negotiate a legally binding agreement for the implementation of the restructuring proposal. As a result, the Investor provided (i) a sum of HK$10 million as working capital loan to the Group to meet its working capital requirements; and (ii) a sum of HK$6.4 million to the Group as professional fees in relation to the Group's restructuring. On 8 July 2009, the Provisional Liquidators and the Investor entered into a side letter to extend the exclusivity period by a 6-month period to 12 January 2010. On 11 August 2009, the Investor and the Provisional Liquidators entered into a revolving loan facility agreement, pursuant to which, the Investor consented to provide an additional working capital loan for the Group's retail operating entity in the PRC for an aggregate amount equal to HK$15 million (the "**Working Capital Facility**"). On 20 January 2010, a further sum of HK$5 million was provided by the Investor to meet the funding requirement of the PRC business (the "**Additional Funding**"). On 28 April 2010, the Company settled the obligations under the Working Capital Facility and the Additional Funding.

The Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited ("**Asian Capital**") as financial advisor to the Company with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange. The Company on 20 July 2009 submitted a resumption proposal (together with the subsequent submissions, the "**Resumption Proposal**") to the Stock Exchange. On 9 April 2010, the Company was informed by the Stock Exchange in a letter that trading in the Shares would be resumed subject to the satisfaction of the following conditions by 8 October 2010:

1. completion of the open offer, the subscription of convertible bonds and all other transactions in the Resumption Proposal;

2. publication of a circular containing (i) detailed disclosure of the Resumption Proposal comparable to prospectus standard; (ii) profit forecast for each of the two years ending 31 March 2012 which should be prepared by the Directors (including proposed Directors) after due and careful enquiry; and (iii) pro forma statement of financial position upon completion of the Resumption Proposal;

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

3. provision of a comfort letter from the auditors or the financial advisor relating to working capital sufficiency for the next 12 months from the latest practicable date before expected resumption date; and

4. provision of an undertaking to (i) appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date; and (ii) disclose the review results in subsequent financial reports.

The Stock Exchange may modify the resumption conditions if the Company's situation changes.

In May 2010, New Profit was placed into creditors' voluntary liquidation pursuant to the Companies Ordinance. Accordingly, the results and financial position of New Profit and its subsidiaries, except for its wholly-owned subsidiary, New Profit Garment (Luo Ding) Company Limited ("**Luo Ding**"), which remains under the control of the management of the Company, are not included in the consolidated financial statements of the Company. Luo Ding is the main operating subsidiary of the Group in relation to the XXEZZ apparel retail business. In December 2009, the Company set up an indirectly wholly owned subsidiary, Shenzhen XXeZZ Clothing Company Limited ("**Newco**"), which has gradually taken up the XXEZZ business from Luo Ding. Before completion of the restructuring of the Company and resumption of trading in the Shares, Newco will acquire all the remaining assets of Luo Ding at the carrying value and by then Luo Ding will be deconsolidated from the Group.

On 7 June 2010, the Company announced that the Restructuring Agreement for the proposed restructuring of the Group, involving the Capital Reorganisation, debt restructuring, subscription of convertible bonds and offer of new shares, was entered into on 26 May 2010 among the Company, the Provisional Liquidators, the Investor and FTI Consulting (as the escrow agent). The principal elements of the Restructuring Agreement are as follows:

a) Capital Reorganisation

The Company proposed a Capital Reorganisation, involving capital reduction, share consolidation, capital cancellation and authorised share capital change.

b) Open offer of new shares

The Company proposed to take necessary steps to implement the offer of a total of 15,001,474,104 offer shares on the basis of 339 offer shares for every 5 new shares upon the Capital Reorganisation held on the record date by the qualifying shareholders in order to raise approximately HK$150 million (the "**Open Offer**").

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

c) *Subscription of convertible bonds*

Pursuant to the Restructuring Agreement upon the Capital Reorganisation, the Investor will subscribe for the convertible bonds issued by the Company with principal amount of HK$100 million and tenure of three years bearing no interest and convertible into new shares at the option of the bondholders at a conversion price of HK$0.01 per share upon the Capital Reorganisation (the "**Investor Convertible Bonds**").

d) *Debt Restructuring*

The Company had proposed to the High Court and the Cayman Court for orders convening the creditors' meetings to consider the Schemes between the Company and the creditors in order to effect the debt restructuring pursuant to which (a) the Company's indebtedness (including but not limited to any guarantee or indemnity given by the Company) will be compromised, discharged and settled; (b) the creditors of the Company (the "**Scheme Creditors**"), other than creditors which held a preferential claim against the Company, will receive a pro rata distribution of five sevenths of the convertible bonds to be issued by the Company with principal amount of HK$20 million and tenure of one year bearing an interest rate of 2% per annum and convertible into new shares of the Company at the option of the bondholders at a conversion price of HK$0.01 per share upon the Capital Reorganisation (the "**Creditors Convertible Bonds**"); and (c) the Company will transfer or procure the transfer to the scheme administrators of the Schemes for distribution to the Scheme Creditors of the follows:

(i) five sevenths of the cash consideration of HK$50 million, which is funded by the Company out of the gross proceeds from the subscription of the Investor Convertible Bonds;

(ii) any cash held by or for the account of the Company at completion of the restructuring except for the proceeds from the Open Offer and the issue of the Investor Convertible Bonds; and

(iii) all rights, title and interest in the companies transferred to Key Winner Holdings Limited ("**Key Winner**") by Ever Century on or about 29 May 2009, and any other assets in the Group other than the assets which will remain for continuing operation of the Group.

