# 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 2011

* *for identification purposes only*

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Executive Directors:*

TANG Kwok Hung
NG Cheuk Fan Keith

*Independent Non-executive Directors:*

CHUNG Wai Man
MAK Ka Wing Patrick
CHAN Chi Yuen

## COMPANY SECRETARY

NG Cheuk Fan Keith

## AUDIT COMMITTEE MEMBERS

CHAN Chi Yuen *(Committee Chairman)*
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 (the "Directors") of U-RIGHT International Holdings Limited (Provisional Liquidators Appointed) (the "Company") are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are wholesale and retail of fashion garments and trading of garment materials.

## RESULTS AND APPROPRIATIONS

For the year ended 31 March 2011, the Group's revenue was approximately HK$331.08 million (2010: approximately HK$92.31 million), representing a significant increase of approximately 258.66% from the last financial year. The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 25.

The consolidated profit attributable to owners of the Company and non-controlling interests amounted to approximately HK$2.44 million for the year ended 31 March 2011 (2010: loss of approximately HK$0.59 million). Earning per share was approximately 0.05 HK cents as compared with loss per share of approximately 0.02 HK cents for the preceding year.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: nil).

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 31 March 2011 was approximately HK$14.80 million (2010: approximately HK$3.37 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 2010 and 2011 is not applicable as the Group had net liabilities.

## CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 25, 27 and 28 to the financial statements.

## FOREIGN CURRENCY EXPOSURE

Most of the Group's transactions were denominated in Hong Kong Dollars, Renminbi and US Dollars. Given that the exchange rate of Hong Kong Dollars against Renminbi has been and is likely to remain stable, and the Hong Kong government's policy of linking the Hong Kong Dollars to the US Dollars remains in effect, the Directors consider that the Group's risk on foreign exchange will remain minimal and no hedging or other alternative measures have been adopted by the Group. As at 31 March 2011, the Group had no significant risk exposure in regard to foreign exchange contracts, interest rates, currency swaps, or other financial derivatives.

## 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" and each referred to as "Petition") to the High Court (the "High Court") of the Hong Kong Special Administrative Region ("Hong Kong") for the winding up of each of the Company and Uni-Capital Limited (In Liquidation) ("Uni-Capital"), an indirectly 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 Group, to close or cease or operate all or any part of the business operations of the Group, 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.

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 personnel as the Provisional Liquidators gradually replaced the management team, the total revenue achieved by the Group according to the financial statements of the Group for the year ended 31 March 2011 was approximately HK$331.08 million.

The hearing of the Petition against the Company was originally scheduled on 10 December 2008 and the High Court adjourned the hearing of the Petition against the Company to 26 September 2011. A winding up order against Uni-Capital was granted by the High Court on 9 November 2009.

## RESTRUCTURING OF THE GROUP

On 16 May 2009, the Provisional Liquidators, Advance Lead International Limited (the "Investor"), the Company and an escrow agent entered into an escrow agreement (as supplemented by the three supplementary agreements and hereinafter collectively referred as the "Escrow Agreement" unless otherwise specified) in anticipation of the implementation of the restructuring proposal. Pursuant to the Escrow Agreement, the Provisional Liquidators granted the Investor an exclusivity for a period up to 31 December 2010 by undertaking not to offer to any other party the opportunity to negotiate any terms for the restructuring of the outstanding indebtedness and/or share capital of the Company and setting out certain key terms of the debt and capital restructuring of the Company. The exclusivity period was subsequently extended to 31 March 2012 pursuant to the third supplemental agreement to the Escrow Agreement.

On 2 July 2009, UR Group Limited ("UR Group"), a new directly 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 garments trading business has been carried out through URTDL.

