U-RIGHT INTERNATIONAL HOLDINGS LIMITED

(Provisional Liquidators Appointed)

佑威國際控股有限公司*

（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)

(Stock code: 00627)

Annual Report 2009

* *for identification purposes only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

TANG Kwok Hung

Independent Non-Executive Directors

CHUNG Wai Man
MAK Ka Wing Patrick

AUDITOR

ANDA CPA Limited
Unit D, 21st Floor
Max Share Centre
373 King's Road, North Point
Hong Kong

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

LAI Kar Yan Derek and
YEUNG Lui Ming
35th Floor, One Pacific Place
88 Queensway, Hong Kong

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM11,
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

35th Floor, One Pacific Place
88 Queensway, Hong Kong

The directors of U-RIGHT International Holdings Limited (Provisional Liquidators Appointed) (the "Company") are pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are engaged in fashion garments business.

RESULTS AND APPROPRIATIONS

For the year ended 31 March 2009, the Group's turnover was approximately HK$124.38 million (2008: approximately HK$2,079.71 million), representing a decrease of approximately 94.02% from the last financial year. The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 26.

The consolidated loss attributable to equity holders of the Company amounted to approximately HK$3,078.32 million (2008: profit attributable to shareholders of the Company of approximately HK$61.37 million). Loss per share was approximately HK86.24 cents as compared with earnings per share of approximately HK1.81 cents for the preceding year.

The directors of the Company (the "Directors") do not recommend the payment of dividend for the year ended 31 March 2009 (2008: nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2009 was approximately HK$2.63 million (2008: approximately HK$439.35 million). The Group's gearing ratio measured on the basis of the Group's borrowings net of bank and cash balances (net borrowing) related to the net asset value as at 31 March 2008 was 27.7% while it is not applicable as at 31 March 2009 as the Group had net liabilities.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 32, 33 and 35 to the consolidated financial statements.

FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS

On 6 October 2008, Deutsche Bank A.G., Hong Kong Branch (the "Petitioner") presented petitions (the "Petitions") to the High Court of the Hong Kong Special Administrative Region (the "High Court") for the winding up of each of the Company and Uni-Capital Limited (In Liquidation) ("Uni-Capital"), a wholly-owned subsidiary of the Company, as the Company and Uni-Capital could not meet demands made against the Company and Uni-Capital for the repayment of outstanding debts. Upon the application of the Petitioner, Messrs. LAI Kar Yan Derek and YEUNG Lui Ming of Deloitte Touche Tohmatsu were appointed jointly and severally as provisional liquidators of the Company (the "Provisional Liquidators") and Uni-Capital pursuant to the orders both dated 6 October 2008 made by the High Court.

The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Company and its subsidiaries, to close or cease or operate all or any part of the business operations of the Company and its subsidiaries, to take control of such of the subsidiaries of the Company, joint ventures, associated companies or other entities in which the Company or any of its subsidiaries holds an interest and to consider if thought to be in the best interests of creditors of the Company, to enter into discussions and negotiations for and on behalf of the Company for the purpose of, but not limited to, restructuring of the Company's business, operations, or indebtedness or to implement a scheme of arrangement between the Company and its creditors and/or shareholders for such restructuring.

WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS (continued)

After the appointment of the Provisional Liquidators on 6 October 2008, the then management of the Company together with the Provisional Liquidators used their best endeavours to maintain the business of the Group both in Hong Kong and the People's Republic of China (the "PRC"). Notwithstanding the subsequent changes in personnels as the Provisional Liquidators gradually replaced the management team, the total turnover achieved by the Group according to the financial statements of the Group for the year ended 31 March 2009 was approximately HK$124 million.

Due to the lack of working capital affecting a continued flow of new products for the retail market, and against the high shop rental costs, the Provisional Liquidators decided to close down the retail operations pro tem.

Currently, the only business carried out by the Company is garment wholesale trading, which was resumed from early August 2009. The garment trading business carried out by the Group is in the same line with the original principal trading business of the Company prior to the suspension of the trading in its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As shown in the interim report of the Group for the six months ended 30 September 2009, total garment trading turnover achieved by the Group was approximately HK$21 million.

In mid December 2009, the Group started a discussion with two potential joint venture partners in relation to the establishment of a PRC joint venture to recommence its garment retail business in the PRC and to expand its garment trading business both in the PRC and other countries. It is expected that the PRC joint venture can be set up by early March 2010.

The hearing of the Petition against the Company was originally scheduled on 10 December 2008 and was adjourned by the High Court to 9 February 2009, 11 May 2009, 9 November 2009 and further adjourned to 10 May 2010.

The Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed "Restructuring of the Group" below.

RESTRUCTURING OF THE GROUP

On 16 May 2009, the Company, the Provisional Liquidators, Advance Lead International Limited (the "Investor") and an escrow agent, entered into an escrow agreement for the implementation of the restructuring proposal.

On 2 July 2009, UR Group Limited ("UR Group"), a new wholly-owned subsidiary of the Company was incorporated in the British Virgin Islands. UR Group is an investment holding company which beneficially owns 100% interest in both U-RIGHT Trading Development Limited ("URTDL") and Nano Garment Holdings Limited ("NGHL"). URTDL and NGHL were both incorporated in Hong Kong on 17 July 2009. Since August 2009, the Group's trading of garments business has been carried out through URTDL.

The Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited as the financial adviser to the Company for the restructuring of the Group. The Company is in the process of taking the steps necessary to prepare a viable resumption proposal to be submitted to the Stock Exchange.

On 14 January 2010, a supplementary escrow agreement was executed by the Provisional Liquidators, the Investor, the Company and the escrow agent, setting out the terms on which, in exchange for the Investor providing funds, the debts and liabilities of the Company would be settled through a scheme of arrangement (the escrow agreement together with the supplemental escrow agreement collectively referred to as "Restructuring Agreement").

The principal elements of the Restructuring Agreement are as follows:

a) Capital Restructuring

The Company will undergo a capital restructuring, involving a capital reduction, a capital cancellation, a share consolidation, an authorized share capital increase and a cancellation of the existing convertible bonds.

b) Share Subscription

The Company will raise new funds amounting to approximately HK$150 million by way of the ordinary share subscription and the issue of the convertible bonds to the Investor.

RESTRUCTURING OF THE GROUP (continued)

c) Provision of loan facility

The Investor will provide a secured revolving loan facility in the sum of HK$10 million without any interest to the Company as general working capital.

d) Scheme and Debt Restructuring

The Provisional Liquidators will implement a scheme of arrangement to settle the debts owed to the creditors by approximately HK$50 million cash (from the proceeds of subscription for shares) and by approximately 5% of issued shares of the Company as enlarged by the share subscription.

The Investor would become a controlling shareholder of the Company upon completion of the proposed restructuring of the Group (the "Completion") as contemplated under the Restructuring Agreement.

PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon Completion as all the liabilities arising from the creditors of the Company and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through the proposed scheme of arrangement, to be approved by the creditors of the Company and the High Court.

Upon Completion, the Company's shares will resume trading on the Stock Exchange subject to the approval of the Stock Exchange.

It is the Group's intention to expand its trading of fashion garments currently conducted through URTDL and to form a joint venture with two parties to carry out PRC retailing business of fashion garments. In mid December 2009, the Group started a discussion with two potential joint venture partners in relation to the establishment of a PRC joint venture to recommence its garment retail business in the PRC and to expand its garment trading business both in the PRC and other countries. It is expected that the PRC joint venture can be set up by the early of March 2010.

PROSPECTS (continued)

On 30 July 2009, the Stock Exchange issued a letter (the "Letter") to the Provisional Liquidators to state that the Stock Exchange had placed the Company in the second stage of the delisting procedures under Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") after taking into consideration that the Company had not submitted any resumption proposal to the Stock Exchange before 20 July 2009 and it did not have an operation in compliance with Rule 13.24 of the Listing Rules as of the date of the Letter. The Company is required to submit a viable resumption proposal to the Stock Exchange at least 10 business days before 29 January 2010, the expiry of the six months period from the date the Company was placed in the second stage of the delisting procedures. At the end of this six months period and after considering any resumption proposal the Company may have submitted, the Stock Exchange will determine whether or not it would be appropriate to place the Company in the third stage of the delisting procedures.

In placing the Company in the second stage of the delisting procedures, the Stock Exchange also set out, in the Letter, that a viable resumption proposal should enable the Company to meet the following conditions:

1. demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules;

2. demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules;

3. publish all outstanding financial results and address any concerns that may be raised by auditors through qualification of their audit reports; and

4. withdraw and/or dismiss the Petition, and discharge the Provisional Liquidators.

The Group is now finalizing a resumption proposal and will make submission to the Stock Exchange in due course.

PROSPECTS (continued)

The Company is confident that, with the Investor's strong support, the Group will be able to gain a strong foothold in the fashion garments business and achieve a substantial level of operations within a reasonable period of time after the resumption of trading in the Company's shares on the Stock Exchange.

CHARGES ON GROUP'S ASSETS

As at 31 March 2009, there were no charges on the Group's assets.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 32 to the financial statements.

SIGNIFICANT INVESTMENTS

On the basis of the available books and records, the Group did not have any significant investment throughout the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors 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 Listing Rules.