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

On 20 August 2010, the Stock Exchange agreed the extension of the time for the satisfaction of the above-mentioned resumption condition to 15 December 2010.

On 24 August 2010, the parties to the Restructuring Agreement entered into the supplemental restructuring side letter to extend the long stop date to 15 December 2010 and include the approval of special deal by the Company's shareholders and consent being granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong in addition to the existing conditions under the Restructuring Agreement.

The Capital Reorganisation was approved by the shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting on 30 August 2010.

On 31 August 2010, the Company despatched a circular to the Shareholders notifying the proposed restructuring of the Company which comprise (a) the proposed Open Offer; (b) the subscription of Investor Convertible Bonds and the Creditors Convertible Bonds; (c) the application of whitewash waiver; (d) the approval of the special deal; and (e) the appointment of new Directors to the Company.

On 15 September 2010, the EGM in relation to the implementation of the terms under the Circular was convened on 15 September 2010 and the resolutions to approve the proposed Open Offer, the subscription of the Investor Convertible Bonds and the Creditors Convertible Bonds, the application of whitewash waiver and the approval of the special deal (collectively as the "**Ordinary Resolutions**") were not passed by the majority of the shareholders attending and eligible to vote at the meeting.

Subsequent to the EGM, the Provisional Liquidators have been informed that two Dissenting Shareholders holding a beneficial interest in not less than 28.68% in aggregate of the existing issued share capital of the Company as at the date of the EGM caused the legal holder to vote against the Ordinary Resolutions at the EGM.

Based on the information and evidence collected from their investigation, the Provisional Liquidators believe that implementation of the Restructuring Agreement is in the best interests of all of the shareholders, and that in causing the legal holder to vote against the Ordinary Resolutions referred to above, the Dissenting Shareholders have not exercised their votes in the best interests of the shareholders as a whole.

The Company has filed proceedings in the Grand Court of the Cayman Islands against the Dissenting Shareholders and the legal holder in order to have the relevant votes cast at the EGM set aside, and declared to be void and of no effect on the basis that they were not properly exercised. However, the Company has decided not to continue the proceedings subsequently as it is likely that there will be a successful implementation of the new proposal for the restructuring.

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

On 8 November 2010, the Investor, the Provisional Liquidators and FTI Consulting entered into a revolving loan facility agreement pursuant to which the Investor consented to make available to the Company a revolving facility in an aggregate amount of HK$15 million for the retail operation of the Company in the PRC.

By a letter dated 7 December 2010, the Listing Committee of the Stock Exchange conditionally confirmed the Listing Approval, subject to fulfilment of all conditionals of the proposed Capital Reorganisation. As the obtaining of the Listing Approval was the only outstanding condition, the Capital Reorganisation has become unconditional and effective after 5:00p.m. on Monday, 20 December 2010.

On 18 May 2011, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the Second Supplemental Deed, pursuant to which, (i) Hansom agreed to extend the period of not exercising its share charge over the Ever Century Shares from 24 months to 36 months from the date of the Settlement Deed (i.e. 3 April 2009); (ii) Forefront agreed and acknowledged that all outstanding amounts due from the Group to Forefront under the loan agreement dated 12 June 2008 had been unconditionally and irrevocably settled in full; and (iii) Forefront further agreed and undertook to take all necessary steps to release the Ever Century Shares from all security interests created pursuant to the share charge exercisable by Forefront. Save for the amendments made by the Second Supplemental Deed, all the terms of the Settlement Deed remain in full force and effect.

The Company submitted a new proposal for the restructuring of the Company, which is substantially the same as the previous proposal presented to the Shareholders at the EGM, except for that the Investor would not sub-underwrite the Open Offer and a further share consolidation was proposed, to the Stock Exchange, and on 26 May 2011, the Stock Exchange agreed the extension of the time for the satisfactory of the following resumption conditions to 15 September 2011:

1. completion of the Open Offer, subscription of convertible bonds and all other transactions in the Resumption Proposal;

2. publication of a circular containing the following: (i) detailed disclosure of the Resumption Proposal comparable to prospectus standard; (ii) profit forecast for each of the two years ending 31 March 2013 which should be prepared by the Directors (including proposed Directors) after due and careful enquiry; (iii) pro forma balance sheet upon completion of the Resumption Proposal;

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

3. provision of a comfort letter from the auditors or the financial advisor relating to working capital sufficiency for the next 12 months from the latest practicable date before expected resumption date; and

4. provision of an undertaking to (a) appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date; and (b) disclose the review results in subsequent financial reports.

