TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)

ANNUAL REPORT 2010

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CORPORATE INFORMATION

Joint and Several Provisional Liquidators

Mr. FOK Hei Yu *(Appointed by the High Court on 11 September 2008)*
Mr. Roderick John SUTTON *(Appointed by the High Court on 11 September 2008)*

Board of Directors

Executive Directors

Mr. KWOK Wing
(Retired on 6 October 2009)
Mr. CHAN Chak Kai, Kenneth
(Retired on 6 October 2009)

Non-Executive Directors

Mr. James McMULLEN

Independent Non-Executive Directors

Mr. PAU Chin Hung, Andy
(Appointed on 7 October 2009)
Mr. CHOONG Khuat Leok
(Appointed on 7 October 2009)
Mr. KOOI Tock Chian
(Appointed on 7 October 2009)

Audit Committee

Mr. PAU Chin Hung, Andy
(Appointed on 24 November 2009)
Mr. CHOONG Khuat Leok
(Appointed on 24 November 2009)
Mr. KOOI Tock Chian
(Appointed on 24 November 2009)

Share Registrar

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

Principal Office

c/o FS Asia Advisory Limited (formerly as Ferrier Hodgson 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 FS Asia Advisory Limited (formerly as Ferrier Hodgson Limited), 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 2010 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 2010 are set out in note 16 to the financial statements.

FINANCIAL REVIEW

For the year ended 31 March 2010, the Group's turnover was approximately HK$55.65 million (2009: HK$107.68 million), representing a decrease of approximately 48.32% from the last financial year.

The consolidated loss attributable to shareholders of the Company amounted to approximately HK$59.24 million (2009: HK$97.16 million) for the year. Loss per share was approximately HK2.68 cents as compared with loss per share of approximately HK4.41 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").

For the year ended 31 March 2010, the Group's turnover was approximately HK$55.65 million (2009: HK$107.68 million), representing a decrease of approximately 48.32% as compared to last year. The decrease was due to the limited working capital and a reduction of the Group's sales points in the PRC.

The Group's gross margin for the year ended 31 March 2010 was 32.00% (2009: 33.22%), representing a modest decrease of approximately 1.22% as compared to the corresponding period of last year which is below the management's expectation.

PROVISIONAL LIQUIDATORS' REPORT

As the conditional approval of resumption of trading from the Stock Exchange (the "Conditional Approval") has not been obtained during the financial period, the Group's plan to expand its sales network in the PRC has been delayed and hindered the Group's ability to negotiate for a favourable payment terms with the suppliers. Accordingly, the turnover and gross margin have collectively suffered.

Closing inventories at 31 March 2010 were approximately HK$7.83 million (2009: HK$15.21 million). Inventory turnover on sales for the year ended 31 March 2010 was 111 days (2009: 156 days). The improvement in inventory turnover is attributable by an improvement in the purchase and inventory management system which result in timelier stock ordering and delivery.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash including escrow money as at 31 March 2010 was approximately HK$13.04 million (2009: HK$8.21 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 2010 and 31 March 2009 respectively.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 26 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 2009

On 12 January 2009, the Provisional Liquidators, on behalf of the Company, entered into an exclusivity and escrow agreement with Radford Developments Limited (the "Investor"). The said agreement granted the Investor a 6-month exclusivity period to negotiate the restructuring of the Company, certain subsidiaries and associated companies in the Group, and in turn, the Investor paid a sum of HK$10 million loan to the Company to meet its working capital requirement and a sum of HK$6.4 million to meet the cost and expenses in relation to the restructuring of the Company during the 6-month exclusivity period according to the said agreement.

On 3 April 2009, the Company, the Provisional Liquidators, Forefront Finance Company Limited ("Forefront"), Merrier Limited ("Merrier"), Hansom Finance Limited ("Hansom") and the Investor entered into a settlement deed (the "Settlement Deed") pursuant to which Merrier agreed to transfer the interest in Ever Century Holdings Limited ("Ever Century") (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) back to the Company from the date of the Settlement Deed in order to facilitate the restructuring of the Company and not to exercise their respective charges for a period of 12 months. 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.

On 23 April 2009, Tack Fat International Holdings Limited ("Tack Fat International") and Chiu Wing Enterprise Company Limited ("Chiu Wing"), both indirect wholly-owned subsidiaries of the Company, were placed into creditors' voluntary liquidation pursuant to section 228A of the Companies Ordinance (Chapter 32) of the Laws of Hong Kong (the "Companies Ordinance").

On 29 May 2009, the Provisional Liquidators, Ever Century and Key Winner Holdings Limited ("Key Winner") (a special purpose vehicle controlled by the Provisional Liquidators) entered into a sale and purchase agreement pursuant to which Key Winner agreed to acquire and the Provisional Liquidators (on behalf of the Company) agreed to sell Ever Century's entire interest in Lantern Services Limited, Potter Industries Limited and Sino Profit Limited at a nominal consideration of HK$1. The said transaction was primarily in furtherance of the Group's restructuring process.

On 8 July 2009, the Provisional Liquidators and the Investor entered into a side letter extending the exclusivity period by a 6-month period to 12 January 2010.

On 20 July 2009, the Company submitted a proposal to the Stock Exchange for the resumption of trading in the shares of the Company (the "Resumption Proposal").

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 additional working capital loan for the Group's retail business operating entity in the PRC of an aggregate amount equal to HK$15 million till 31 December 2009 or any date to be extended by written agreement between the Investor and the Provisional Liquidators (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 10 June 2009 and 9 December 2009, the Company set up Real Victor Limited ("Real Victor") and Shenzhen XXEZZ Clothing Company Limited respectively to facilitate the restructuring of the Group.

On 8 January 2010, the Provisional Liquidators and the Investor by way of another side letter, agreed to extend the exclusivity period by a further 6-month period until 11 July 2010.