REVIEW BY THE AUDIT COMMITTEE

By the time the financial statements for the year ended 31 March 2009 of the Group were prepared, no audit committee had been established owing to the current insufficient number of non-executive Directors in accordance with Rule 3.21 of the Listing Rules. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company.

REVIEW BY THE AUDIT COMMITTEE (continued)

Since the audit committee has yet to establish, the annual report have not been reviewed by an audit committee.

DELAY IN DISPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2009

Due to suspension of trading in the Company's shares on the Stock Exchange and most of the responsible officers had left the Group as explained below, the Company has not been able to dispatch the annual report for the financial year ended 31 March 2009 (the "Annual Report") to its members within the due date as required by the Listing Rules.

The delay in the dispatch of the Annual Report constitutes a breach of Rule 13.46(2) of the Listing Rules by the Company.

NON-COMPLIANCE OF APPENDIX 16 "DISCLOSURE OF FINANCIAL INFORMATION'' OF THE LISTING RULES

Due to the failure to get access to the books and records of certain subsidiaries, the resignation of the major management personnel and the recent appointment of the existing two independent non-executive Directors in January 2009 and the existing executive Director in February 2010, they do not have sufficient data available to compile the annual report for the year ended 31 March 2009 so as to comply with the Appendix 16 "Disclosure of Financial Information" of the Listing Rules. The following information has been omitted from this annual report:

1. Connected transactions and continuing connected transactions with the connected person as defined in Chapter 14A of the Listing Rules;

2. Details of related party transactions;

3. A separate Corporate Governance Report contained the information required under Appendix 23 of the Listing Rules;

4. Details of the number and remuneration of employees, remuneration policies, and the retirement benefits scheme; and

5. Information in respect of major customers and major suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the fixed assets of the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Movements in share capital of the Company and details of share option scheme of the Company are set out in notes 33 and 34 to the financial statements.

INFORMATION ON SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted at the special general meeting of the Company on 9 July 2002. Summary of the terms and particulars of outstanding options of the Share Option Scheme is set out below pursuant to the requirements as contained in Chapter 17 of the Listing Rules.

(a) Purpose

To provide incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity").

(b) Eligible Participants

The directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

INFORMATION ON SHARE OPTION SCHEME (continued)

(c) Total number of shares available for issuance

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options granted and to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 31 August 2007 (i.e. not exceeding 351,191,691 shares of the Company). Share options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in the general meeting for refreshing the 10% limit under the Share Option Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Share Option Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed.

(d) Maximum entitlement of each eligible participant

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the number of shares in issue.

(e) Time of exercise of option

An option 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 (the "Board") to each eligible participant at the time of offer of the grant of the option, which must not be more than 10 years from the date of offer the grant of the option.

INFORMATION ON SHARE OPTION SCHEME (continued)

(f) The basis of determining the exercise price

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the share options which must be trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

(g) Remaining life of scheme

The Share Option Scheme should, unless otherwise terminated or amended, remain in force for 10 years from the adoption date of the Share Option Scheme (i.e. 17 July 2002).

At 31 March 2009, the total number of the Company's shares currently available for issue under the Share Option Scheme is 351,191,691 (2008: 351,191,691), representing 9.8% (2008: 9.8%) of the issued share capital of the Company shares after the refreshment of the scheme mandate limit.

A summary of the movements of share options granted under the share option scheme of the Company during the year ended 31 March 2009 is as follows:

		Number of share options to subscribe for shares						
Eligible Participant	Date of grant	Outstanding at 1 April 2008	Granted	Exercised	Lapsed	Outstanding at 31 March 2009	Subscription price per share *(HK$)*	Exercised period*
Former Directors								
Mr. Leung Shing	06.11. 2006	25,000,000	–	–	(25,000,000)	–	0.255	06.11.2006 to 05.11.2009
Mr. Leung Siu Kan, Stephen	06.11.2006	25,000,000	–	–	(25,000,000)	–	0.255	06.11.2006 to 05.11.2009
					Total:	–		

* Share options are vested from date of issue

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 35 to the financial statements.

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 2009.

CONTINGENT LIABILITIES

Details of contingent liabilities as at 31 March 2009 are set out in note 37 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. TANG Kwok Hung	*(appointed on 1 February 2010)*
Mr. LEUNG Ngok, Chairman	*(resigned on 12 November 2008)*
Mr. LEUNG Shing	*(resigned on 8 October 2008)*
Mr. LEUNG Siu Kan, Stephen	*(resigned on 16 January 2009)*

Independent Non-executive Directors:

Mr. CHUNG Wai Man	*(appointed on 15 January 2009)*
Mr. MAK Ka Wing Patrick	*(appointed on 15 January 2009)*
Mr. WONG Kai Cheong	*(resigned on 17 September 2008)*
Mr. JIA Luqiao	*(resigned on 7 October 2008)*
Mr. YANG Dong Hui	*(resigned on 7 October 2008)*

As at the date of this report, the number of independent non-executive Directors falls below the minimum number required under Rule 3.10(1) of the Listing Rules.

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 compensations).

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

As at 31 March 2009, none of the Directors nor the 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2009, the interests or short positions of the substantial shareholders and other person (other than those directors or chief executives of the Company disclosed above) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") were as follows:

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long Position – Substantial shareholders

Name	Position	Type of interest	Number of shares	Approximate % of the Company's issued share capital
Mr. Leung Ngok	Long	Beneficial owner	109,221,000	3.06%
		Founder of a discretionary trust	1,094,541,179 *(Note 1)*	30.66%
ACE Target (PTC) Inc.	Long	Trustee	1,094,541,179 *(Note 1)*	30.66%
Trident Trust Company (B.V.I) Limited	Long	Trustee	1,094,541,179 *(Note 1)*	30.66%
Trident Corporate Services (B.V.I.) Limited	Long	Trustee	1,009,557,179 *(Note 1)*	28.28%
Kingston Securities Limited	Long	Other	1,203,762,179 *(Note 2)*	33.72%
Ms. Chu Yuet Wah	Long	Interest of corporation controlled by the substantial shareholder	1,216,614,179 *(Note 2)*	34.08%
Ms. Yim Yuk Lam	Long	Interest of spouse	1,203,762,179 *(Note 3)*	33.72%
Ms. Ma Siu Fong	Long	Interest of corporation controlled by the substantial shareholder	1,203,762,179 *(Note 2)*	33.72%
Deutsche Bank Aktiengesellschaft	Long	Beneficial owner	222,066,624	6.22%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOESABLE UNDER THE SFO (continued)

Notes:

(1) These shares were owned by ACE Target (PTC) Inc. as trustee of The Target Unit Trust, a unit trust of which all of the units in issue are owned by Trident Trust Company (B.V.I.) Limited as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members. Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust, was deemed to be interested in the shares owned by ACE Target (PTC) Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.

(2) On 20 October 2008, Mr. Leung Ngok, the then executive Director and chairman of the Company, surrendered all his voting rights and other rights and powers attaching to 109,221,000 shares of the Company to Kingston Securities Limited; and Ace Target (PTC) Inc. surrendered all its voting rights and other rights and powers attaching to 1,094,541,179 shares of the Company to Kingston Securities Limited. Accordingly, Ms. Chu Yuet Wah and Ms. Ma Siu Fong, holding 51% and 49% interests respectively in Kingston Securities Limited, were deemed to retain the voting rights and other rights and powers surrendered by Mr. Leung Ngok and Ace Target (PTC) Inc. Ms. Chu Yuet Wah also owned the 12,852,000 shares of the Company through Best China Limited, a wholly controlled company of Ms. Chu Yuet Wah.

(3) Ms. Yim Yuk Lam was deemed to be interested in the 1,203,762,179 shares of the Company through interest of her spouse, Mr. Leung Ngok.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2009.

NON-COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this report, the Board included only one executive Director and two independent non-executive Directors. The Company has been identifying a right candidate for appointment of the third independent non-executive Director and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

Mr. CHUNG Wai Man, Mr. MAK Ka Wing Patrick were appointed as independent non-executive Directors on 15 January 2009. Mr. TANG Kwok Hung was appointed as executive Director on 1 February 2010. Consequently, the current Board is 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 2009.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry, each of Mr. CHUNG Wai Man and Mr. MAK Ka Wing, who were appointed as independent non-executive Directors on 15 January 2009, has confirmed that he complied with the required standards as set out in the Model Code during the year ended 31 March 2009. But the Board makes no representations as to whether the other then Directors had complied with the required standard set out in the Model Code throughout the year ended 31 March 2009.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 40 to the consolidated financial statements.

AUDITOR

Messrs. RSM Nelson Wheeler Certified Public Accountants ("RSM"), the auditor of the Company for the years ended 31 March 2006, 2007 and 2008 tendered its resignation to the Board on 7 August 2009. RSM had not carried out any audit work in connection with the financial statements of the Company and its subsidiaries for the year ended 31 March 2009. Following the resignation of RSM, Messrs. ANDA CPA Limited was appointed as the auditor of the Company.

The accompanying financial statements have been audited by ANDA CPA Limited who will retire and a resolution for their appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
U-RIGHT International Holding Limited
(Provisional Liquidators Appointed)

TANG Kwok Hung
DIRECTOR
Hong Kong, 3 February 2010

EXECUTIVE DIRECTOR

Mr. TANG Kwok Hung ("Mr. Tang"), aged 43, was the financial controller in Tarrant Company Limited, whose parent company Tarrant Apparel Group Inc., is a company listed on NASDAQ and the group finance manager in SEA Holdings Limited, a company listed on the main board of the Stock Exchange. He has over 20 years of experiences in the strategic management, business development, corporate finance, and investment management in garment, retail, real estate development, hotel, high-tech business, logistics, international trade and manufacturing industries.