On 28 June 2011, the Company despatched a new circular (the "**New Circular**") to the Shareholders notifying the proposed restructuring of the Company which principally comprises (1) restructuring of the Company by way of the new proposal involving (a) proposed Open Offer on the basis of 339 offer shares for every 5 existing shares held on the open offer record date; (b) proposed issue of Investor Convertible Bonds; (c) proposed issue of Creditors Convertible Bonds; (d) proposed further share consolidation; and (e) general mandates to issue shares and repurchase shares; (2) change in board lot size; and (3) notice of a new extraordinary general meeting which will be held on 13 July 2011.

In light of the foregoing, the Directors and the Provisional Liquidators considered that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not incorporate any adjustments for possible failure of the restructuring proposal and the continuance of the Group as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in these consolidated financial statements.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("**new and revised HKFRSs**") issued by the HKICPA.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of these new and revised HKFRSs in the current year has had no material effect on the consolidated financial statements and/or disclosures set out in these financial statements.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value.

Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted and the application of HKFRS 9 have no significant impact on the Group's financial assets.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Provisional Liquidators anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. The Provisional Liquidators are still in the process of assessing the impact of the amendments.

The Provisional Liquidators of the Company anticipate that the application of the other new and revised Standards and Interpretations will have no material impact on the consolidated financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Companies Ordinance.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses was accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combinations. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the relevant conditions for recognition were recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

(c) Property, Plant and Equipment

(i) All property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

(ii) Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Depreciation is calculated to write off the cost of each assets over its estimated useful life on a straight line method at an annual rate of 18% – over the shorter of lease term or 1 year.

(iv) Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(v) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating Lease Charges as the lessee

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred. The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(e) Impairment of Financial Assets

(i) Impairment of financial assets

Financial assets, other than investments held for trading, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all loans and receivables and available-for-sale debt investment, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of Financial Assets (Continued)

(i) Impairment of financial assets **(Continued)**

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale debt investments, impairment losses are subsequently reversed to profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of Financial Assets (Continued)

(ii) Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required other than financial assets, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the statement of comprehensive income in the period in which it arises.

(f) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Inventories (Continued)

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognised. The amount of any writedown of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(h) Convertible Bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition of the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognized as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the bond is converted or redeemed.

If the bond is converted, the capital reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the capital reserve is released directly to retained profits.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case hey are stated at cost.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(l) Employee Benefits

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

(m) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income Tax (Continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income Tax (Continued)

The carrying amount of a deferred tax asset is reviewed at each end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. guarantor) to make specified payments to reimburse the beneficiary to the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Financial Guarantees Issued, Provisions and Contingent Liabilities (Continued)

(i) Financial guarantees issued **(Continued)**

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sales of Goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue Recognition (Continued)

(ii) Interest Income

Interest income is recognised as it accrues using the effective interest method.

(p) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi. The consolidated financial statements are presented in Hong Kong dollars, which is the Company's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follow:

(1) assets and liabilities for each end of the period presented are translated at the closing rate at the date of the end of the period;

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign Currency Translation (Continued)

(iii) Group companies **(Continued)**

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Related Parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or had joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related Parties (Continued)

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group. Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Segment Reporting

Geographical segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the geographical segments, has been identified as the Provisional Liquidators that make strategic decisions.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

ii) Impairment on interests in subsidiaries

The Group carries out assessment on the recoverability of its interests in subsidiaries, by reference to the financial situation and the operation of the subsidiaries. This requires the use of judgement and estimates. When the actual result is different from the original estimate, such difference will impact the carrying value of the interests in subsidiaries and impairment expense or reversal of impairment for the year.

iii) Allowance for doubtful debts

The Group performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtor's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its debtors and maintains a provision for estimated credit losses based upon its historical experience and any specific debtors collection issues that it has been identified. The Group will continue to monitor the collections from debtors and maintain an appropriate level of estimate credit losses.

iv) Assessment of impairment of non-current assets

The Group conducts impairment reviews of non-current assets that are subject to depreciation and amortization whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Provisional Liquidators assess the recoverable amount of each non-current asset based on its value in use or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the assets. These calculations require the use of judgments and estimates.

v) Depreciation

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation for future periods is adjusted if there are material changes from previous estimates.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

vi) Net realizable value of inventories

Net realizable value of inventories is the estimated selling prices in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in economic conditions in places where the Group operates and changes in customer taste and competitor actions in response to changes in market conditions. The Provisional Liquidators reassess these estimates at each end of the reporting period.

vii) Allowance for inventories

The Provisional Liquidators reviews an aging analysis at each end of the period, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The Provisional Liquidators estimates the net realizable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each end of the reporting period and makes allowances for obsolete items.

6 FINANCIAL RISK MANAGEMENT

Exposures to credit, liquidity, interest rate, foreign currency risks arise in the normal course of the Group's business. The Group's financial management policies and practices are described below.

(a) Credit Risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group does not have exposure limit to any single financial institution. Given their sound credit ratings, the Directors and the Provisional Liquidators do not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts to minimise exposure to credit risk. For trade and other receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. Adequate provisions have been made for estimated irrecoverable amounts.

6 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit Risk (Continued)

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of trade and other receivables in the consolidated statement of financial position. Except for the guarantees given by the Group as disclosed in note 23 to the financial statements, the Group does not provide any other guarantees which expose the Group to credit risk.