PROVISIONAL LIQUIDATORS' REPORT

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

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

2. publish 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 (including proposed Directors) (the "Director") after due and careful enquiry; and (iii) pro forma statement of financial position upon completion of the Resumption Proposal;

3. provide 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. undertake 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, Merrier, Hansom and the Investor entered into the supplemental deed to the Settlement Deed (the "Supplemental Deed") pursuant to which Forefront and Hansom agreed to extend the period of not exercising their respective share charge over the Ever Century Shares from 12 months to 24 months from the date of the Settlement Deed.

By an order of the High Court dated 13 April 2010, the hearing for the winding up of the Company was further adjourned to 14 July 2010.

On 28 April 2010, the Company settled the obligations under the Working Capital Facility and the Additional Funding.

On 26 May 2010, the Company, the Provisional Liquidators, the Investor and Ferrier Hodgson Limited (now known as FS Asia Advisory Limited) entered into a restructuring 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 (the "Schemes").

On 28 May 2010, New Profit Holdings Limited, an indirect 90% owned subsidiary of the Company, was placed into creditors' voluntary liquidation pursuant to the Companies Ordinance.

The Company, the Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and Restructuring Agreement and fulfill the above resumption conditions as set by the Stock Exchange.

PROVISIONAL LIQUIDATORS' REPORT

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 of the Company on the Stock Exchange.

PLEDGE OF ASSETS

On 3 April 2009, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into a settlement deed pursuant to which Merrier agreed to transfer the interest in Ever Century (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) 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 further extended to 24 months from the date of the Settlement Deed pursuant to the Supplemental Deed. Upon completion of the restructuring, the Provisional Liquidators anticipate that the charge over the shares of Ever Century will be discharged through the proposed Schemes.

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 30 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").

PROVISIONAL LIQUIDATORS' REPORT

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.

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 2010 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 31 to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2010, the Group employed about 329 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 11 to the financial statements.

PROVISIONAL LIQUIDATORS' REPORT

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 March 2010 (2009: 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 70. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 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 26 and note 27 to the financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2010, purchase from the 5 largest suppliers accounted for 73% 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 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 21 and page 65 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 2010.

PROVISIONAL LIQUIDATORS' REPORT

DIRECTORS

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

Executive Directors

Mr. KWOK Wing *(Retired on 6 October 2009)*
Mr. CHAN Chak Kai, Kenneth *(Retired on 6 October 2009)*

Non-Executive Directors

Mr. James McMULLEN

Independent Non-Executive Directors

Mr. PAU Chin Hung, Andy *(Appointed on 7 October 2009)*
Mr. CHOONG Khuat Leok *(Appointed on 7 October 2009)*
Mr. KOOI Tock Chian *(Appointed on 7 October 2009)*

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).

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

At 31 March 2010, the interests of the Directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

	Ordinary shares of HK$0.1 each			
Beneficial interests	**Personal interests**	**Corporate interests**	**Total number of shares held**	**Percentage of total Issued shares**
Mr. Kwok Wing *(Retired on 6 October 2009)*	–	762,424,000 *(Note 1)*	762,424,000	38.12%

Note 1: These share were held as to 652,800,000 shares by Efulfilment Enterprises Limited and as to 109,624,000 shares by Sharp Asset Holdings Limited. Mr. Kwok Wing beneficially owns 50% of the issued share capital of Efulfilment Enterprises Limited and 100% of the issued share capital of Sharp Asset Holdings Limited.

To the best information and knowledge of the Provisional Liquidators, other than as disclosed above, 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 as at 31 March 2010.

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 2010.

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 2010.

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

As at 31 March 2010, 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 SFO:

	Ordinary shares held	**Percentage of total issued shares**
Kwok Wing	762,424,000 (L)	38.12%
Wan Lai Ngan *(Note 1)*	762,424,000 (L)	38.12%
Efulfilment Enterprises Limited *(Note 2)*	652,800,000 (L)	32.64%

	Ordinary shares held	Percentage of total issued shares
Kwok Chiu *(Note 2)*	652,800,000 (L)	32.64%
Sansar Capital Management, LLC *(Note 3)*	434,636,000(L)	19.64%
Sansar Capital Master Fund, LP *(Note 3)*	262,275,900 (L)	12.07%
Sansar Capital Special Opportunity Master Fund, LP *(Note 3)*	152,396,400 (L)	7.01%
Sharp Asset Holdings Limited *(Note 4)*	109,624,000 (L)	5.48%
Jayhawk China Fund (Cayman), Ltd. *(Note 5)*	195,700,000 (L)	9.01%
Citigroup Inc.	315,518,500(L) 5,276,500 (P)	14.26% 0.24%

"L" denotes long position
"P" denotes interests held as custodian

Notes:

1. 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.

2. 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.

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

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

5. 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 2010.

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 Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2010.

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 2010.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 32 to the financial statements.

AUDITOR

The financial statements for the years ended 31 March 2009 and 2010 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). The financial statements for the year ended 31 March 2007 were audited by KPMG.

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
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

22 June 2010

BIOGRAPHICAL DETAILS OF DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. James McMULLEN, aged 40, is a graduate of the University Of Kansas School Of Law with a J.D. degree order of the coif. He was appointed in August 2008. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PAU Chin Hung, Andy, aged 35, holds a Bachelor of Finance degree in The Hong Kong University and Science Technology (1997). He was appointed in October 2009. 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.

Mr. CHOONG Khuat Leok, aged 48, was the chief financial officer, company secretary, qualified accountant and authorized 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. He was appointed in October 2009. 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 brings with him 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 Hong Kong Securities Ordinance 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.

Mr. Choong is currently 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.

Mr. KOOI Tock Chian, aged 44 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
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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 have audited 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 18 to 69, which comprise the consolidated and company statements of financial position as at 31 March 2010, 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 notes.

PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Provisional Liquidators are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report 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 as described in the basis for qualified opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Provisional Liquidators, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS FOR QUALIFIED OPINION

1. Comparative information of the consolidated statement of cash flows

The Group has not disclosed the comparative information of the consolidated statement of cash flows in accordance with the requirements of the Hong Kong Accounting Standard ("HKAS") 1 (Revised) "Presentation of Financial Statements". Due to a lack of information, it is not practicable to quantify the effects of the departure from this requirement.

2. Deconsolidation of the subsidiaries

As explained in note 2 to the financial statements, Provisional Liquidators were appointed to Tack Fat Swimwear Manufacturing Limited on 6 October 2008 and Tack Fat Manufacturing Factory Limited was wound up by court order on 18 February 2009. Due to the absence of accounting information that is considered reliable by the Provisional Liquidators (from 1 April 2008 to the respective dates when the two companies ceased to be the subsidiaries of the Group), the results and financial positions of the above-mentioned subsidiaries have been excluded from consolidated financial statements of the Group as of 31 March 2009. However, under HKAS 27 "Consolidated and Separate Financial Statements" issued by HKICPA, these two subsidiaries should have been consolidated. Had these two subsidiaries been consolidated, many elements in the financial statements would have been materially affected. Our auditor's report on the financial statements for the year ended 31 March 2009 was modified accordingly.

OPINION

In our opinion, except for the effects on the financial statements of matters referred to in the preceding paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2010 and of the Group's results and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

We draw attention to note 2 to the 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 on 20 July 2009. On 9 April 2010, the Company was informed by the Stock Exchange in a letter that trading in the shares will be resumed subject to the satisfaction of conditions mentioned in note 2 to the financial statements by 8 October 2010. The financial statements have been prepared on a going concern basis on the assumptions 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 financial statements do not include any adjustments that would result from a failure to complete the Resumption Proposal. We consider that appropriate disclosures have been made.

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

22 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

(Amounts expressed in Hong Kong dollars)

	Notes	2010 $'000	2009 $'000
Turnover	7	**55,648**	107,684
Cost of sales		**(37,846)**	(71,909)
Gross profit		**17,802**	35,775
Other revenue	8	**47,101**	249,546
Distribution costs		**(43,368)**	(77,235)
Administrative and other operating expenses		**(15,367)**	(231,880)
Profit/(Loss) from operations		**6,168**	(23,794)
Finance costs	9	**(63,135)**	(13,521)
Loss before tax	9	**(56,967)**	(37,315)
Tax	10	**(1,954)**	(49,815)
Loss for the year		**(58,921)**	(87,130)
Other comprehensive income:			
Exchange differences on translating foreign operations		**13,090**	–
Total comprehensive income for the year		**(45,831)**	(87,130)
Loss for the year attributable to:			
– Owners of the Company		**(59,239)**	(97,162)
– Non-controlling interests		**318**	10,032
		(58,921)	(87,130)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(46,149)**	(97,162)
– Non-controlling interests		**318**	10,032
		(45,831)	(87,130)
Basic loss per share	13	**(2.68 cents)**	(4.41 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

(Amounts expressed in Hong Kong dollars)

	Notes	2010 $'000	2009 $'000
Non-current assets			
Property, plant and equipment	15	**3,282**	6,503
Current assets			
Inventories	18	**7,830**	15,210
Trade and other receivables	19	**28,273**	36,264
Escrow money	17	**352**	6,332
Cash and cash equivalents		**12,687**	1,878
		49,142	59,684
Current liabilities			
Trade and other payables	20	**80,692**	111,025
Provision for bank loan guarantees for subsidiaries	21	**846,121**	822,523
Other borrowings	21	**52,390**	90,500
Convertible bonds	22	**121,557**	119,396
Loans from the Investor	23	**36,400**	16,400
Amount due to deconsolidated subsidiaries	25	**209,956**	157,157
Tax payable		**1,954**	–
		1,349,070	1,317,001
Net current liabilities		**(1,299,928)**	(1,257,317)
NET LIABILITIES		**(1,296,646)**	(1,250,814)
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital	26	**221,261**	221,261
Deficiency	26	**(1,563,065)**	(1,516,915)
		(1,341,804)	(1,295,654)
Non-controlling interests		**45,158**	44,840
		(1,296,646)	(1,250,814)

These financial statements were approved and authorised for being issued by the Provisional Liquidators and the Board of Directors on 22 June 2010.

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 2010

(Amounts expressed in Hong Kong dollars)

	Notes	2010 $'000	2009 $'000
Non-current assets			
Interests in subsidiaries	16	**–**	–
Current assets			
Amount due from subsidiaries	24	**558**	–
Escrow money	17	**352**	6,332
Other receivables		**709**	252
Cash and cash equivalents		**2**	634
		1,621	7,218
Current liabilities			
Trade and other payables	20	**31,631**	8,193
Provision for bank loan guarantees for subsidiaries	21	**846,121**	822,523
Other borrowings	21	**52,390**	90,500
Convertible bonds	22	**121,557**	119,396
Loans from the Investor	23	**36,400**	16,400
Amount due to deconsolidated subsidiaries	25	**52,800**	–
		1,140,899	1,057,012
Net current liabilities		**(1,139,278)**	(1,049,794)
NET LIABILITIES		**(1,139,278)**	(1,049,794)
CAPITAL AND RESERVES			
Share capital	26	**221,261**	221,261
Deficiency	26	**(1,360,539)**	(1,271,055)
		(1,139,278)	(1,049,794)

These financial statements were approved and authorised for being issued by the Provisional Liquidators and the Board of Directors on 22 June 2010.