Mr. Tang holds a Master's degree in Business Administration from Manchester Business School (MBS) of the University of Manchester in the United Kingdom and a Bachelor's degree in Business Administration from Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a Certified Public Accountant of the American Institute of Certified Public Accountants and a Certified Management Accountant of the Institute of Management Accountants in the United States, a member of Hong Kong Securities Institute and a member of Hong Kong Institute of Real Estate Administrators.

As at the date of this report, Mr, Tang does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Save as disclosed above, Mr. Tang did not hold any directorships in other public listed companies in the past three years and does not hold any other position with the Company and its subsidiaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Man ("Mr. Chung"), 51, holds a Diploma in Business Management and a Certificate of Bank of China Banking Course. He started working in Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po branch. After leaving Kwangtung Provincial Bank, Mr. Chung established "Raymond Chung Company", a finance and business consulting firm for corporations in Hong Kong and China. In 2004, he set up another consulting firm, "Excel Linker Capital (Asia) Limited", which focuses on providing financial services to corporations in China.

Mr. Chung was an independent non-executive director of United Gene High-Tech Group Limited (stock code: 0399) (formerly known as Far East Pharmaceutical Technology Company Limited) from 23 March 2007 to 13 May 2009.

As at the date of this report, Mr. Chung does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Save as disclosed above, Mr. Chung did not hold any directorships in other public listed companies in the past three years.

Mr. MAK Ka Wing Patrick ("Mr. Mak"), 45, is a registered solicitor of the High Court of Hong Kong and a senior partner of Patrick Mak & Tse Solicitors. Mr. Mak has over 10 years' legal experience as a practising solicitor. He was awarded the Common Professional Examination Certificate in Laws by the University of Hong Kong in 1995 and was awarded his Postgraduate Certificate in Laws (P.C.LL) by the University of Hong Kong in 1998.

Mr. Mak worked in Dublin, Ireland with Messrs. Donald T. McAuliffe & Co., Solicitors of Ireland from 1990 to 1991 and worked in London, England with Messrs. Sparrow & Trieu, Solicitors from 1991 to 1992.

As at the date of this report, Mr. Mak does not have any interest in shares or underlying shares of the Company within the meaning of Part XV of the SFO nor does he hold any directorships in any other listed companies in the past three years, nor does he have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company.

There are no service contracts entered into between the Company and Mr. Tang, Mr. Chung or Mr. Mak in relation to their appointment as Directors of the Company. The emoluments of Mr. Tang, Mr. Chung and Mr. Mak will be determined with reference to their responsibilities, remuneration policy of the Company and prevailing market conditions.

Neither Mr. Tang, Mr. Chung nor Mr. Mak has any fixed term of service with the Company and they will hold office until the next annual general meeting of the Company, In accordance with the bye-laws of the Company, they shall be eligible for re-election at that annual general meeting and shall retire from office by rotation at the subsequent annual general meetings of the Company.

CONFIRMATION OF INDEPENDENCE

Pursuant to Rule 3.13 of the Listing Rules, each of the independent non-executive Directors has confirmed with the Company in writing his independence from the Company in accordance with the relevant guidelines. The Company therefore considers all of the independent non-executive Directors to be independent.

On behalf of the Board
U-RIGHT International Holdings Limited
(Provisional Liquidators Appointed)

TANG Kwok Hung
Director

Hong Kong, 3 February 2010

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
U-RIGHT INTERNATIONAL HOLDINGS LIMITED
(Provisional Liquidators Appointed)
(Incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of U-RIGHT International Holdings Limited (Provisional Liquidators Appointed) (the "Company") set out on pages 26 to 69, which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "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 our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the basis for disclaimer of 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. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

The consolidated financial statements of the Company for the year ended 31 March 2008 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. Loss on deconsolidation of the subsidiaries and impairment on investment costs and due from deconsolidated subsidiaries

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company have been deconsolidated from the Group since 1 April 2008 while U-Right Garments Limited (In Liquidation) has been deconsolidated from the Group since 21 January 2009. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the aforesaid certain subsidiaries on 1 April 2008. In addition no sufficient evidence has been provided to satisfy ourselves as to the net assets/(liabilities) amounts of the subsidiaries deconsolidated on 1 April 2008 and 21 January 2009 respectively when they were deconsolidated. Furthermore no sufficient evidence has been provided to satisfy ourselves as to the loss on deconsolidation of the subsidiaries and the impairment on investment costs and due from deconsolidated subsidiaries of approximately HK$1,894,192,000 for the year ended 31 March 2009 as disclosed in note 10 to the consolidated financial statements.

3. Other losses and financial guarantee liabilities

Included in other losses of approximately HK$1,157,283,000 in the consolidated income statement were an impairment on other receivables of approximately HK$38,958,000 in relation to balance brought forward from the year ended 31 March 2008. No sufficient evidence has been received by us up to the date of this report in respect of whether this impairment loss should be recognised in the financial statements for the year ended 31 March 2009 or prior years.

No sufficient evidence has been received by us up to the date of this report in respect of the financial guarantee liabilities of approximately HK$1,118,325,000 in the consolidated balance sheet as at 31 March 2009 and the loss on financial guarantee liabilities of approximately HK$1,118,325,000 as included in other losses of approximately HK$1,157,283,000 in the consolidated income statement for the year ended 31 March 2009.

4. Cash sales

Included in the turnover of approximately HK$124,377,000 in the consolidated income statement were cash sales of approximately HK$82,633,000. No sufficient evidence has been received by us up to the date of this report in respect of whether these cash sales in the sum of HK$82,633,000 were properly recorded in the consolidated income statement for the year ended 31 March 2009.

5. Accruals and other payables

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the accruals and other payables totaling approximately HK$763,000 as at 31 March 2009 as included in the accruals and other payables of approximately HK$5,678,000 in the consolidated balance sheet.

6. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 March 2009.

7. Related party transactions and balances

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions and balances for the year ended 31 March 2009 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 7 above might have a significant consequential effect on the Group's results for the two years ended 31 March 2008 and 2009, the Group's cash flows for the two years ended 31 March 2008 and 2009 and the financial positions of the Group as at 31 March 2008 and 2009, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that the Investor has decided to pursue a restructuring of the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption 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 foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the material uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 3 February 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Turnover	*7*	**124,377**	2,079,712
Cost of sales		**(52,241)**	(1,627,420)
Gross profit		**72,136**	452,292
Other income	*8*	**4,684**	62,603
Selling and distribution costs		**(77,233)**	(223,636)
Administrative expenses		**(6,805)**	(68,966)
Amortisation of intangible assets		**–**	(4,465)
(Loss)/profit from operations		**(7,218)**	217,828
Loss on deconsolidation of the subsidiaries and impairment on investment costs and due from deconsolidated subsidiaries	*10*	**(1,894,192)**	–
Other losses	*11*	**(1,157,283)**	–
Finance cost	*12*	**(19,628)**	(50,292)
Share of losses of jointly-controlled entities		**–**	(456)
Impairment of investments in jointly-controlled entities		**–**	(45,000)
Impairment of property, plant and equipment		**–**	(36,200)
(Loss)/profit before tax		**(3,078,321)**	85,880
Income tax expense	*13*	**–**	(27,132)
(Loss)/profit for the year	*14*	**(3,078,321)**	58,748
Attributable to:			
Equity holders of the Company		**(3,078,321)**	61,367
Minority interests		**–**	(2,619)
		(3,078,321)	58,748
(Loss)/earnings per share	*16*		
Basic (HK cents per share)		**(86.24)**	1.81
Diluted (HK cents per share)		**N/A**	1.80

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	18	–	405,993
Prepaid lease payments	19	–	72,639
Investment properties	20	–	105,574
Intangible assets	21	–	225,750
Investments in jointly-controlled entities	22	–	4,449
Available-for-sale financial assets	23	–	8,000
Prepayments and deposits	24	–	383,867
		–	1,206,272
Current assets			
Inventories	25	–	372,089
Prepayments, deposits and other receivables		–	442,918
Trade receivables	26	–	346,797
Prepaid lease payments	19	–	1,874
Available-for-sale financial assets	23	**4,000**	–
Tax recoverable		–	1,099
Bank and cash balances		**2,627**	439,348
		6,627	1,604,125
Current liabilities			
Trade and bills payables	28	–	160,740
Accruals and other payables		**5,678**	36,373
Due to deconsolidated subsidiaries		**417,212**	–
Due to jointly-controlled entities	22	–	122
Current tax liabilities		–	13,878
Interest-bearing borrowings	27	–	580,789
Finance leases payables	29	–	58
Financial guarantee liabilities	27	**1,118,325**	–
Derivative financial instruments	30	–	4,607
Convertible notes	32	**65,098**	–
		1,606,313	796,567
Net current (liabilities)/assets		**(1,599,686)**	807,558
Total assets less current liabilities		**(1,599,686)**	2,013,830