(b) Liquidity Risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from certain parties to meet its liquidity requirements in the short and longer term.

(c) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates and fixed interest rates. As at the date of this report, the interest-bearing borrowings of the Group includes amount classified as "Provision for bank loan guarantees for subsidiaries", "Other borrowings" and "Convertible bonds" as set out in notes 23 and 24 to the consolidated financial statements (collectively as the "**Borrowings**") that were entered prior to the appointment of the Provisional Liquidators by the Company. Pursuant to the proposed Restructuring Agreement, the Company's commitments to the Borrowings will be compromised, discharged and settled through the proposed Schemes. Upon the effect of the Schemes, ceteris paribus, the Group's exposure to interest rate risks is minimal as the Group does not have other material interest-bearing borrowings which bear floating interest rates.

(d) Foreign Currency Risk

The Group's revenues and costs are mainly derived from subsidiaries in the PRC. For subsidiaries in the PRC, most of the sales and purchases are denominated in Renminbi, the exposure to foreign currency risk is expected to be minimal.

The Group currently does not have a foreign currency hedging policy in respect of its foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

7 TURNOVER

The principal activity of the Group is the retail and concessionaire sales of garments. Turnover represents the aggregate of the invoiced value of goods sold and is stated after deducting goods returned, trade discounts and sales tax.

8 OTHER REVENUE

	Group	
	2011	2010
	$'000	*$'000*
Interest income	**4**	4
Written back of trade payables	**18,607**	–
Exchange gain	**–**	154
Reversal of excess provision in current tax payable	**–**	44,737
Rental income	**–**	1,688
Others	**1,354**	518
	19,965	47,101

9 PROVISION FOR BANK LOAN GUARANTEES FOR DECONSOLIDATED SUBSIDIARIES

	Group	
	2011	2010
	$'000	*$'000*
Provision for bank loan guarantees for deconsolidated subsidiaries	**59,691**	23,598*

10 FINANCE COSTS

	Group	
	2011	2010
	$'000	*$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**33,737**	33,661*
Interest on convertible bonds	**966**	4,592
Bank charges	**77**	4
Other borrowing costs	**–**	1,280
	34,780	39,537

The creditors' meetings to approve the Schemes were held on 30 August 2010. The Schemes were passed by the required majority of the creditors with the Cayman scheme being sanctioned by the Cayman Court on 7 September 2010. The provision for bank loan guarantees for deconsolidated subsidiaries and finance cost shown in Note 9 and Note 10 are expected to be discharged by the Schemes upon completion of the Restructuring Agreement.

* *The comparative figures of provision for bank loan guarantees for deconsolidated subsidiaries and interest on bank advances and other borrowings wholly repayable within five years shown in Note 9 and Note 10 have been restated to conform with the current year's presentation.*

11 LOSS BEFORE TAX

	Group	
	2011	2010
	$'000	*$'000*
Cost of inventories sold *(Note 19)*	**23,462**	37,846
Depreciation	**2,522**	1,734
Auditor's remuneration	**685**	755
Bad debts written off	**1,951**	–
Allowance for doubtful debts	**–**	4,545
Directors' remuneration	**590**	270
Disposal of property, plant and equipment	**601**	1,548
Deposit written off	**908**	506
Operating lease rental on premises	**16,185**	15,762
Retirement benefit scheme contributions	**2,238**	1,014
Staff costs, excluding directors' remuneration	**10,310**	11,342

The operating loss for the year ended 31 March 2011 before other revenue, the gain on deconsolidation of subsidiaries, provision for bank loan guarantees for deconsolidated subsidiaries and finance costs, which are non-recurring, is approximately HK$29.95 million.

12 TAX

	Group	
	2011	2010
	$'000	*$'000*
PRC Enterprise Income Tax		
– Current year	**–**	1,954
– Over-provision in previous years	**(1,564)**	–
	(1,564)	1,954

12 TAX (Continued)

No Hong Kong Profits Tax was provided as there was no assessable profit for both years.

The Group's subsidiaries in the PRC are subject to PRC Enterprise Income Tax at the rate of 25% (2010: 25%) on taxable income determined in accordance with the relevant laws and regulations in the PRC.

No provision for deferred taxation has been made as, in the opinion of the Provisional Liquidators, the effect of all the temporary differences would not be significant or the temporary differences are not expected to crystallise in the foreseeable future.