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 2010
(Amounts expressed in Hong Kong dollars)

	2010		2009	
	$'000	***$'000***	*$'000*	*$'000*
Total deficiency at 1 April		**(1,250,814)**		(968,851)
Net income recognised directly in equity				
Capital reserve	**(31,751)**		(233,641)	
Net loss for the year	**(59,239)**		(97,162)	
Total recognised income and expenses for the year		**(90,990)**		(330,803)
Movements in equity arising from capital transactions				
Shares issued under share option scheme		**–**		4,000
Total deficiency attributable to shareholders of the Company		**(1,341,804)**		(1,295,654)
Non-controlling interests		**45,158**		44,840
		(1,296,646)		(1,250,814)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

(Amounts expressed in Hong Kong dollars)

	2010
	$'000
Operating Activities	
Loss before taxation	(56,967)
Adjustments for:	
Interest income	(4)
Interest expenses on borrowings wholly repayable within five years	57,259
Interest expenses on convertible bonds	4,592
Other borrowing costs	1,280
Depreciation of property, plant and equipment	1,734
Loss on disposal of property, plant and equipment	1,548
Write down of inventories	8,613
Deposit written off	506
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
Operating cash outflow before movements in working capital	(18,128)
Trade and other receivables	(716)
Escrow money	5,980
Inventories	(1,233)
Trade and other payables	5,366
Net cash used in operating activities	**(8,731)**
Investing Activities	
Purchase of property, plant and equipment	(63)
Interest received	4
Net cash used in investing activities	**(59)**
Financing Activities	
Proceeds from Investor's loan	20,000
Net cash generated from financing activities	**20,000**
Net increase in cash and cash equivalents	**11,210**
Analysis of cash and cash equivalents	
Cash and cash equivalents at 1 April 2009	1,878
Effect of foreign exchange rates changes	(401)
Cash and cash equivalents at 31 March 2010	**12,687**

No corresponding figures of the Group's cash flow in the financial statements for the year ended 31 March 2009 disclosed as the new directors were unable to gather sufficient evidence.

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 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 Group is principally engaged in apparel retailing business in the PRC.

The Company's functional currency is Renminbi ("RMB"). 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 2010, the Group had consolidated net current liabilities of approximately HK$1,299.93 million (2009: approximately HK$1,257.32 million) and consolidated net liabilities of approximately HK$1,296.65 million (2009: approximately HK$1,250.81 million). The Group had a net loss for the year ended 31 March 2010 of approximately HK$58.92 million (2009: approximately HK$87.13 million).

On 11 September 2008, pursuant to a court order, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, 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.

The Company was in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules as at 31 March 2010, the date of the financial statements.

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

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, Ferrier Hodgson Limited (as the escrow agent) 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 Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited ("Asian Capital") as financial adviser 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 (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 will be resumed subject to the satisfaction of the following conditions by 8 October 2010:

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

2. publish 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;

3. provide 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. undertake 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.

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

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

The Company, the Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and fulfill the above conditions as set out by the Stock Exchange.

The financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the future.

In the opinion of the Provisional Liquidators, the financial statements for the year ended 31 March 2010, which have been prepared on the going concern basis, present fairly the results and state of affairs of the Group.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

On 7 June 2010, the Company announced that a formal agreement for the proposed restructuring of the Group, involving capital reorganization, 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 Ferrier Hodgson Limited (the "Escrow Agent") (the said agreement as the "Restructuring Agreement"). The principal elements of the restructuring proposal are as follows:

a) Capital Restructuring

The Company will undergo capital restructuring, involving share consolidation, capital reduction and authorised share capital change.

b) Subscription

Pursuant to the Restructuring Agreement upon the capital restructuring, the Investor will subscribe the convertible bond 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 (the "Investor Convertible Bonds").

2 BASIS OF PRESENTATION (Continued)

Going concern (Continued)

c) *Open offer of new shares*

Pursuant to the Restructuring Agreement, the Company will take necessary steps to implement the offer of a total of 15,001,474,104 new shares on the basis of 339 offer shares for every 5 new shares upon the capital restructuring held on the record date by the qualifying shareholders in order to raise approximately HK$150 million.

d) *Debt Restructuring*

Pursuant to the Restructuring Agreement, the Company will apply to the High Court of Hong Kong and the Grand Court of the Cayman Islands for orders convening the creditors' meetings to consider the Hong Kong and the Cayman scheme of arrangement (collectively as 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; 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; and

(iii) all rights, title and interest in the companies transferred to 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)

Loss of books and records and effect on the corresponding figures for the financial year ended 31 March 2009

The Provisional Liquidators have used their best endeavors to locate all the books and records of the Group since their appointment but were unable to obtain sufficient books and records to enable them to satisfactorily accept various opening account balances of the Group for the following reasons:

- Most of the books and records of the Group were lost prior to the appointment of the Provisional Liquidators and books and records recovered from the office of the Company and its subsidiaries were minimal;

- According to some former staff of the Group, some of the relevant books and records may have been shipped overseas shortly prior to the appointment of the Provisional Liquidators. However, the Provisional Liquidators are unable to verify the validity of this information; and

- Former accounting personnel of the Group had left and the Provisional Liquidators have been unable to get their cooperation in connection with updating the accounts.

The consolidated financial statements of the Group for the financial year ended 31 March 2009 have been prepared based on the available books and records. Accordingly, the Provisional Liquidators are unable to ascertain that the figures of the Group for the financial year ended 31 March 2009 have been properly reflected.