On 24 January 2010, URTDL entered into a joint venture contract with 石獅市意利王制衣發展有限公司 (for identification purpose, Shishi City Yiliwang Clothes Development Co., Ltd.) ("Shishi Yiliwang") and 廈門大騰工貿有限公司 (for identification purpose, Xiamen Dateng Industry Trade Limited) ("Xiamen Dateng") (collectively the "Joint Venture Partners") for the establishment of an equity joint venture company, Xiamen U-Right Garment Co. Ltd. ("Xiamen U-Right") and subscribed to the constitution of Xiamen U-Right, all dated 24 January 2010. The Joint Venture Partners have also agreed all the material terms of, and procured Xiamen U-Right to enter into the subcontracting agreement (as further explained below) when Xiamen U-Right was established.

On 11 February 2010, Xiamen U-Right was established. The subcontracting agreement was entered into between Xiamen U-Right and the Joint Venture Partners on the same date delineating the operations, rights, duties and obligations between Xiamen U-Right and the Joint Venture Partners. Xiamen U-Right is principally engaged in the garment retail and trading business and also trading of garment materials.

On 6 August 2010, the Investor entered into secured loan facility arrangements with UR Group and a directly wholly-owned subsidiary of the Company, Alfreda Limited respectively, for the provision of general working capital and part of the consideration for the acquisition (the "Acquisition") of the entire share capital of Sino Hill Group Limited ("Sino Hill").

On 9 August 2010, an indirectly wholly-owned subsidiary of the Company, Right Season Limited ("Right Season"), entered into a sale and purchase agreement (the "S&P Agreement") for the Acquisition, at a consideration of HK$40 million by way of cash and the promissory note. Details of the S&P Agreement are set out in the Company's announcement dated 31 August 2010.

On 31 December 2010, Right Season entered into a supplemental agreement to the S&P Agreement (the "1st Supplemental Agreement") to extend the long stop date to 31 March 2011 and amend certain terms and conditions as set out in the S&P Agreement.

As more time is needed for the fulfillment of the conditions precedent of the S&P Agreement, on 4 April 2011, Right Season entered into the second supplemental agreement to the S&P Agreement (the "2nd Supplemental Agreement") to further extend the long stop date to 30 September 2011.

Details of the 1st Supplemental Agreement and the 2nd Supplemental Agreement are set out in the Company's announcements dated 4 January 2011 and 4 April 2011 respectively.

The principal elements of the Escrow Agreement are, inter alia, as follows:

**a) Capital Restructuring**

The Company will undergo, inter alia, a capital restructuring, involving a capital cancellation, a share consolidation, a capital reduction, an authorized share capital increase and a full discharge of the existing convertible notes subject to the provisions of a scheme of arrangement (the "Scheme").

**b) Share Subscription**

The Company will raise new funds by way of the ordinary share subscription and the issue of the convertible preference shares to the Investor.

**c) Provision of Loan Facilities**

The Investor will continue to provide secured loan facilities without any interest to the Company as general working capital and part of the consideration for the Acquisition.

**d) Scheme and Debt Restructuring**

During this reporting period, taking into considerations of the comments made by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Provisional Liquidators and the Investor have further negotiated on the terms of the Escrow Agreement. It is expected that the put options proposed to be granted to the creditors by the Investor in respect of the approximately 5% of issued shares of the Company as enlarged by the share subscription, which was mentioned as part of the Scheme proposed to be implemented by the Provisional Liquidators, will not be part of the Scheme. The Company will issue such number of shares representing about 5% of the issued share capital of the Company on a fully diluted basis (the "Creditors Shares") immediately upon completion of (1) the capital restructuring; and (2) the Scheme and debt restructuring.

The Provisional Liquidators propose to implement the Scheme to settle the debts owed to the creditors by (i) HK$50 million cash (from the proceeds of subscription for shares by the Investor); and (ii) the Creditors Shares. However, the terms of the Scheme will be subject to further negotiations between the Provisional Liquidators and the Scheme creditors and/or the Investor and subject to final sanction of the Scheme by the High Court and approval by shareholders of the Company.

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 Escrow Agreement.

## PROSPECTS

On 26 February 2010, the Company was placed in the third stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") and that the Company was required to submit a viable resumption proposal which demonstrates its compliance with the requirement stipulated under Rule 13.24 of the Listing Rules.