The tax charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	Group	
	2011	2010
	$'000	*$'000*
Loss before tax	**(92,745)**	(56,967)
Tax at the statutory tax rates	**(15,303)**	(9,400)
Tax effect of expenses not deductible for tax purpose	**18,532**	22,819
Tax effect of income not taxable for tax purpose	**(3,229)**	(12,121)
Effect of different tax rates of subsidiaries operated in other jurisdiction	**–**	656
Over-provision in previous years	**(1,564)**	–
Income tax charge for the year	**(1,564)**	1,954

13 DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) The Directors' remuneration

Details of the remuneration of the Directors for the year disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance are as follows:

	Group					
	2011					2010
	Fees	**Basic salaries, allowances and other benefit**	**Contributions to retirement benefit schemes**	**Bonus**	**Total**	Total
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	*$'000*
Non-executive director						
Mr. James McMullen	**50**	**–**	**–**	**–**	**50**	–
Independent non-executive directors						
Mr. Pau Chin Hung, Andy	**180**	**–**	**–**	**–**	**180**	90
Mr. Choong Khuat Leok	**180**	**–**	**–**	**–**	**180**	90
Mr. Kooi Tock Chian	**180**	**–**	**–**	**–**	**180**	90
Total	**590**	**–**	**–**	**–**	**590**	270

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year ended 31 March 2011 including 3 (2010: Nil) directors whose remuneration are reflected in the analysis presented above. The remuneration of the remaining 2 individuals are as follow:

	Group	
	2011	2010
	$'000	*$'000*
Salaries and other benefits	**983**	918
Pension scheme contributions	**19**	43
	1,002	961

13 DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (Continued)

(b) Five highest paid individuals (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**2**	5

14 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$122.59 million (2010: approximately HK$89.48 million).

15 LOSS PER SHARE

(a) Basic Loss Per Share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$93.14 million (2010: approximately HK$59.24 million) and the weighted average of 221,260,680 (2010 restated: 221,260,680 as adjusted to reflect the Capital Reorganisation) ordinary shares in issue during the year.

(b) Diluted Earnings Per Share

Diluted loss per share for the years ended 31 March 2011 and 31 March 2010 are the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the years.

16 SEGMENT INFORMATION

For the years ended 31 March 2011 and 2010, the Group has been predominately operating in one geographical segment, i.e. the PRC, and principally engaged in the retail and concessionaire sales of garments with the results set out in the financial statements.

For the year ended 31 March 2011, there was no transaction with a single external customer that amount to 10% or more of the Group's revenue (2010: Nil).

17 PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and office equipment *$'000*
Cost	
At 1 April 2009	15,439
Additions	63
Disposals	(5,720)
Exchange adjustments	(6)
At 31 March 2010	**9,776**
At 1 April 2010	9,776
Additions	1,855
Disposals	(2,920)
Exchange adjustments	330
At 31 March 2011	**9,041**
Accumulated depreciation and impairment	
At 1 April 2009	8,936
Charge for the year	1,734
Disposals	(4,172)
Exchange adjustments	(4)
At 31 March 2010	**6,494**
At 1 April 2010	6,494
Charge for the year	2,522
Disposal	(2,319)
Exchange adjustments	233
At 31 March 2011	**6,930**
Net book value	
At 31 March 2011	2,111
At 31 March 2010	3,282

18 INTERESTS IN SUBSIDIARIES

	Company 2011 $'000	2010 $'000
Unlisted shares, at cost	**228,300**	228,300
Less: Impairment loss	**(228,300)**	(228,300)
	–	–

Subsidiaries remain in the Group as at 31 March 2011 are as follows:

Name of Company	Place of incorporation/ operation	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity held by the Company *Direct* %	*Indirect* %	Principal activities
Ever Century Holdings Limited	BVI/Hong Kong	700 ordinary shares of US$1 each	100	–	Investment holding
Anway Limited	BVI	1 ordinary share of US$1 each	–	100	Investment holding
Best Favour Investments Limited	BVI	10 ordinary shares of US$1 each	–	90	Investment holding
Real Victor Limited	Hong Kong	1 ordinary share of HK$1 each	–	100	Investment holding
New Profit Garment (Luo Ding) Company Limited ("Luo Ding")	PRC	HKD19,000,075	–	90	Retail and concessionaire sales of garments
Shenzhen XXEZZ Clothing Company Limited ("Newco")	PRC	RMB14,010,654	–	100	Retail and concessionaire sales of garments
New Profit Holdings Limited ("New Profit")	Hong Kong	1 ordinary share of HK$1 each	–	90	Investment holding#

Both Luo Ding and Newco are wholly-owned foreign enterprises established in the PRC.

In May 2010, New Profit was placed into creditor's voluntary liquidation pursuant to the Companies Ordnance, since it was not under the control of the management of the Company, it was deconsolidated from the Group.

19 INVENTORIES

(a) Inventories in the consolidated statement of financial position, net of allowance for obsolete inventories, as follows:

	Group	
	2011	2010
	$'000	*$'000*
Finished goods	**18,762**	7,830

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	Group	
	2011	2010
	$'000	*$'000*
Carrying amount of inventories sold	**29,265**	29,233
Write-down of inventories	**217**	8,613
Reversal of write-down of inventories	**(6,020)**	–
	23,462	37,846

The reversal of write-down of inventories made as at 31 Mach 2011 were due to the sale of the obsolete inventories and the selling price of the obsolete inventories is greater than the estimated net realisable value in previous years.