Deconsolidation of subsidiaries and subsequent impairment of respective book values

The financial statements have been prepared based on the books and records recovered by the Provisional Liquidators since their appointment. The Provisional Liquidators consider that control of the Company over certain subsidiaries has been lost subsequent to the year ended 31 March 2008. Details are set out as follows:

- The Directors resolved to appoint an independent reporting accountant Borrelli Walsh Limited on 30 July 2008 to investigate into the matters giving rise to the Company's failure to report its results for the year ended 31 March 2008;

- On 9 September 2009, Borrelli Walsh Limited resigned, citing that it was unable to obtain sufficient information to properly discharge its engagement, and raised concern that the board of directors was unable to control the assets of the Group after 23 June 2008;

- Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, were appointed as provisional liquidators to Tack Fat Swimwear Manufacturing Limited ("Tack Fat Swimwear") and liquidators to Tack Fat Manufacturing Factory Limited ("Tack Fat Manufacturing") on 6 October 2008 and 4 September 2009 respectively;

2 BASIS OF PRESENTATION (Continued)

Deconsolidation of subsidiaries and subsequent impairment of respective book values (Continued)

- Tack Fat International and Chiu Wing were placed into creditors' voluntary liquidation on 23 April 2009;

- Lantern Services Limited, Potter Industries Limited and Sino Profit Limited, all directly wholly owned subsidiaries of Ever Century were transferred to a special purpose vehicle controlled by the Provisional Liquidators on 29 May 2009 for realisation for the benefit of the creditors of the Company and to facilitate the restructuring as proposed by the Investor; and

- According to the investigation by the Provisional Liquidators, the Company does not have any legal ownership over Masswin International Limited ("Masswin") and accordingly, Masswin is no longer deemed as a subsidiary of the Company. Moreover, Masswin was struck off from the British Virgin Islands (the "BVI") Registrar on 1 May 2009.

The Provisional Liquidators are of the view that the results and assets and liabilities of the said subsidiaries should not be consolidated to the financial statements of the Company. The Provisional Liquidators also feel that it would be appropriate to fully impair their book value on the Group's financial statements to zero, due to (i) the adverse financial positions of Tack Fat Swimwear, Tack Fat Manufacturing, Tack Fat International and Chiu Wing; and (ii) The Group's control over the operations of Lantern Services Limited, Potter Industries Limited, Sino Profit Limited and Masswin being lost before the appointment of the Provisional Liquidators.

Among the assets, the values of which the Provisional Liquidators consider should be fully impaired are the trademarks related to the brands "XXEZZ" and "MUDD®" and the receivables of approximately HK$300 million recorded under Global Far East (Macao Commercial Offshore) Limited ("GFE (Macao)"), a wholly owned subsidiary of Sino Profit Limited.

Pursuant to the Company's announcement dated 29 May 2007, the Company acquired the "XXEZZ" business in June 2007 by acquiring 90% interest in Best Favour Investments Limited, which was principally engaged in fashion design and management of its "XXEZZ" brand of smart casual wear. Investigations conducted by the Provisional Liquidators show that the brand "XXEZZ" does not belong to the Group. Thus, any value that has been previously attributed to the goodwill relating to the "XXEZZ" brand should be fully impaired. However, Best Favour Investments Limited has always been managing the brand of "XXEZZ" pursuant to a written authority.

2 BASIS OF PRESENTATION (Continued)

Deconsolidation of subsidiaries and subsequent impairment of respective book values (Continued)

In respect of the "MUDD®" trademark, it is owned by Wingar Limited, an indirect subsidiary of Tack Fat Swimwear. Since the Provisional Liquidators have been appointed to Tack Fat Swimwear, which is deconsolidated from the Group, the goodwill related to the "MUDD®" trademark, if any, should not be accounted for by the Group. Furthermore, the "MUDD®" retail business has been loss making since the year ended 31 March 2008 and accordingly, the Provisional Liquidators consider that any value that has been attributed to the goodwill previously should be fully impaired.

The Provisional Liquidators are aware that the Company had disclosed in its announcement on 15 July 2008 that the Company was going to assign the receivables of GFE (Macao) for HK$300 million to the vendor for the acquisition of 40% shareholding interest in Global Agricultural Development Limited. The Provisional Liquidators are unable to obtain any supporting documents from available records to identify the debtor(s) and determine whether the HK$300 million receivable ever existed. GFE (Macao) is a directly owned subsidiary of Sino Profit Limited, which has been transferred to a special purpose vehicle controlled by the Provisional Liquidators on 29 May 2009 for realisation of the benefit of the creditors of the Company and to facilitate the restructuring as proposed by the Investor.

Any adjustment as a result of the abovementioned action may have a significant effect to the Group's financial statements for the year ended 31 March 2009 and the relevant disclosures.

3 APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

3 APPLICATION OF NEW AND REVISED HKFRSs (Continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

(b) HKFRS 1 and HKAS 27 (Amendments) *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 (Amendment) requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of this amendment has no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(c) HKFRS 2 (Amendment) *Vesting Conditions and Cancellations*

The HKFRS 2 (Amendment) clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the adoption of the amendments has no significant implication on its accounting for share-based payments.

(d) HKFRS 7 (Amendment) *Improving Disclosures about Financial Instruments*

HKFRS 7 (Amendment) requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosured by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurement is now required, as well as significant transfer between level 1 and level 2 fair value measurements. The amendments also clarify the requirement for liquidity risk disclosures.

(e) HKFRS 8 *Operating Segments*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

The Amendment to HKFRS 8 issued in Improvements to HKFRSs 2009 which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

3 APPLICATION OF NEW AND REVISED HKFRSs (Continued)

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 January 2010

6 Effective for annual periods beginning on or after 1 July 2010

7 Effective for annual periods beginning on or after 1 January 2013

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be account for as equity transactions. The Provisional Liquidators anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for the conversion option derivative of conversion loan notes, which are measured at fair value, as explained in the accounting policies set out below.

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 Hong Kong Companies Ordinance.

(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 on consolidation.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Goodwill (Continued)

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 20%.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Convertible Bonds (Continued)

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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee Benefits

(i) Short-term Employee Benefits and Contributions to Defined Contribution Retirement Plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Share-Based Payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to the retained profits).

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee Benefits (Continued)

(iii) Termination Benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminating employment or to providing benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income Tax (Continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 excludes value added or other sales taxes and is after deduction of any trade discounts.

Retail sales are usually paid in cash or by credit/debit cards. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in operating expenses.