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Non-current liabilities			
Interest-bearing borrowings	*27*	–	309,726
Finance leases payables	*29*	–	162
Deferred taxation	*31*	–	29,954
Convertible notes	*32*	–	45,470
		–	385,312
NET (LIABILITIES)/ASSETS		**(1,599,686)**	1,628,518
Capital and reserves			
Share capital	*33*	**356,936**	356,936
(Deficiency)/Reserves	*35*	**(1,956,622)**	1,270,618
Equity attributable to equity holders of the Company		**(1,599,686)**	1,627,554
Minority interests		–	964
Total Equity		**(1,599,686)**	1,628,518

Approved by:

TANG Kwok Hung	CHUNG Wai Man
Director	Director

3 February 2010

	Attributable to equity holders of the Company										
	Share capital	Share premium account	Property revaluation reserve	Statutory reserve	Foreign currency translation reserve	Capital reserve	Share-based compensation reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	293,770	470,460	51,325	220	31,893	6,040	6,757	384,202	1,244,667	22,994	1,267,661
Translation difference	–	–	–	–	117,026	–	–	–	117,026	–	117,026
Surplus on revaluation	–	–	9,945	–	–	–	–	–	9,945	–	9,945
Deferred taxation arising on revaluation and change of tax rate	–	–	(4,777)	–	–	–	–	–	(4,777)	–	(4,777)
Expenses incurred in connection with placement	–	(4,630)	–	–	–	–	–	–	(4,630)	–	(4,630)
Net income recognised directly in equity	–	(4,630)	5,168	–	117,026	–	–	–	117,564	–	117,564
Profit for the year	–	–	–	–	–	–	–	61,367	61,367	(2,619)	58,748
Total recognised income and expense for the year	–	(4,630)	5,168	–	117,026	–	–	61,367	178,931	(2,619)	176,312
Issue of shares on											
– Exercise of share options *(note 32)*	12,750	24,616	–	–	–	–	(4,853)	–	32,513	–	32,513
– Placement *(note 32)*	40,000	104,000	–	–	–	–	–	–	144,000	–	144,000
– Conversion of convertible notes *(note 32)*	10,416	20,047	–	–	–	(3,020)	–	–	27,443	–	27,443
Acquisition of additional interests in subsidiaries from minority shareholders	–	–	–	–	–	–	–	–	–	(19,411)	(19,411)
At 31 March 2008	356,936	614,493	56,493	220	148,919	3,020	1,904	445,569	1,627,554	964	1,628,518
At 1 April 2008	356,936	614,493	56,493	220	148,919	3,020	1,904	445,569	1,627,554	964	1,628,518
Loss for the year	–	–	–	–	–	–	–	(3,078,321)	(3,078,321)	–	(3,078,321)
Total recognised income and expense for the year	–	–	–	–	–	–	–	(3,078,321)	(3,078,321)	–	(3,078,321)
Deconsolidation of subsidiaries	–	–	(56,493)	–	(148,919)	–	–	56,493	(148,919)	(964)	(149,883)
At 31 March 2009	356,936	614,493	–	220	–	3,020	1,904	(2,576,259)	(1,599,686)	–	(1,599,686)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Cash flows from operating activities			
(Loss)/profit before tax		**(3,078,321)**	85,880
Adjustments for:			
Depreciation and amortisation of land lease payments		–	56,947
Interest income		–	(9,667)
Gain on sales of available-for-sale financial assets		–	(1,047)
Net loss on disposals of property, plant and equipment		–	166
Loss on disposals of investment properties		–	120
Finance cost		**19,628**	50,292
Share of losses of jointly-controlled entities		–	456
Impairment of property, plant and equipment		–	36,200
Impairment of investments in jointly-controlled entities		–	45,000
Fair value gain on investment properties		–	(41,034)
Fair value gain on derivative financial instruments		**(4,607)**	(4,147)
Impairment on investment costs in the deconsolidated subsidiaries		**116,931**	–
Loss on deconsolidation of subsidiaries		**507,838**	–
Impairment on due from the deconsolidated subsidiaries		**1,269,423**	–
Impairment on other receivables		**38,958**	–
Loss on financial guarantee liabilities		**1,118,325**	–
Amortisation of intangible assets		–	4,465
Operating cash flows before working capital changes		**(11,825)**	223,631
Change in inventories		**23,246**	(58,895)
Change in prepayments, deposits and other receivables		**3,468**	36,870
Change in trade receivables		**(2,295)**	(26,762)
Change in trade and bills payables		–	22,393
Change in accruals and other payables		**7,449**	1,847
Change in due to deconsolidated subsidiaries		**(19,685)**	–
Cash generated from operations		**358**	199,084
Interest paid		–	(44,682)
Interest element on finance leases payments		–	(92)
Tax refund/(paid)		**929**	(27,420)
Net cash generated from operating activities		**1,287**	126,890

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Interest received		–	9,667
Purchase of property, plant and equipment		–	(58,501)
Proceeds from disposal of investment properties		–	5,080
Proceeds from sales/settlement of available-for-sale financial assets		**4,000**	5,102
Acquisition of additional interests in subsidiaries from minority shareholders		–	(80,349)
Deconsolidation of subsidiaries	10	**(442,008)**	–
Increase in prepayments and deposits		–	(602,463)
Net cash used in investing activities		**(438,008)**	(721,464)
Cash flows from financing activities			
Proceeds from issue of shares on placement		–	144,000
Proceeds from issue of convertible notes		–	22,724
Proceeds from issue of shares on exercise of share options		–	32,513
Expenses on placement		–	(4,630)
Drawdown of bank loans		–	175,141
Drawdown of term and syndicated loans		–	234,000
Net drawdown of trust receipt and export loans		–	107,144
Repayment of bank loans		–	(218,080)
Repayment of term and syndicated loans		–	(96,500)
Capital element of finance leases payments		–	(1,279)
Net cash generated from financing activities		–	395,033
Net decrease in cash and cash equivalents		**(436,721)**	(199,541)
Effect of foreign exchange rate changes		–	89,707
Cash and cash equivalents at beginning of year		**439,348**	549,182
Cash and cash equivalents at end of year		**2,627**	439,348
Analysis of cash and cash equivalents			
Bank and cash balances		**2,627**	439,348
		2,627	439,348

1. GENERAL INFORMATION

U-RIGHT International Holdings Limited (Provisional Liquidators Appointed) (the "Company", together with its subsidiaries, the "Group") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 35th Floor, One Pacific Place, 88 Queensway, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 17 September 2008.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41 to these financial statements. The operations of the Group have ceased since January 2009 and the Group's trading of garments business has been carried out through a newly incorporated subsidiary of the Company, U-Right Trading Development Limited, since August 2009.

2. BASIS OF PREPARATION

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately HK$3,078,321,000 for the year ended 31 March 2009 (2008: profit of approximately HK$61,367,000) and as at 31 March 2009 the Group had net current liabilities of approximately HK$1,599,686,000 (2008: net current assets of approximately HK$807,558,000) and net liabilities of approximately HK$1,599,686,000 (2008: net assets of approximately HK$1,628,518,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

As disclosed in note 32 to the financial statements, during the year ended 31 March 2009, an event of default occurred in respect of the convertible notes with liability component totaling approximately HK$65,098,000 as at 31 March 2009 and such amount has become repayable on demand. The liability component of convertible notes, together with the corresponding finance cost, was therefore reclassified as a current liability.

On 6 October 2008, Deutsche Bank A.G., Hong Kong Branch (the "Petitioner") petitioned for the winding-up of the Company as the Company could not meet demands for the repayment of outstanding debts (the "Petition"). Upon the application of the Petitioner, on 6 October 2008, Messrs. LAI Kar Yan Derek and YEUNG Lui Ming, both of Deloitte Touche Tohmatsu, were appointed as joint and several provisional liquidators of the Company (the "Provisional Liquidators") by the High Court of the Hong Kong Special Administrative Region (the "High Court").

On 16 May 2009, the Provisional Liquidators, Advance Lead International Limited (the "Investor"), the Company and an escrow agent, entered into an escrow agreement for the implementation of the restructuring proposal. Pursuant to the escrow agreement, the Provisional Liquidators granted the Investor an exclusive right for a period up to 30 June 2010 to negotiate a legally binding restructuring agreement for the implementation of the restructuring proposal.

The Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited as the financial adviser to the Company for the restructuring of the Group. The Company is in the process of taking the steps necessary to enable it to prepare a viable resumption proposal to be submitted to the Stock Exchange.

2. BASIS OF PREPARATION (continued)

Going concern (continued)

On 30 July 2009, the Stock Exchange issued a letter to place the Company in the second stage of the delisting procedures under Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 14 January 2010, the Provisional Liquidators, the Investor, the Company and the escrow agent, entered into a supplemental escrow agreement. Pursuant to the supplemental escrow agreement, the final restructuring proposal to be formulated shall include, inter alia, (i) a capital restructuring; (ii) a subscription of new shares and convertible bonds of the Company; (iii) a provision of loan facility; and (iv) a creditors' scheme of arrangement.

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

Deconsolidation of subsidiaries

The financial statements have been prepared based on the books and records currently maintained by the Group. However, due to the loss of contact with former directors, the asset freezing orders initiated by creditors and the liquidation of certain subsidiaries, the directors of the Company (the "Directors") considered that the control over the following subsidiaries has been lost from 1 April 2008. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group from 1 April 2008.