20 TRADE AND OTHER RECEIVABLES

	Group	
	2011	2010
	$'000	*$'000*
Trade receivables	**23,734**	22,387
Less: Allowance for doubtful debts	**(1,881)**	(4,545)
	21,853	17,842
Other receivables and prepayments	**9,595**	10,431
	31,448	28,273

20 TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	Group	
	2011	2010
	$'000	*$'000*
0 – 90 days	**10,058**	15,888
91 – 180 days	**1,062**	298
181 – 365 days	**2,249**	1,656
Over 365 days	**8,484**	–
	21,853	17,842

The Group's concessionaire sales through department stores is generally collectible within 30 days to 60 days from the invoice date.

Due to the migration of business from Luo Ding to Newco, collections from department stores were delayed. Nevertheless, the management maintained constant contact with the department stores and accordingly, the recoverability of the account receivables fall over the credit terms still remains positive.

Allowance for doubtful debts

Movement in the allowance for doubtful debts for trade receivables:

	Group	
	2011	2010
	$'000	*$'000*
At 1 April	**4,545**	–
Impairment losses recognised on receivables	**–**	4,545
Written off during the year	**(2,664)**	–
At 31 March	**1,881**	4,545

21 ESCROW MONEY

	Group/Company	
	2011	2010
	$'000	*$'000*
Professional fees	**849**	123
Working Capital	**1,655**	229
	2,504	352

22 TRADE AND OTHER PAYABLES

	Group	
	2011	2010
	$'000	*$'000*
Trade payables	**19,655**	38,482
Other payables and accruals	**58,474**	42,210
	78,129	80,692

The credit periods granted by suppliers ranged from 60 days to 90 days. At 31 March 2011, the aged analysis of the trade payables is as follows:

	Group	
	2011	2010
	$'000	*$'000*
0 – 90 days	**1,587**	3,014
91 – 180 days	**633**	1,119
181 – 365 days	**2,595**	4,524
Over 365 days	**14,840**	29,825
	19,655	38,482

All the trade and other payables are expected to be settled within one year. All the trade payables are denominated in Renminbi and all accruals and other payables are denominated in Renminbi and Hong Kong dollars.

	Company	
	2011	2010
	$'000	*$'000*
Accruals and other payables	**43,449**	31,631

All accruals and other payables are expected to be settled with one year and denominated in Hong Kong dollars.

23 PROVISION FOR BANK LOAN GUARANTEES FOR DECONSOLIDATED SUBSIDIARIES AND OTHER BORROWINGS

The banking facilities of the Group were secured by corporate guarantees issued by the Company. The banking facilities granted to the deconsolidated subsidiaries of the Company were secured by the Company's interest in some of its deconsolidated subsidiaries and guaranteed by the Company. Details of the abovementioned items are set out as follows:

(i) Provision for bank loan guarantees for deconsolidated subsidiaries

	Group/Company	
	2011	2010
	$'000	*$'000*
Secured	**151,168**	141,947
Unsecured	**777,459**	704,174
	928,627	846,121

All bank loan guarantees for deconsolidated subsidiaries are repayable within 1 year or on demand.

(ii) Other borrowings

	Group/Company	
	2011	2010
	$'000	*$'000*
Secured	**10,718**	10,718
Unsecured	**41,672**	41,672
	52,390	52,390

All other borrowings are repayable within 1 year or on demand.

The effective interest rate for the year ended 31 March 2011 for other borrowings were 4% per month and 8%-11% per annum (2010: 4% per month and 8%-11% per annum).

The Schemes will become effective upon completion of the Restructuring Agreement and amount due from the bank loan guarantee for deconsolidated subsidiaries and other borrowings will be compromised and discharged.

24 CONVERTIBLE BONDS

Pursuant to a bond placement agreement dated 13 September 2004, the Company issued US$30 million (approximately HK$234 million) convertible bonds bearing interest at 1% per annum payable in quarters to independent investors on 11 October 2004. The convertible bonds has matured on 12 October 2009 (the "**Date of Maturity**"). Up to the date of this report, the Provisional Liquidators have not received any formal demand letter from the bondholders. The bonds are convertible into the Company's shares at the conversion price of HK$1.0 after three months from 11 October 2004 provided that up to a maximum of 50% of the bonds may be converted within the first 12 months from the date of issue. Each bondholder has a put option such that the Company shall redeem the bonds upon exercise of the option by the relevant bondholder under the following circumstances: (i) on the third and fifth anniversaries from the date of bond issue; or (ii) if the Company's shares are de-listed or suspended from trading on the Stock Exchange for more than 14 consecutive trading days; or (iii) if there is a change in control of the Company.

The interest charged for the year ended 31 March 2011 for convertible bonds are calculated with reference to the terms of convertible bonds and taking into consideration that the convertible bonds were matured on the Date of Maturity.

As the convertible bonds were matured on the Date of Maturity, the rights for conversion into the Company's shares lapsed with immediate effect on the same date. For the period from 1 April 2009 to the Date of Maturity, no convertible bonds were converted into ordinary shares.