(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 RMB. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Foreign Currency Translation (Continued)

(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;

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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;

(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) 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.

ii) 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.

iii) 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

iv) 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.

v) 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.

vi) 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.

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 21 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.

6 FINANCIAL RISK MANAGEMENT (Continued)

(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 21 and 22 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 PRC. For subsidiaries in the PRC, most of the sales and purchases are denominated in RMB, 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

	2010	2009
	$'000	*$'000*
Interest income	**4**	15
Reversal of excess impairment and written off *(Note)*	**–**	245,511
Exchange gain	**154**	–
Reversal of excess provision in current tax payable	**44,737**	–
Rental income	**1,688**	3,059
Others	**518**	961
	47,101	249,546

Note: These amounts represent certain impairments recognised in the "Prepayment, deposits and other receivables" and "Amounts due to deconsolidated subsidiaries" written-off in the accounts of New Profit Garment (Luo Ding) Company Limited ("Luo Ding") in 2008 due to incomplete books and records. As a result of further investigation by the Provisional Liquidators and the auditors, such impairments and write-off were considered excessive. Accordingly, the Provisional Liquidators have made adjustments for the reversal of these figures last year. However, without reliable accounting information for these figures, the auditors provided qualified opinion in 2009 on the transactions.

9 LOSS BEFORE TAX

Results before taxation is arrived at after charging the following:

(a) Finance Costs

	2010	2009
	$'000	*$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**57,259**	12,037
Interest on convertible bonds	**4,592**	–
Bank charges	**4**	7
Other borrowing costs	**1,280**	1,477
	63,135	13,521

(b) Other Items

	2010	2009
	$'000	*$'000*
Cost of inventories sold *(Note 18)*	**37,846**	71,909
Depreciation	**1,734**	2,779
Auditor's remuneration	**755**	485
Bad debts written off	**–**	1,348
Allowance for doubtful debts		
– Trade receivables	**4,545**	–
– Deconsolidated subsidiaries	**–**	7,025
Disposal of property, plant and equipment	**1,548**	–
Deposit written off	**506**	–
Operating lease rental on premises	**15,762**	28,793
Retirement benefit scheme contributions	**1,014**	1,669
Staff costs, excluding directors' remuneration	**11,342**	20,616

10 TAX

	2010	2009
	$'000	*$'000*
PRC Enterprise Income Tax		
– Current year	**1,954**	–
PRC Value-added tax		
– Under-provision in previous years *(Note)*	**–**	49,815
	1,954	49,815

Note: The tax provision for the year ended 31 March 2009 represented full provision of value-added tax incurred in periods prior to the appointment of the Provisional Liquidators.

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% (2009: 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:

	2010	2009
	$'000	*$'000*
Loss before tax	**(56,967)**	(37,315)
Tax at the Hong Kong Profits Tax rate of 16.5% (2009: 16.5%)	**(9,400)**	(6,157)
Tax effect of expenses not deductible for tax purpose	**22,819**	70,533
Tax effect of income not taxable for tax purpose	**(12,121)**	(64,376)
Effect of different tax rates of subsidiaries operated in other jurisdiction	**656**	–
Income tax charge for the year	**1,954**	–

11 DIRECTORS' AND EMPLOYEES' REMUNERATION

(a) The directors' remuneration

The remuneration of every director for the year ended 31 March 2010 is set out below:

	Notes	Fees *$'000*	Basic salaries, allowances and other benefit *$'000*	Contributions to retirement benefit schemes *$'000*	Bonus *$'000*	Total *$'000*
Executive directors						
Mr. Kwok Wing	*(a)*	–	–	–	–	–
Mr. Chan Chak Kai, Kenneth	*(a)*	–	–	–	–	–
Non-executive director						
Mr. James McMullen		–	–	–	–	–
Independent non-executive directors						
Mr. Pau Chin Hung, Andy	*(b)*	90	–	–	–	90
Mr. Choong Khuat Leok	*(b)*	90	–	–	–	90
Mr. Kooi Tock Chian	*(b)*	90	–	–	–	90
Total		270	–	–	–	270

Notes:

(a) Retired on 6 October 2009.

(b) Appointed on 7 October 2009.

There is no sufficient information to ascertain the remuneration of the Directors for the year ended 31 March 2009.

11 DIRECTORS' AND EMPLOYEES' REMUNERATION (Continued)

(b) Five highest paid individuals

For the year ended 31 March 2010, the five highest paid individuals in the Group included no directors. Details of the remuneration of these five highest paid individuals are as follows:

	2010
	$'000
Salaries and other benefits	**918**
Pension scheme contributions	**43**
	961

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

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

There is no sufficient information to ascertain details of staff costs, including the remuneration of the five highest paid individuals, for the year ended 31 March 2009.

12 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$89.48 million (2009: approximately HK$279.28 million).

13 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$59.24 million (2009: approximately HK$97.16 million) and the weighted average of 2,212,606,800 (2009: 2,205,175,106) ordinary shares in issue during the year, calculated as follows:

	2010	2009
	Number of shares	Number of shares
	'000	*'000*
Issued ordinary shares at 1 April	**2,212,606**	2,172,607
Effect of share options exercised	**–**	32,568
Weighted average number of ordinary shares at 31 March	**2,212,606**	2,205,175

(b) Diluted Loss Per Share

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

As the exercise of the Group's outstanding convertible bonds and the impact of the exercise of the share options for the year ended 31 March 2009 would be anti-dilutive, diluted loss per share was the same as the basic loss per share for the year ended 31 March 2009.

14 SEGMENT INFORMATION

For the years ended 31 March 2010 and 2009, 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 on pages 18 to 22.

For the year ended 31 March 2010, there was no transaction with a single external customer that amount to 10% or more of the Group's revenue (2009: Nil).