U-Right Fashion Limited (In Liquidation)
U-Right Enterprise Limited (In Liquidation)
U-Right (Macau) Limited
U-Right Trading Limited (In Liquidation)
Radix Development Company Limited
New Asia Associates Limited
New Asia Associates (HK) Limited (In Liquidation)
Texcote International Limited
Texcote Technology (International) Limited
Texcote Technology Limited
德高化工科技(深圳)有限公司
Texcote Rights Limited
Texnology Nano (BVI) Limited
Texnology Nano International Limited
Texnology Nano Textile (China) Limited (In Liquidation)
Foshan U-Right Nano Textile Limited*（佛山市佑威納米紡織有限公司）
Nanchang Texnology Nano Textile Limited*（南昌市德科納米紡織有限公司）
Jiangsu Texnology Nano Textile Limited*（江蘇德科納米紡織有限公司）
Lakeyre Holdings Limited
Noble Rise Limited
PEZZX (HK) Co Ltd
Uni-Capital Limited (In Liquidation)
U-Right International Limited (In Liquidation)
Sky Fox Investment Limited (In Liquidation)
Eternal Plan Limited
艾博特服飾商貿（上海）有限公司

2. BASIS OF PREPARATION (continued)

Deconsolidation of subsidiaries (continued)

Foshan U-Right Garment Co., Ltd.*（佛山市佑威服裝有限公司）
霈熙服裝商貿（上海）有限公司
U-Right (HK) Limited (In Liquidation)
U-Right Macau Commercial Offshore Limited
U-Right Investments (China) Limited
領瀚投資管理諮詢（上海）有限公司

U-Right Garments Limited (In Liquidation), a subsidiary of the Group was placed into creditors' voluntary liquidation on 21 January 2009, the Directors considered that the control over this subsidiary has been lost since then. The results, assets and liabilities and cash flows of this subsidiary were deconsolidated from the financial statements of the Group from 21 January 2009.

* *For identification purposes only*

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2008. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain land and buildings, investment properties, available-for-sale financial assets and derivative financial instruments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March 2009. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company 's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– 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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Land and buildings comprise mainly factories and offices. Land and buildings are carried at fair values less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Revaluation increases of land and buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the property revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against property revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Medium term leasehold land and buildings	Over the lease terms
Leasehold improvements	5 years
Machinery and equipment	3 to 4 years
Furniture, fixtures and motor vehicles	4 to 5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. 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.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset 's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments (continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are included in the income statement.

Impairment losses recognised in income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and

– the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

Convertible notes

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible notes (continued)

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees ’ basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is related to the Group if:

a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

b) the party is an associate;

c) the party is a joint venture;

d) the party is a member of the key management personnel of the Company or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on terms mutually agreed between the segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill, inventories, receivables, investments and investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 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 is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

a) Going concern basis

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

b) Deconsolidation of subsidiaries

The financial statements have been prepared based on the books and records maintained by the Group. However, the Directors considered that the control over the certain subsidiaries has been lost since 1 April 2008 and 21 January 2009 respectively. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

a) Financial guarantee liabilities

The determination of the financial guarantee liabilities involves management's estimation. The Group assesses the probability and magnitude of the outflow of resources embodying economic benefits will be required to settle the obligations and if the expectation differs from the original estimate, such a difference may impact the carrying amount of the financial guarantee liabilities as at 31 March 2009.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 March 2009 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group's credit risk is primarily attributable to its available-for-sale financial assets and bank balances. In order to minimise credit risk, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable receivable. In this regard, management considers that the Group's credit risk is significantly reduced.

At 31 March 2009, the Group has certain concentration of credit risk.

c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

d) Interest rate risk

At 31 March 2009, the Group did not have significant interest rate risk.

e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

7. TURNOVER

	2009	2008
	HK$'000	*HK$'000*
Sales of goods	**124,377**	1,970,133
Processing income	–	109,579
	124,377	2,079,712

8. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Gross rental income	–	1,495
Interest income	–	9,667
Fair value gain on investment properties	–	41,034
Fair value gain on derivative financial instruments	**4,607**	4,147
Gain on sales of available-for-sale financial assets	–	1,047
Others	**77**	5,213
	4,684	62,603

9. SEGMENT INFORMATION

Primary reporting format – geographical segments

During the year ended 31 March 2009, all of the Group's revenue are derived from customers and operations based in Hong Kong and accordingly, no analysis of the Group's geographical segments is disclosed. The Group's geographical segments analysis for the year ended 31 March 2008 is as below:

	Hong Kong	PRC	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	289,934	1,789,778	–	2,079,712
Inter-segment sales	2,323	118,654	(120,977)	–
Total revenue	292,257	1,908,432	(120,977)	2,079,712
Segment results	(8,394)	257,772	–	249,378
Unallocated expenses				(31,550)
Profit from operations				217,828
Finance cost				(50,592)
Share of losses of jointly-controlled entities				(456)
Impairment of investments in jointly-controlled entities				(45,000)
Impairment of property, plant and equipment				(36,200)
Profit before tax				85,580
Segment assets	320,677	2,258,422	–	2,579,099
Investments in jointly-controlled entities				4,449
Unallocated assets				226,849
Total assets				2,810,397
Segment liabilities	23,232	174,003	–	197,235
Unallocated liabilities				984,644
Total liabilities				1,181,879
Other segment information:				
Amortisation of intangible assets	–	4,465	–	4,465
Capital expenditure	44,275	14,226	–	58,501
Depreciation	20,979	33,775	–	54,754
Impairment of property, plant and equipment	–	36,200	–	36,200

9. SEGMENT INFORMATION (continued)

Secondary reporting format – business segments

For the year ended 31 March 2009, no segment analysis by business segment is presented as the Group principally operates in one business segment, which is the fashion garments business. The Group's business segments analysis for the year ended 31 March 2008 is as below:

	Fashion garments business	**Texnology Nano business**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue:			
Sales to external customers	1,597,944	481,768	2,079,712
Segment assets	2,301,759	277,340	2,579,099
Capital expenditure	55,522	2,979	58,501

10. LOSS ON DECONSOLIDATION OF THE SUBSIDIARIES AND IMPAIRMENT ON INVESTMENT COSTS AND DUE FROM DECONSOLIDATED SUBSIDIARIES

	2009	2008
	HK$'000	*HK$'000*
Loss on deconsolidation of subsidiaries *(note a)*	**507,838**	–
Impairment on investment costs in the deconsolidated subsidiaries	**116,931**	–
Impairment on due from the deconsolidated subsidiaries	**1,269,423**	–
	1,894,192	–

a) *Loss on deconsolidation of subsidiaries*

As disclosed in note 2 to the financial statements, the Directors considered that the control over certain subsidiaries had been lost since 1 April 2008. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group from 1 April 2008.

U-Right Garments Limited (In Liquidation), a subsidiary of the Group was placed into creditors' voluntary liquidation on 21 January 2009, the Directors considered that the control over this subsidiary had been lost since then. The results, assets and liabilities and cash flows of this subsidiary were deconsolidated from the financial statements of the Group from 21 January 2009.

10. LOSS ON DECONSOLIDATION OF THE SUBSIDIARIES AND IMPAIRMENT ON INVESTMENT COSTS AND DUE FROM DECONSOLIDATED SUBSIDIARIES (continued)

a) Loss on deconsolidation of subsidiaries (continued)

Net assets/(liabilities) of these subsidiaries as at the dates of loss of control were as follows:

	1 April 2008 *HK$'000*	21 January 2009 *HK$'000*	Total *HK$'000*
Property, plant and equipment	405,849	144	405,993
Prepaid lease payments	74,513	–	74,513
Investment properties	105,574	–	105,574
Intangible assets	225,750	–	225,750
Investments in jointly-controlled entities	4,449	–	4,449
Prepayments and deposits – non-current	383,867	–	383,867
Prepayments, deposits and other receivables – current	400,456	36	400,492
Inventories	348,843	–	348,843
Trade receivables	346,312	2,780	349,092
Due to jointly-controlled entities	(122)	–	(122)
Bank and cash balances	438,784	3,224	442,008
Tax recoverable	80	90	170
Trade and bills payables	(153,759)	(6,981)	(160,740)
Accruals and other payables	(31,822)	(6,322)	(38,144)
Current tax liabilities	(13,878)	–	(13,878)
Interest-bearing borrowings	(890,515)	–	(890,515)
Finance leases payables	(220)	–	(220)
Deferred taxation	(29,954)	–	(29,954)
Net amount due to the Group	(822,505)	(10,021)	(832,526)
Net assets/(liabilities) deconsolidated	791,702	(17,050)	774,652
Release of foreign currency translation reserve	(148,919)	–	(148,919)
Minority interests	(964)	–	(964)
Investment costs	(106,931)	(10,000)	(116,931)
Loss/(gain) on deconsolidation of subsidiaries	534,888	(27,050)	507,838
Net cash outflow arising on deconsolidation of subsidiaries:			
Cash and cash equivalents of subsidiaries deconsolidated	(438,784)	(3,224)	(442,008)

11. OTHER LOSSES

	2009	2008
	HK$'000	*HK$'000*
Impairment on other receivables	**38,958**	–
Loss on financial guarantee liabilities	**1,118,325**	–
	1,157,283	–

12. FINANCE COST

	2009	2008
	HK$'000	*HK$'000*
Interest expenses on:		
Bank loans and overdrafts	**–**	44,682
Convertible notes wholly repayable within 5 years	**19,628**	5,518
Finance leases	**–**	92
	19,628	50,292

13. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
Provision for the year	**–**	15,000
Over-provision in prior years	**–**	(404)
Current tax – Overseas		
Provision for the year	**–**	11,043
Under-provision in prior years	**–**	1,093
Deferred tax	**–**	400
Income tax expense	**–**	27,132

No provision for Hong Kong profits tax has been made for the year ended 31 March 2009 as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 March 2008.