25 LOANS FROM THE INVESTOR

	Group/Company	
	2011	2010
	$'000	*$'000*
At 1 April	**36,400**	16,400
Addition	**14,800**	20,000
Repayment	**(20,000)**	–
At 31 March	**31,200**	36,400

26 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2011	2010
	$'000	*$'000*
Amount due from subsidiaries	**46,006**	28,779
Provision for impairment	**(45,448)**	(28,221)
	558	558

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The movements in the provision for impairment on amounts due from subsidiaries are as follows:

	Company	
	2011	2010
	$'000	*$'000*
Provision for impairment at 1 April	**28,221**	6,850
Provision for impairment during the year	**17,227**	21,371
Provision for impairment at 31 March	**45,448**	28,221

27 AMOUNT DUE TO DECONSOLIDATED SUBSIDIARIES

The amount due to a deconsolidated subsidiary is unsecured, interest-free and has no fixed repayment terms. The Provisional Liquidators considered that the carrying amount of amount due to a deconsolidated subsidiary approximates its fair value.

28 EQUITY

(i) Authorised and Issued Share Capital

	2011	2010
	$'000	*$'000*
Authorised:		
50,000,000,000 ordinary shares of HK$0.01 each (2010: 4,000,000,000 ordinary shares of HK$0.10 each)	**500,000**	400,000
Issued and fully paid:		
221,260,680 ordinary shares of HK$0.01 each (2010: 2,212,606,800 ordinary shares of HK$0.10 each)	**2,213**	221,261

The Capital Reorganisation was effective after 5:00p.m. on 20 December 2010. Details of the effect of the Capital Reorganisation are summarised below:

	Prior to the Capital Reorganisation	**After the Capital Reduction** *(i)*	**After the Capital Cancellation** *(ii)*	**After the Share Consolidation** *(iii)*	**After the Authorised Share Capital Increase** *(iv)*
Par value of share *(HK$)*	0.10	0.001	0.001	0.01	0.01
Number of authorised shares	4,000,000,000	4,000,000,000	2,212,606,800	221,260,680	50,000,000,000
Authorised share capital *(HK$)*	400,000,000.00	4,000,000.00	2,212,606.80	2,212,606.80	500,000,000.00
Number of shares in issue	2,212,606,800	2,212,606,800	2,212,606,800	221,260,680	221,260,680
Paid-up capital *(HK$)*	221,260,680.00	2,212,606.80	2,212,606.80	2,212,606.80	2,212,606.80

(i) reduced the par value of all issued and un-issued shares in the Company from HK$0.10 to HK$0.001 each;

(ii) cancelled the entire existing un-issued share capital of the Company;

(iii) consolidated every 10 shares of the Company into 1 new share; and

(iv) authorised share capital of the Company became HK$500,000,000 divided into 50,000,000,000 new shares of HK$0.01 each, of which 221,260,680 new shares are in issue.

28 EQUITY (Continued)

(ii) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(iii) Company

	Share capital $'000	Share premium $'000	Contributed surplus $'000	Accumulated losses $'000	Total $'000
At 1 April 2009	221,261	660,127	167,780	(2,098,962)	(1,049,794)
Total comprehensive income for the year	–	–	–	(89,484)	(89,484)
At 31 March 2010	**221,261**	**660,127**	**167,780**	**(2,188,446)**	**(1,139,278)**
At 1 April 2010	221,261	660,127	167,780	(2,188,446)	(1,139,278)
Total comprehensive income for the year	–	–	–	(122,592)	(122,592)
Share consolidation	(219,048)	–	–	219,048	–
At 31 March 2011	**2,213**	**660,127**	**167,780**	**(2,091,990)**	**(1,261,870)**

(iv) Capital risk management

As at 31 March 2011, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$1,389.74 million (2010: approximately HK$1,299.93 million). The net current liabilities as at 31 March 2011 include bank and cash balances and escrow money of approximately HK$5.89 million (2010: approximately HK$13.04 million). The escrow money balance as at 31 March 2011 was approximately HK$2,504,000 (2010: HK$352,000) money provided by the Investor for the purposes of settling the Group's restructuring expenses to be incurred subsequent to the end of the reporting period.

As at 31 March 2011, the Group's total provision for bank loan guarantees for subsidiaries, other borrowings and loans from the Investor amounted to approximately HK$1,012.22 million (2010: approximately HK$934.91 million).

29 SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme approved by way of written resolution on 11 April 2002 (the "**Share Option Scheme**") under which the Directors may invite any full-time employees, directors (including executive directors, non-executive directors and independent non-executive directors) and part-time employees of the Group with weekly working hours of 10 hours and above, any advisers (professional or otherwise) or consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group from time to time to take up options to subscribe for shares of the Company.

The exercise price is determined by the Board at its absolute discretion and notified to each option holder but which shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant. The options may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each option holder but may not be exercised after the expiry of ten years from the date of grant.

The share options granted to the employees under the Share Option Scheme lapsed immediately upon their cessation of employment with the Group. To the best knowledge of the Provisional Liquidators, no person who also holds a share option is being employed by the Company or the Group nor there are any share options outstanding under the Share Option Scheme as at the financial years ended 31 March 2011 and 31 March 2010.

During the year ended 31 March 2011, no share option has been granted.

30 LEASE COMMITMENTS

At 31 March 2011, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	Group	
	2011	2010
	$'000	*$'000*
Within 1 year	**7,397**	5,560
After 1 year but within 5 years	**4,279**	4,151
Total commitment	**11,676**	9,711

31 CONTINGENT LIABILITIES

The Provisional Liquidators are not aware of any significant contingent liabilities of the Group and the Company as at 31 March 2011 and 31 March 2010.