15 PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and office equipment *$'000*
Cost	
At 1 April 2008	14,391
Exchange adjustments	967
Additions	81
At 31 March 2009	**15,439**
At 1 April 2009	15,439
Additions	63
Disposals	(5,720)
Exchange adjustments	(6)
At 31 March 2010	**9,776**
Accumulated depreciation and impairment	
At 1 April 2008	5,907
Charge for the year	2,779
Exchange adjustments	250
At 31 March 2009	**8,936**
At 1 April 2009	8,936
Charge for the year	1,734
Disposal	(4,172)
Exchange adjustments	(4)
At 31 March 2010	**6,494**
Net book value	
At 31 March 2010	**3,282**
At 31 March 2009	6,503

16 INTERESTS IN SUBSIDIARIES

	Company 2010 $'000	2009 $'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 2010 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 shares of US$1 each	–	100	Investment holding
Best Favour Investments Limited	BVI	10 ordinary shares of US$1 each	–	90	Investment holding
New Profit Holdings Limited	Hong Kong	1 ordinary shares of HK$1 each	–	90	Investment holding
Real Victor Limited	Hong Kong	1 ordinary shares of HK$1 each	–	100	Investment holding
New Profit Garment (Luo Ding) Company Limited	PRC	HK$19,000,075	–	90	Retail and concessionaire sales of garments
Shenzhen XXEZZ Clothing Company Limited	PRC	RMB410,333	–	100	Wholesale of garments

Both Luo Ding and Shenzhen XXEZZ Clothing Company Limited are wholly-owned foreign enterprises established in the PRC.

17 ESCROW MONEY

	Group/Company	
	2010	2009
	$'000	*$'000*
Professional fees	**123**	3,184
Working Capital	**229**	3,148
	352	6,332

18 INVENTORIES

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

	Group	
	2010	2009
	$'000	*$'000*
Finished goods	**7,830**	15,210

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

	Group	
	2010	2009
	$'000	*$'000*
Carrying amount of inventories sold	**29,233**	36,290
Write-down of inventories	**8,613**	35,619
	37,846	71,909

19 TRADE AND OTHER RECEIVABLES

	Group	
	2010	2009
	$'000	*$'000*
Trade receivables	**22,387**	22,486
Less: Allowance for doubtful debts	**(4,545)**	–
	17,842	22,486
Other receivables and prepayments	**10,431**	13,778
	28,273	36,264

(a) Aging analysis

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

	Group	
	2010	2009
	$'000	*$'000*
0 – 90 days	**15,888**	10,670
91 – 180 days	**298**	2,000
181 – 365 days	**1,656**	7,186
Over 365 days	**–**	2,630
	17,842	22,486

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

19 TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade receivable that are not impaired

The ageing analysis of trade receivable that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2010	2009
	$'000	*$'000*
Neither past due nor impaired	**14,657**	6,188
Less than one year past due	**3,185**	12,447
More than one year past due	**–**	3,851
	17,842	22,486

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(c) Allowance for doubtful debts

Movement in the allowance for doubtful debts for trade receivables:

	Group	
	2010	2009
	$'000	*$'000*
At 1 April	–	–
Impairment losses recognised on receivables	**4,545**	–
At 31 March	**4,545**	–

All the trade and other receivables are expected to be recovered within one year and are denominated in RMB.

20 TRADE AND OTHER PAYABLES

	Group	
	2010	2009
	$'000	*$'000*
Trade payables	**38,482**	40,532
Accruals and other payables	**42,210**	70,493
	80,692	111,025

The credit periods granted by suppliers are generally ranged from 60 days to 90 days. At 31 March 2010, the aged analysis of the trade payable is as follows:

	Group	
	2010	2009
	$'000	*$'000*
0 – 90 days	**3,014**	24,191
91 – 180 days	**1,119**	–
181 – 365 days	**4,524**	10,682
Over 365 days	**29,825**	5,659
	38,482	40,532

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 RMB and Hong Kong dollars.

	Company	
	2010	2009
	$'000	*$'000*
Accruals and other payables	**31,631**	8,193

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

21 PROVISION FOR BANK LOAN GUARANTEES FOR 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 subsidiaries of the Company were secured by the Company's interest in some of its subsidiaries and guaranteed by the Company. Details of the abovementioned items are set out as follows:

(i) Provision for bank loan guarantees for subsidiaries

	Group/Company	
	2010	2009
	$'000	*$'000*
Secured	**141,947**	133,018
Unsecured	**704,174**	689,505
	846,121	822,523

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

(ii) Other borrowings

	Group/Company	
	2010	2009
	$'000	*$'000*
Secured	**10,718**	45,000
Unsecured	**41,672**	45,500
	52,390	90,500

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

The effective interest rate for the year ended 31 March 2010 for other borrowings were 4% per month and 8%-11% per annum (2009: 2% per month and 6% per annum).

22 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 2010 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.

23 LOANS FROM THE INVESTOR

	Group/Company	
	2010	2009
	$'000	*$'000*
At 1 April	**16,400**	–
Addition	**20,000**	16,400
At 31 March	**36,400**	16,400

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 additional working capital loan for the Group's retail business operating entity in the PRC of an aggregate amount equal to HK$15 million till 31 December 2009 or any date to be extended by written agreement between the Investor and the Provisional Liquidators. On 20 January 2010, a further sum of HK$5 million is provided by the Investor to meet the funding requirement of the PRC business.

24 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2010	2009
	$'000	*$'000*
Amount due from subsidiaries	**28,779**	6,850
Provision for impairment	**(28,221)**	(6,850)
	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	
	2010	2009
	$'000	*$'000*
Provision for impairment at 1 April	**6,850**	–
Provision for impairment during the year	**21,371**	6,850
Provision for impairment at 31 March	**28,221**	6,850

25 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 company approximates its fair value.