On 9 August 2010, a resumption proposal was submitted by the Company to the Stock Exchange to demonstrate to the Stock Exchange that when the resumption proposal is successfully implemented, the Group will have in place suitable structures and have a sufficient level of operations, tangible assets of sufficient value and intangible assets of a sufficient potential value and will be able to fully comply with Rule 13.24 of the Listing Rules.

The Company is confident that, with the Investor's strong support, the Group will be able to regain a strong foothold in its principal 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.

It is anticipated that the financial position of the Group will be substantially improved upon the 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, to be approved by the creditors of the Company and the High Court.

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

## WARNING STATEMENT

Shareholders and potential investors of the Company should note that, (1) the Acquisition forms part of the Company's resumption proposal which may or may not be approved by the Stock Exchange; (2) the principal elements of the Escrow Agreement may be subject to further changes; (3) the Scheme may or may not be approved by the creditors of the Company and/or the High Court; and (4) the resumption proposal may or may not be approved by the Stock Exchange.

## EMPLOYMENT AND REMUNERATION

Most of the full-time employees of the Group were working in the Company's subsidiaries in the PRC. During the year under review, the total employees' costs including directors' remuneration were approximately HK$2,530,000 (2010: HK$151,000). It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement schemes, training programmes and education subsidies.

## CHARGES ON GROUP'S ASSETS

Details of charges on the Group's assets are set out in note 22 to the financial statements.

## 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 NOTES

Details of the convertible notes are set out in note 24 to the financial statements.

## SIGNIFICANT INVESTMENTS

On 9 August 2010, an indirectly wholly-owned subsidiary of the Company, Right Season, entered into the S&P Agreement for the Acquisition at a consideration of HK$40 million by way of cash and promissory note. A loan of HK$10 million from the Investor was paid to the owner of Sino Hill as deposit on 15 September 2010.

On 31 December 2010, Right Season entered into the 1st Supplemental Agreement to extend the long stop date to 31 March 2011 and amend certain terms and conditions as set out in the S&P Agreement. A loan of HK$5 million from the Investor was paid to the owner of Sino Hill as a further deposit on 31 January 2011.

On 4 April 2011, Right Season entered into the 2nd Supplemental Agreement to further extend the long stop date to 30 September 2011.

Details of the S&P Agreement, the 1st Supplemental Agreement and the 2nd Supplemental Agreement are set out in the Company's announcements dated 31 August 2010, 4 January 2011 and 4 April 2011 respectively.

## SUFFICIENCY OF PUBLIC FLOAT

Up to the date of this Annual Report, the trading in the shares of the Company remains in suspension, the sufficiency of public float as required by the Listing Rules is not applicable.

## REVIEW BY THE AUDIT COMMITTEE

The audited results of the Group for the year ended 31 March 2011 have been reviewed by the audit committee of the Company (the "Audit Committee"). The Audit Committee constitutes three independent non-executive Directors.

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

As the Directors have been unable to locate or to get access to the books and records of certain subsidiaries and noting the resignation of the major management personnel, the Directors do not have sufficient data (such data include but not limited to the opening balances and corresponding figures for the previous reporting periods, which also form the basis for disclaimer of opinion by the auditor of the Company) to compile the Annual Report so as to comply with the Appendix 16 "Disclosure of Financial Information" to the Listing Rules. Furthermore, the Directors are of the view that no direct confirmation of sufficient evidence are available to ascertain certain financial data of the Company, any comparison or analysis based upon these data may not be meaningful, may not give rise to a true and complete picture, and may even be misleading.

Since the Provisional Liquidators of the Company have been appointed, the Company has not complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. A separate Corporate Governance Report contained the information required under Appendix 23 to the Listing Rules has been omitted from this Annual Report.

## 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 25 and 27 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.