32 RELATED PARTY DISCLOSURES

Apart from the remuneration paid to the Directors (being the key management personnel) as disclosed in note 13, there were no other significant related party transactions entered into by the Group.

33 EVENTS AFTER THE REPORTING PERIOD

On 18 May 2011, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the Second Supplemental Deed, pursuant to which, (i) Hansom agreed to extend the period of not exercising its share charge over the Ever Century Shares from 24 months to 36 months from the date of the Settlement Deed (i.e. 3 April 2009); (ii) Forefront agreed and acknowledged that all outstanding amounts due from the Group to Forefront under the loan agreement dated 12 June 2008 had been unconditionally and irrevocably settled in full; and (iii) Forefront further agreed and undertook to take all necessary steps to release the Ever Century Shares from all security interests created pursuant to the share charge exercisable by Forefront. Save for the amendments made by the Second Supplemental Deed, all the terms of the settlement deed remain in full force and effect.

On 26 May 2011, the Stock Exchange agreed the extension of the time for the satisfaction of the following resumption conditions to 15 September 2011:

1. completion of the Open Offer, subscription of convertible bonds and all other transactions in the Resumption Proposal;

2. publication of a circular containing the following: (i) detailed disclosure of the Resumption Proposal comparable to prospectus standard; (ii) profit forecast for each of the two years ending 31 March 2013 which should be prepared by the Directors (including proposed Directors) after due and careful enquiry; (iii) pro forma balance sheet upon completion of the Resumption Proposal;

3. provision of a comfort letter from the auditors or the financial advisor relating to working capital sufficiency for the next 12 months from the latest practicable date before expected resumption date; and

4. provision of an undertaking to (a) appoint an independent professional advisor to conduct follow-up reviews on the internal control procedures within 6 months from resumption date; and (b) disclose the review results in subsequent financial reports.

33 EVENTS AFTER THE REPORTING PERIOD (Continued)

By an order of the High Court dated 27 May 2011, the petition hearing for the winding up of the Company was further adjourned to 12 October 2011.

On 27 May 2011, the Company, the Provisional Liquidators, the Investor and FTI Consulting entered into a second supplemental side letter to the Restructuring Agreement and the other two supplemental agreements in relation to the issue of the Investor Convertible Bonds and the Creditors Convertible Bonds. On 27 June 2011, the Company and Asian Capital entered into a supplemental underwriting agreement in relation to the Open Offer.

On 28 June 2011, the Company despatched the New Circular to the Shareholders, which principally comprises (1) restructuring of the Company by way of the new proposal involving (a) proposed Open Offer on the basis of 339 offer shares for every 5 existing shares held on the open offer record date; (b) proposed issue of Investor Convertible Bonds; (c) proposed issue of Creditors Convertible Bonds; (d) proposed further share consolidation; and (e) general mandates to issue shares and repurchase shares; (2) change in board lot size; and (3) notice of a new extraordinary general meeting which will be held on 13 July 2011. Terms of this new proposal is substantially the same as the previous proposal presented to the Shareholders at the EGM.

34 DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 March 2011 (2010: Nil).

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

According to the latest available information to the Provisional Liquidators, the immediate parent and ultimate controlling party of the Group was Efulfilment Enterprises Limited, which was incorporated in the BVI and beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, former executive director and chairman of the Company, in the proportion of 50:50, as at 31 March 2011. This entity does not produce financial statements available for public use.

FIVE YEAR FINANCIAL SUMMARY

(Amounts expressed in Hong Kong Dollars)

	For the year ended 31 March				
	2007	2008	2009	2010	**2011**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
		(restated)			
Results					
Turnover	1,942,545	259,175	107,684	55,648	**53,694**
Profit/(Loss) from operations	279,084	(2,636,286)	(23,794)	6,168	**(57,965)**
Finance costs	(65,839)	(17,527)	(13,521)	(63,135)	**(34,780)**
Share of profits less losses of associates	114,084	–	–	–	**–**
Profit/(Loss) before tax	327,329	(2,653,813)	(37,315)	(56,967)	**(92,745)**
Tax	(12,690)	(3,946)	(49,815)	(1,954)	**1,564**
Profit/(Loss) for the year	314,639	(2,657,759)	(87,130)	(58,921)	**(91,181)**
Attributable to:					
Owners of the Company	314,639	(2,660,962)	(97,162)	(59,239)	**(93,138)**
Non-controlling interests	–	3,203	10,032	318	**1,957**
	314,639	(2,657,759)	(87,130)	(58,921)	**(91,181)**

	As at 31 March				
	2007	2008	2009	2010	**2011**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
		(restated)			
Assets and liabilities					
Total assets	2,593,989	66,077	66,187	52,424	**58,845**
Total liabilities	(1,018,117)	(1,034,928)	(1,317,001)	(1,349,070)	**(1,446,470)**
NET ASSETS/(LIABILITIES)	1,575,872	(968,851)	(1,250,814)	(1,296,646)	**(1,387,625)**