26 EQUITY

(i) Authorised and Issued Share Capital

	2010		2009	
	No. of shares	**Amount** *$'000*	No. of shares	Amount *$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**4,000,000,000**	**400,000**	4,000,000,000	400,000
Issued and fully paid:				
At 1 April	**2,212,606,800**	**221,261**	2,172,606,800	217,261
Exercise of share options *(Note)*	**–**	**–**	40,000,000	4,000
	2,212,606,800	**221,261**	2,212,606,800	221,261

Note: In June 2008, 40,000,000 share options were exercised at the exercise price of HK$0.65 per share to subscribe for 40,000,000 ordinary shares in the Company.

No movement in issued share capital were noted subsequent to the year end date.

(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 2008	217,261	638,127	193,780	(1,819,679)	(770,511)
Exercise of share options	4,000	22,000	–	–	26,000
Transfer	–	–	(26,000)	–	(26,000)
Total comprehensive income for the year	–	–	–	(279,283)	(279,283)
At 31 March 2009	**221,261**	**660,127**	**167,780**	**(2,098,962)**	**(1,049,794)**
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)**

26 EQUITY (Continued)

(iv) Capital risk management

As at 31 March 2010, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately HK$1,299.93 million (2009: approximately HK$1,257.32 million). The net current liabilities as at 31 March 2010 include bank and cash balances and escrow money of approximately HK$13,039 million (2009: approximately HK$8.21 million). The escrow money balance as at 31 March 2010 was approximately HK$ 352,000 (2009: HK$6,332,000) 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 2010, the Group's total provision for bank loan guarantees for subsidiaries, other borrowings and loans from the Investor amounted to approximately HK$934.91 million (2009: approximately HK$929.42 million).

27 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 of directors 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 of directors 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 2010 and 31 March 2009.

During the year ended 31 March 2010, no share option has been granted.

28 NON CASH TRANSACTIONS

Pursuant to the legal charge entered into between Hansom and Forefront with Chiu Wing both on 12 June 2008, Hansom and Forefront have taken possession over the charged assets owned by Chiu Wing, a deconsolidated subsidiary of the Company. Accordingly, the Company has made full settlement of the loan from Forefront and partial settlement of the loans from Hansom and CW Financing Limited, formly known as Willie Financing Limited, from the proceeds of the realisation of the charged assets of Chiu Wing.

Details of the information in relation to the amount due to Chiu Wing are set out in note 25 to the financial statements.

29 LEASE COMMITMENTS

At 31 March 2010, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	Group	
	2010	2009
	$'000	*$'000*
Within 1 year	**5,560**	2,130
After 1 year but within 5 years	**4,151**	14,091
Total commitment	**9,711**	16,221

The Group is the leasee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated.

30 CONTINGENT LIABILITIES

The Provisional Liquidators are not aware of any significant contingent liabilities of the Group and the Company as at 31 March 2010 and 31 March 2009.

31 RELATED PARTY DISCLOSURES

Apart from the remuneration paid to the Directors (being the key management personnel) and the non-cash transactions as disclosed in note 11 and note 28 respectively, there were no other significant related party transactions entered into by the Group.

32 EVENTS AFTER THE REPORTING PERIOD

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

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

2. publish 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 after due and careful enquiry; and (iii) pro forma statement of financial position upon completion of the Resumption Proposal;

3. provide 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. undertake 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.

The Company, the Provisional Liquidators and the Investor are now taking appropriate steps to implement the transactions contemplated in the Resumption Proposal and fulfill the above conditions as set out by the Stock Exchange.

On 9 April 2010, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into the supplemental deed to the Settlement Deed (the "Supplemental Deed") pursuant to which Forefront and Hansom agreed to extend the period of not exercising their respective share charge over the Ever Century Shares from 12 months to 24 months from the date of the Settlement Deed.

By an order of the High Court dated 13 April 2010, the hearing for the winding up of the Company was further adjourned to 14 July 2010.

On 28 April 2010, the Company settled the obligations under the Working Capital Facility and the Additional Funding.

32 EVENTS AFTER THE REPORTING PERIOD (Continued)

On 26 May 2010, the Company, the Provisional Liquidators, the Investor and Ferrier Hodgson Limited entered into 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.

On 28 May 2010, New Profit Holdings Limited, an indirect 90% owned subsidiary of the Company, was placed into creditors' voluntary liquidation pursuant to the Companies Ordinance.

33 DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 March 2010 (2009: Nil).

34 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 2010. 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				
	2006	2007	2008	2009	**2010**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
			(restated)		
Results					
Turnover	1,655,166	1,942,545	259,175	107,684	**55,648**
Profit/(Loss) from operations	262,346	279,084	(2,636,286)	(23,794)	**6,168**
Finance costs	(63,189)	(65,839)	(17,527)	(13,521)	**(63,135)**
Share of profits less losses of associates	(35,752)	114,084	–	–	**–**
Profit/(Loss) before tax	163,405	327,329	(2,653,813)	(37,315)	**(56,967)**
Tax	(30,779)	(12,690)	(3,946)	(49,815)	**(1,954)**
Profit/(Loss) for the year	132,626	314,639	(2,657,759)	(87,130)	**(58,921)**
Attributable to:					
Owners of the Company	132,626	314,639	(2,660,962)	(97,162)	**(59,239)**
Non-controlling interests	–	–	3,203	10,032	**318**
	132,626	314,639	(2,657,759)	(87,130)	**(58,921)**

	As at 31 March				
	2006	2007	2008	2009	**2010**
	$'000	*$'000*	*$'000*	*$'000*	***$'000***
			(restated)		
Assets and liabilities					
Total assets	1,901,912	2,593,989	66,077	66,187	**52,424**
Total liabilities	(1,063,712)	(1,018,117)	(1,034,928)	(1,317,001)	**(1,349,070)**
NET ASSETS/(LIABILITIES)	838,200	1,575,872	(968,851)	(1,250,814)	**(1,296,646)**