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

13. INCOME TAX EXPENSE (continued)

The reconciliation between the income tax expense and the (loss)/profit before tax is as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(3,078,321)**	85,880
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**(507,923)**	15,029
Tax effect of income that is not taxable and expenses that are not deductible	**–**	(19,560)
Tax effect of expenses that are not deductible	**507,923**	21,191
Temporary differences not recognised	**–**	195
Tax effect on losses on jointly-controlled entities	**–**	80
Tax effect of utilisation of tax losses not previously recognised	**–**	(567)
Tax effect of unused tax losses not recognised	**–**	4,003
Under-provision of taxation charges	**–**	689
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	6,072
	–	27,132

14. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging/(crediting) the following:

	2009	2008
	HK$'000	*HK$'000*
Staff costs (excluding directors' remuneration – note 15)		
Salaries, bonus and allowances	**–**	85,986
Retirement benefits scheme contributions	**–**	2,664
	–	88,650
Auditor's remuneration		
Current year	**380**	1,450
Under-provision in prior year	**–**	180
	380	1,630
Cost of inventories sold	**52,241**	1,627,420
Net loss on disposals of property, plant and equipment	**–**	166
Loss on disposals of investment properties	**–**	120
Depreciation	**–**	54,754
Fair value gain on investment properties	**–**	(41,034)
Research and development expenditure	**–**	10,730
Minimum lease payments under operating leases in respect of land and buildings	**–**	85,256

15. DIRECTORS' EMOLUMENTS

The emoluments of each Director were as follows:

	Fee	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of Director						
Mr. Leung Ngok (b)	–	**1,337**	–	–	**12**	**1,349**
Mr. Leung Shing (c)	–	**622**	–	–	**12**	**634**
Mr. Leung Siu Kan, Stephen (d)	–	**515**	–	–	**12**	**527**
Mr. Jia Luqiao (e)	**71**	–	–	–	–	**71**
Mr. Wong Kai Cheong (f)	**55**	–	–	–	–	**55**
Mr. Yang Dong Hui (e)	**71**	–	–	–	–	**71**
Mr. Chung Wai Man (g)	**38**	–	–	–	–	**38**
Mr. Mak Ka Wing, Patrick (g)	**38**	–	–	–	–	**38**
Total for 2009	**273**	**2,474**	–	–	**36**	**2,783**

	Fee	Salaries and allowances	Discretionary bonus	Share-based payments	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Name of Director						
Mr. Leung Ngok (b)	–	1,356	–	–	12	1,368
Mr. Leung Shing (c)	–	735	–	–	12	747
Mr. Leung Siu Kan, Stephen (d)	–	625	–	–	12	637
Mr. Jia Luqiao (e)	123	–	–	–	–	123
Mr. Wong Kong Hon (a)	30	–	–	–	–	30
Mr. Wong Kai Cheong (f)	120	–	–	–	–	120
Mr. Yang Dong Hui (e)	123	–	–	–	–	123
Total for 2008	396	2,716	–	–	36	3,148

a) Passed away on 6 July 2007
b) Resigned on 12 November 2008
c) Resigned on 8 October 2008
d) Resigned on 16 January 2009
e) Resigned on 7 October 2008
f) Resigned on 17 September 2008
g) Appointed on 15 January 2009

15. DIRECTORS' EMOLUMENTS (continued)

The five highest paid individuals in the Group during the year included 5 (2008: 3) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining nil (2008: 2) individuals are set out below:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries and allowances	–	1,915
Discretionary bonus	–	–
Retirement benefit scheme contributions	–	24
	–	1,939

The emoluments fell with in the following band:

	Number of individuals	
	2009	2008
Nil – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	–	1
	–	2

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of key executives are determined with regard to the performance of individuals and prevailing market conditions.

16. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK$3,078,321,000 (2008: profit attributable to equity holders of the Company of approximately HK$61,367,000) and the weighted average number of ordinary shares of 3,569,364,916 (2008: 3,391,666,113) in issue during the year.

Diluted (loss)/earnings per share

No diluted loss per share for the year ended 31 March 2009 is presented as the Company did not have any dilutive potential ordinary sharing during the year in respect of the warrants and share options and the effects of all convertible notes are anti–dilutive for the year ended 31 March 2009.

The calculation of diluted earning per share for the year ended 31 March 2008 attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$61,367,000 and the weighted average number of ordinary shares of 3,412,739,622, being the weighted average number of ordinary shares of 3,391,666,113 in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 21,073,509 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

17. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 March 2009 (2008: nil).

18. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold buildings	Medium term leasehold land and buildings	Construction in progress	Leasehold improvements	Machinery and equipment	Furniture, fixtures and motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1 April 2007	83,304	94,295	43,754	110,845	225,140	20,091	577,429
Additions	–	–	1,302	52,071	2,575	2,553	58,501
Transfers	–	8,873	(8,873)	–	–	–	–
Transfer to investment properties	(28,205)	–	–	–	–	–	(28,205)
Exchange difference	3,738	8,033	4,375	3,961	11,207	1,095	32,409
Disposals	–	–	–	(499)	–	(450)	(949)
Adjustment on revaluation	(2,051)	8,528	–	–	–	–	6,477
At 31 March 2008 and 1 April 2008	56,786	119,729	40,558	166,378	238,922	23,289	645,662
Deconsolidation of subsidiaries	(56,786)	(119,729)	(40,558)	(166,378)	(238,922)	(23,289)	(645,662)
At 31 March 2009	–	–	–	–	–	–	–
Accumulated depreciation and impairment							
At 1 April 2007	–	–	–	49,600	79,942	17,196	146,738
Charge for the year	2,051	1,417	–	25,292	24,508	1,486	54,754
Impairment loss	–	–	–	–	36,200	–	36,200
Exchange difference	–	–	–	2,053	3,189	986	6,228
Disposals	–	–	–	(333)	–	(450)	(783)
Adjustment on revaluation	(2,051)	(1,417)	–	–	–	–	(3,468)
At 31 March 2008 and 1 April 2008	–	–	–	76,612	143,839	19,218	239,669
Charge for the year	–	–	–	–	–	–	
Written back on deconsolidation of subsidiaries	–	–	–	(76,612)	(143,839)	(19,218)	(239,669)
At 31 March 2009	–	–	–	–	–	–	–
Carrying amounts							
At 31 March 2009	–	–	–	–	–	–	–
At 31 March 2008	56,786	119,729	40,558	89,766	95,083	4,071	405,993

The analysis of the cost or valuation at 31 March 2008 of the above assets is as follows:

At cost	–	–	40,558	166,378	238,922	23,289	469,147
At valuation	56,786	119,729	–	–	–	–	176,515
	56,786	119,729	40,558	166,378	238,922	23,289	645,662

19. PREPAID LEASE PAYMENTS

	HK$'000
Cost	
At 1 April 2007	92,641
Transfer to investment properties	(13,720)
Exchange difference	319
At 31 March 2008 and 1 April 2008	79,240
Deconsolidation of subsidiaries	(79,240)
At 31 March 2009	–
Accumulated amortisation	
At 1 April 2007	3,172
Charge for the year	2,193
Transfer to investment properties	(638)
At 31 March 2008 and 1 April 2008	4,727
Deconsolidation of subsidiaries	(4,727)
At 31 March 2009	–
Carrying amount	
At 31 March 2009	–
At 31 March 2008	74,513

	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Non-current asset	–	72,639
Current asset	–	1,874
	–	74,513

20. INVESTMENT PROPERTIES

	HK$'000
At 1 April 2007	28,453
Disposals	(5,200)
Fair value gains	41,034
Transfer from property, plant and equipment	28,205
Transfer from prepaid land lease payments	13,082
At 31 March 2008 and 1 April 2008	105,574
Deconsolidation of subsidiaries	(105,574)
At 31 March 2009	–

21. INTANGIBLE ASSETS

	Technical know-how HK$'000	Goodwill HK$'000	Total HK$'000
Cost			
At 1 April 2007	20,289	168,100	188,389
Additions	–	60,938	60,938
Exchange difference	2,031	–	2,031
At 31 March 2008 and 1 April 2008	22,320	229,038	251,358
Deconsolidation of subsidiaries	(22,320)	(229,038)	(251,358)
At 31 March 2009	–	–	–
Accumulated amortisation and impairment losses			
At 1 April 2007	10,132	9,998	20,130
Amortisation for the year	4,465	–	4,465
Exchange difference	1,013	–	1,013
At 31 March 2008 and 1 April 2008	15,610	9,998	25,608
Deconsolidation of subsidiaries	(15,610)	(9,998)	(25,608)
At 31 March 2009	–	–	–
Carrying amount			
At 31 March 2009	–	–	–
At 31 March 2008	6,710	219,040	225,750

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	2009 ***HK$'000***	2008 *HK$'000*
Share of net assets	**–**	13,183
Goodwill	**–**	55,947
Impairment losses	**–**	(64,681)
	–	4,449

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the Group's principal jointly-controlled entities at 31 March 2008 are as follows:

Company	Place of incorporation/ registration	Percentage of ownership interest/ profit sharing Direct	Indirect	Principal activities
Texcote International Limited	British Virgin Islands	–	46%	Licensing of proprietary rights over a Swedish Texcote Technology
Texcote Technology (International) Limited	Hong Kong	–	46%	Investment holding
Texcote Chemical (Shenzhen) Company Limited (德高化工科技(深圳)有限公司)	PRC	–	46%	Trading of nano processing materials
Hong Kong Green Nature Environmental Engineering Limited	Hong Kong	–	30%	Environmental protection projects

The amounts due to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009	2008
	HK$'000	*HK$'000*
At beginning of year	**8,000**	32,953
Disposals/settlement	**(4,000)**	(24,953)
At end of year	**4,000**	8,000

The fair value of the unlisted securities is determined by reference to the agreed amount at disposal subsequent to year end.