As at the date of this Annual Report, all share options granted under the Share Option Scheme were lapsed or expired, and there are no outstanding share options in issue.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 March 2011 are set out in the consolidated statement of changes in equity on page 27, and note 28 to the financial statements, respectively.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group as at 31 March 2011 are set out in note 29 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 72.7% of the Group's total revenue for the year. In particular, sales to the largest customer of the Group accounted for approximately 23.1% of the Group's total revenue for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 57.8% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 18.7% of the Group's total purchases for the year.

As far as the Directors are aware, neither the Directors nor any of their associates nor any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or five largest suppliers.

## DIRECTORS

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

***Executive Directors:***

Mr. TANG Kwok Hung
Mr. NG Cheuk Fan Keith *(appointed on 7 January 2011)*

***Independent Non-executive Directors:***

Mr. CHUNG Wai Man
Mr. MAK Ka Wing Patrick
Mr. CHAN Chi Yuen *(appointed on 11 November 2010)*

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

## DIRECTORS' SERVICE CONTRACTS

All Directors proposed for re-election at the forthcoming annual general meeting have entered into service contracts with the Company. However, none of the Directors has any fixed term of service with the Company and they will hold office until the next annual general meeting of the Company.

As at the date of this Annual Report, the emoluments of the Directors have not yet been determined. Their emoluments will be determined later with reference to their responsibilities, remuneration policy of the Company and prevailing market conditions.

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

As at 31 March 2011, 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, 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, subsidiaries or fellow 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 2011, 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:

**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% |
| Ms. Yim Yuk Lam | Long | Interest of spouse | 1,203,762,179 *(Note 3)* | 33.72% |
| 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% |

| Name | Position | Type of interest | Number of shares | Approximate % of the Company's issued share capital |
|---|---|---|---|---|
| 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% |

*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 2011.

## COMPLIANCE WITH RULES 3.10 AND 3.21 OF THE LISTING RULES

As at the date of this Annual Report, the board of Directors of the Company (the "Board") included two executive Directors and three independent non-executive Directors. Therefore, the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules were met.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Since the Provisional Liquidators of the Company have been appointed, the Company has not complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Arrangements will be made to comply with the Code of Corporate Governance Practices before the resumption of the trading in shares of the Company.

## MODEL 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 to all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 March 2011.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in notes 2 and 32 to the financial statements.

## AUDITOR

The accompanying financial statements have been audited by Messrs. 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 Holdings Limited**
**(Provisional Liquidators Appointed)**

**TANG Kwok Hung**
Director
Hong Kong, 27 June 2011

## EXECUTIVE DIRECTORS

**Mr. TANG Kwok Hung** ("Mr. Tang"), aged 44, was the financial controller of a company whose parent company is a company listed on NASDAQ and the group finance manager of a company listed on the main board of the Stock Exchange. He has over 20 years of experience 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 of America, 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 listed companies in the past three years.

**Mr. NG Cheuk Fan Keith** ("Mr. Ng"), aged 50, was appointed as an executive Director and Company Secretary of the Company in January 2011.

Mr. Ng graduated from the University of Alberta, Canada with a Bachelor's degree in Commerce, majoring in Accounting. He also received a Master of Commerce degree in Professional Accounting from the University of New South Wales, Australia. Mr. Ng is a member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Ng has over 20 years of experience in corporate development, corporate re-structuring, management and accounting. He is an independent non-executive director of Hong Kong Building and Loan Agency Limited, executive director of Hao Tian Resources Group Limited and managing director of China Fortune Group Limited, all companies are listed on the main board of the Stock Exchange. Mr. Ng was an executive director of New Environmental Energy Holdings Limited, a company listed on the main board of the Stock Exchange, for the period from 16 August 2010 to 26 May 2011.

As at the date of this report, Mr. Ng 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. Ng did not hold any directorships in other listed companies in the past three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHUNG Wai Man** ("Mr. Chung"), aged 53, holds a Diploma in Business Management and a Certificate of Bank of China Banking Course. He started working in The Kwangtung Provincial Bank in 1976, and his last position before leaving the bank in 1996 was a manager in charge of the Tai Po sub-branch. After leaving The 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 is an independent non-executive director of FU JI Food and Catering Services Holdings Limited (stock code: 1175). He 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 listed companies in the past three years.