	2009	2008
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Non-current asset	**–**	8,000
Current asset	**4,000**	–
	4,000	8,000

24. PREPAYMENTS AND DEPOSITS

	2009	2008
	HK$'000	*HK$'000*
Prepayments/deposits for projects development	–	325,746
Deposits for purchase of machinery and equipment	–	42,641
Rental deposits	–	15,480
	–	383,867

25. INVENTORIES

	2009	2008
	HK$'000	*HK$'000*
Raw materials	–	272,857
Finished goods	–	99,232
	–	372,089

26. TRADE RECEIVABLES

Other than cash and credit card sales, invoices are normally payable within 30 days of issuance, except for certain well-established customers where the terms are extended up to 90 days. Trade receivables are recognised and carried at their original invoiced amounts less allowance for impairment when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An aging analysis of the trade receivables as at the balance sheet date, based on invoice dates, is as follows:

	2009	2008
	HK$'000	*HK$'000*
30 days or less	–	113,132
31 days to 60 days	–	82,904
61 days to 90 days	–	51,366
91 days to 120 days	–	80,733
121 days to 150 days	–	6,585
Over 150 days	–	12,077
	–	346,797

27. INTEREST-BEARING BORROWINGS

	2009	2008
	HK$'000	*HK$'000*
Bank loans	–	130,959
Export loans	–	29,677
Trust receipt loans	–	266,379
Term and syndicated loans	–	463,500
	–	890,515
The borrowings are repayable as follows:		
On demand or within one year	–	580,789
In the second year	–	12,088
In the third to fifth years, inclusive	–	257,781
More than five years	–	39,857
	–	890,515
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(580,789)
Amount due for settlement after 12 months	–	309,726

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
HK$	–	517,581
RMB	–	12,100
US$	–	360,834
	–	890,515

At 31 March 2008 the Group's banking facilities were secured by partly/all of (i) corporate guarantees of the Company; (ii) joint and several corporate guarantees provided by the Group's subsidiaries; and (iii) charge over certain leasehold land and buildings, prepaid land lease payments and investment properties of the Group.

27. INTEREST-BEARING BORROWINGS (continued)

The effective interest rates at 31 March 2008 were as follows:

Bank loans	
– floating rate (HK$19,099,000)	Prime rate minus 1%
– floating rate (HK$12,100,000)	RMB Benchmark Interest Rate
– floating rate (remaining)	HIBOR plus 0.975% to 1.5%
Export loans	
– floating rate	HIBOR plus 1% to 2.25%
Trust receipt loans	
– floating rate	HIBOR plus 1% to 2.25%
Term and syndicated loans	
– floating rate as per most recent rate fixing (HK$234,000,000)	2.96%
– floating rate (remaining)	HIBOR plus 1%

As disclosed in note 10 to the financial statements, the bank loans stated above were deconsolidated from the financial statements of the Group on 1 April 2008. However, since the Company provides corporate guarantees for all the bank loans, the Company is therefore liable to financial guarantee liabilities of approximately HK$1,118,325,000.

28. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the balance sheet date, based on invoice dates, is as follows:

	2009	2008
	HK$'000	*HK$'000*
30 days or less	–	75,155
31 days to 60 days	–	43,510
61 days to 180 days	–	42,075
	–	160,740

29. FINANCE LEASES PAYABLES

At 31 March 2009, the total future minimum lease payments under finance leases and their present values are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	–	73	–	58
In the second to fifth years, inclusive	–	177	–	162
Total minimum finance lease payments	–	250	–	220
Future finance charges	–	(30)		
Total net finance lease payables	–	220		
Portion classified as current liabilities	–	(58)		
Non-current portion	–	162		

30. DERIVATIVE FINANCIAL INSTRUMENTS

	Derivative components of convertible notes	Warrants	Total
	HK$'000	*HK$'000* *(note a)*	*HK$'000*
At date of issue	8,754	-	8,754
Fair value (gain)/loss	(7,039)	2,892	(4,147)
At 31 March 2008	1,715	2,892	4,607
Fair value gain	(1,715)	(2,892)	(4,607)
At 31 March 2009	–	–	–

a) On 16 November 2007, the Company and the subscriber entered into the subscription agreement in respect of the placement of 151,685,393 warrants of the Company at an initial conversion price of HK$0.356 per share subject to adjustments upon occurrence of certain events. The subscription period is for three years from the date of issue of the warrants.

31. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised by the Group.

	Accelerated tax depreciation	Revaluation surplus on land and buildings	Revaluation surplus on investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	14,777	10,000	–	24,777
Charge to equity for the year	–	4,777	–	4,777
(Credit)/charge to income statement	(7,600)	–	8,000	400
At 31 March 2008 and 1 April 2008	7,177	14,777	8,000	29,954
Deconsolidation of subsidiaries	(7,177)	(14,777)	(8,000)	(29,954)
At 31 March 2009	–	–	–	–

32. CONVERTIBLE NOTES

Pursuant to a subscription agreement dated 5 October 2006, the Company issued zero coupon convertible notes with principal value of HK$60,000,000 on 19 October 2006 ("CN1"). The holders of CN1 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.288 each, subject to adjustments, at any time between the date of issue of CN1 and 19 October 2011. Any convertible notes not converted before 19 October 2011 will be redeemed at 137.69 per cent of its principal amount on 19 October 2011. During the year ended 31 March 2008, part of the CN1 with principal value of HK$30,000,000 have been converted into ordinary shares of the Company. The following are the major deferred tax liabilities recognised by the Group.

Pursuant to a subscription agreement dated 23 October 2007, the Company issued convertible notes with principal value of HK$24,000,000 on 16 November 2007 ("CN2"). The holders of CN2 are entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$0.341 each, subject to adjustments, at any time between 16 November 2007 and 15 November 2010. Any convertible notes not converted before 16 November 2010 will be redeemed at 135.00 per cent of its principal amount on 15 November 2010. CN2 bears interests at HIBOR plus 1% per annum payable semi-annually until their settlement date.

During the year ended 31 March 2009, an event of default occurred in respect of the convertible notes with liability component totaling approximately HK$65,098,000 as at 31 March 2009 and such amounts have become repayable on demand. The liability component of convertible notes, together with the corresponding finance cost, was therefore reclassified as a current liability.

32. CONVERTIBLE NOTES (continued)

The net proceeds received from the issues of CN1 and CN2 have been split between the liability component, derivative component and equity component as follows:

	CN1	**CN2**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Nominal values of convertible notes issued	60,000	24,000	84,000
Transaction costs	(2,944)	(1,276)	(4,220)
Equity component	(6,040)	–	(6,040)
Derivative component	–	(8,754)	(8,754)
Liability component at date of issue	51,016	13,970	64,986
Liability component at date of issue	51,016	–	51,016
Interest charged	2,409	–	2,409
Liability component at 31 March 2007	53,425	–	53,425
Liability component at date of issue	–	13,970	13,970
Interest charged	3,420	2,098	5,518
Conversion into shares	(27,443)	–	(27,443)
Liability component at 31 March 2008	29,402	16,068	45,470
Interest charged	5,696	13,932	19,628
Liability component at 31 March 2009	35,098	30,000	65,098

The interest charged for the year ended 31 March 2009 for CN1 and CN2 are calculated with reference to the terms of the convertible notes and taking into consideration that the convertible notes were in default. The interest charged for the year ended 31 March 2008 for CN1 and CN2 are calculated by applying effective interest rates of 10.04% and 28.53% respectively to the liability components since the loan notes were issued.

33. SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'000*
Authorized:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid:		
3,569,364,916 ordinary shares of HK$0.10 each	**356,936**	356,936

33. SHARE CAPITAL (continued)

The following is a summary of the above movements in the issued share capital:

	Number of Shares issued	Par value
		HK$'000
At 1 April 2007	2,937,698,250	293,770
Share issued on exercise of share options *(Note a)*	127,500,000	12,750
Share issued on placement *(Note b)*	400,000,000	40,000
Share issued on conversion of convertible notes *(Note c)*	104,166,666	10,416
At 31 March 2008 and 31 March 2009	3,569,364,916	356,936

a) During the year ended 31 March 2008, the Company issued 127,500,000 ordinary shares of HK$0.10 each in relation to the exercise of the share options at an exercise price of HK$0.255 per share. The difference between the issue price and par value totalling approximately HK$19,763,000 was credited to share premium. In addition, the portion of share based compensation reserve in relation to the exercise of the share options exercised during the year of approximately HK$4,853,000 was transferred to the Company's share premium account.

b) On 13 June 2007, the Company and a placing agent entered into a placing agreement in respect of the placement of 400,000,000 ordinary shares of HK$0.10 each to independent investors at a price of HK$0.36 per share. The placement completed on 25 June 2007 and the premium on the issue of shares, amounting to approximately HK$99,370,000 net of share issue expenses, was credited to the Company's share premium account.

c) On 12 July 2007, convertible notes with total nominal value of HK$30,000,000 were converted into ordinary shares of the Company. The conversion was conducted on conversion price of HK$0.288 per ordinary shares of the Company. Totally 104,166,666 new ordinary shares of HK$0.1 each were issued as a result of the conversion.

d) **Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 31 March 2008.

34. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The share option scheme of the Company (the "Scheme") was adopted at the special general meeting of the Company on 9 July 2002 for the purpose of providing incentives or rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for 10 years from 17 July 2002.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options granted and to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 31 August 2007 (i.e. not exceeding 351,191,691 shares of the Company). Share options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The Company may seek approval of the shareholders in the general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

34. SHARE-BASED PAYMENTS (continued)

Equity-settled share option scheme (continued)

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the offer of the share options which must be trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

At 31 March 2009, the total number of the Company's shares currently available for issue under the Scheme is 351,191,691 (2008: 351,191,691), representing 9.8% (2008: 9.8%) of the issued share capital of the Company shares after the refreshment of the scheme mandate limit.

Details of the movements of the outstanding share options granted under the Scheme during the year are summarised as follows:

	2009		2008	
	Number of share options	**Weighted average exercise price** *HK$*	Number of share options	Weighted average exercise price *HK$*
Outstanding at the beginning of the year	**50,000,000**	**0.255**	177,500,000	0.255
Exercised during the year	–		(127,500,000)	0.255
Lapsed during the year	**(50,000,000)**		–	
Outstanding at the end of the year	–		50,000,000	0.255
Exercisable at the end of the year	–		50,000,000	0.255

35. BALANCE SHEET OF THE COMPANY AND RESERVES

a) Balance sheet of the Company

	2009	2008
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	–	81,310
Current assets		
Prepayments, deposits and other receivables	–	449
Amounts due from subsidiaries	–	1,257,385
Bank balances	**2,627**	467
	2,627	1,258,301
Current liabilities		
Accruals and other payables	**5,645**	2,138
Due to subsidiaries	–	265,860
Due to deconsolidated subsidiaries	**269,078**	–
Financial guarantee liabilities	**1,118,325**	–
Derivative financial instruments	–	4,607
Convertible notes	**65,098**	–
	1,458,146	272,605
Net current (liabilities)/assets	**(1,455,519)**	985,696
Total assets less current liabilities	**(1,455,519)**	1,067,006
Non-current liabilities		
Convertible notes	–	45,470
NET (LIABILITIES)/ASSETS	**(1,455,519)**	1,021,536
Capital and reserves		
Share capital	**356,936**	356,936
Reserves	**(1,812,455)**	664,600
TOTAL EQUITY	**(1,455,519)**	1,021,536

35. BALANCE SHEET OF THE COMPANY AND RESERVES (continued)

b) Reserves of the Company

	Share premium	Contributed surplus	Capital reserve	Share-based compensation reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	470,460	40,358	6,040	6,757	1,012	524,627
Issue of shares on						
– Exercise of share options	24,616	–	–	(4,853)	–	19,763
– Placement	104,000	–	–	–	–	104,000
– Conversion of convertible notes	20,047	–	(3,020)	–	–	17,027
Expenses incurred in connection with placement	(4,630)	–	–	–	–	(4,630)
Profit for the year	–	–	–	–	3,813	3,813
At 31 March 2008	614,493	40,358	3,020	1,904	4,825	664,600
At 1 April 2008	614,493	40,358	3,020	1,904	4,825	664,600
Loss for the year	–	–	–	–	(2,477,055)	(2,477,055)
At 31 March 2009	614,493	40,358	3,020	1,904	(2,472,230)	(1,812,455)

c) Nature and purpose of reserves of the Group

(i) Share premium account

The application of the share premium account is governed by the Companies Act of Bermuda.

(ii) Statutory reserve

In accordance with the relevant regulations of the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer a certain percentage of the profit after tax, if any, to a statutory reserve. Subject to certain restrictions as set out in the relevant regulations, the statutory reserve may be used to offset the accumulated losses, if any, of the subsidiaries.

(iii) Capital reserve

The capital reserve represents the unexercised equity component of convertible notes issued by the Group recognised in accordance with the accounting policy adopted for convertible notes in note 4 to the financial statements.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for land and buildings in note 4 to the financial statements.

35. BALANCE SHEET OF THE COMPANY AND RESERVES (continued)

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

(vi) Share-based compensation reserve

Share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to certain directors, employees and a supplier of the Group recognised in accordance with the accounting policy adopted for share-based compensation reserve in note 4 to the financial statements.

36. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2008, the Group sold the available-for-sale financial assets with total consideration of HK$26,000,000 in which HK$20,898,000 was not yet received and included in prepayments, deposits and other receivables.

37. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at the balance sheet date.

38. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	2009	2008
	HK$'000	*HK$'000*
Capital commitments contracted but not provided for in respect of		
– purchase of machinery and equipment	–	62,233
	–	62,233

39. RELATED PARTY TRANSACTIONS

	2009	2008
	HK$'000	*HK$'000*
Rental expenses to Mr. Leung Ngok and Mr. Leung Shing for properties jointly owned by them	–	84
Rental expenses to Mr. Leung Shing	–	180
Rental expenses to Miss Yim Yuk Lam (spouse of Mr. Leung Ngok)	–	600
Purchases from a jointly-controlled entity	–	2,345
Licensing fee paid to a jointly-controlled entity	–	2,000

40. EVENTS AFTER THE BALANCE SHEET DATE

On 16 May 2009, the Provisional Liquidators, the Investor, the Company and an escrow agent, entered into an escrow agreement for the implementation of the restructuring proposal. Pursuant to the escrow agreement, the Provisional Liquidators granted the Investor an exclusive right for a period up to 30 June 2010 to negotiate a legally binding restructuring agreement for the implementation of the restructuring proposal.

The Provisional Liquidators have appointed Asian Capital (Corporate Finance) Limited as the financial advisor to the Company regarding the restructuring of the Group. The Company is in the process of taking the steps necessary to enable it to prepare a viable resumption proposal to be submitted to the Stock Exchange.

On 30 July 2009, the Stock Exchange issued a letter to place the Company in the second stage of the delisting procedures under Practice Note 17 of the Listing Rules after taking into consideration that the Company had not submitted any resumption proposal to the Stock Exchange before 20 July 2009 and it did not have an operation in compliance with Rule 13.24 of the Listing Rules as of the date of the letter. The Company is required to submit a viable resumption proposal on or before 29 January 2010.

On 7 August 2009, the Directors appointed ANDA CPA Limited as the new auditors of the Company pursuant to Clause 157 of bye-laws of the Company.

On 9 November 2009, the High Court of Hong Kong ordered that the Petition be further adjourned to 10 May 2010.

On 14 January 2010, the Provisional Liquidators, the Investor, the Company and the escrow agent, entered into a supplemental escrow agreement. Pursuant to the supplemental escrow agreement, the final restructuring proposal to be formulated shall include, inter alia, (i) the capital restructuring; (ii) the subscription of new shares and convertible bonds of the Company; (iii) the provision of loan facility; and (iv) the creditors' scheme of arrangement.

41. PARTICULARS OF THE SUBSIDIARY OF THE COMPANY

Name	Place of incorporation/ registration	Issued and paid-up capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			Direct	Indirect	
Lucky Formosa International Group Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	100%	–	Investment holding

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 3 February 2010.

FIVE YEARS FINANCIAL SUMMARY

The following table summarises the results, and the assets and liabilities of the Group for each of five years ended 31 March:

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	913,844	1,343,852	1,774,007	2,079,712	**124,377**
Profit/(loss) before tax	118,973	138,467	158,063	85,880	**(3,078,321)**
Income tax expense	(11,709)	(17,628)	(23,765)	(27,132)	–
Profit/(loss) for the year	107,264	120,839	134,298	58,748	**(3,078,321)**
Attributable to:					
Equity holders of the Company	95,985	103,406	123,092	61,367	**(3,078,321)**
Minority interests	11,279	17,433	11,206	(2,619)	–
	107,264	120,839	134,298	58,748	**(3,078,321)**

	As at 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Non-current assets	488,819	688,226	857,656	1,206,272	–
Current assets	734,271	1,109,604	1,365,798	1,604,125	**6,627**
Current liabilities	(285,178)	(390,885)	(688,941)	(796,567)	**(1,606,313)**
Non-current liabilities	(209,737)	(359,262)	(266,852)	(385,312)	–
Net assets/(liabilities)	728,175	1,047,683	1,267,661	1,628,518	**(1,599,686)**
Attributable to:					
Equity holders of the Company	720,820	1,026,095	1,244,667	1,627,554	**(1,599,686)**
Minority interests	7,355	21,588	22,994	964	–
Total equity	728,175	1,047,683	1,267,661	1,628,518	**(1,599,686)**