**Mr. MAK Ka Wing Patrick** ("Mr. Mak"), aged 46, is a registered solicitor of the High Court of Hong Kong and managing 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 have any relationship with any director, senior management, chief executive or substantial or controlling shareholder of the Company. Save as disclosed above, Mr. Mak did not hold any directorships in other listed companies in the past three years.

**Mr. CHAN Chi Yuen** ("Mr. Chan"), aged 44, obtained his Bachelor's degree with honours in Business Administration and his Master of Science degree in Corporate Governance and Directorship both from Hong Kong Baptist University. He is a fellow of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practicing certified public accountant and has extensive experience in financial management, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Sam Woo Holdings Limited, a non-executive director of New Times Energy Corporation Limited and is also an independent non-executive director of China Sciences Conservational Power Limited, China Gamma Group Limited, China Gogreen Assets Investment Limited, China Grand Forestry Green Resources Group Limited and Rojam Entertainment Holdings Limited. Mr. Chan was an executive director of Kong Sun Holdings Limited from February 2007 to November 2009, Amax Holdings Limited from August 2005 to January 2009 and China E-Learning Group Limited from July 2007 to September 2008 and an independent non-executive director of The Hong Kong Building and Loan Agency Limited from October 2009 to February 2011, Richly Field China Development Limited from February 2009 to August 2010 and Superb Summit International Timber Company Limited from April 2007 to June 2010 (all the aforesaid companies are listed on the main board of the Stock Exchange, except for Rojam Entertainment Holdings Limited and China E-learning Group Limited which are companies listed on the GEM board of the Stock Exchange).

As at the date of this report, Mr. Chan 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. Chan did not hold any directorships in other listed companies in the past three years.

The emoluments of Mr. Tang, Mr. Ng, Mr. Chung, Mr. Mak and Mr. Chan will be determined with reference to their responsibilities, remuneration policy of the Company and prevailing market conditions.

Neither Mr. Tang, Mr. Ng, Mr. Chung, Mr. Mak nor Mr. Chan 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, 27 June 2011

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)**
**佑威國際控股有限公司(已委任臨時清盤人)**
*(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") and its subsidiaries (together, the "Group") set out on pages 25 to 64, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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 inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, 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

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2010 (the "2010 Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 28 September 2010. Accordingly, we were then unable to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 March 2010 and of the Group's results and cash flows for the year then ended.

2. Deconsolidation of the subsidiaries

Certain subsidiaries of the Company were deconsolidated from the Group since 1 April 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 April 2008 and throughout the year ended 31 March 2011.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 March 2011 and the Group's financial position as at that date.

3. Financial guarantee liabilities

No direct confirmation and other sufficient evidence have 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 as at 31 March 2011 in the consolidated statement of financial position.

4. Due to deconsolidated subsidiaries

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the amounts due to deconsolidated subsidiaries of approximately HK$416,323,000 as at 31 March 2011 in the consolidated statement of financial position.

5. 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 2011.

Any adjustments to the figures as described from points 1 to 5 above might have a significant consequential effect on the Group's results for the two years ended 31 March 2010 and 2011, the Group's cash flows for the two years ended 31 March 2010 and 2011 and the financial positions of the Group as at 31 March 2010 and 2011, 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 a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited on 9 August 2010.

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 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

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 2011 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**ANDA CPA Limited**
**Certified Public Accountants**
**Sze Lin Tang**
Practising Certificate Number P03614
Hong Kong, 27 June 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

| | Notes | 2011 | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Revenue** | *7* | **331,084** | 92,305 |
| Cost of sales | | **(311,766)** | (90,696) |
| Gross profit | | **19,318** | 1,609 |
| Other income | *8* | **2,013** | 2,909 |
| Selling and distribution costs | | **(4,167)** | (249) |
| Administrative expenses | | **(9,029)** | (2,159) |
| **Profit from operations** | | **8,135** | 2,110 |
| Finance cost | *10* | **(3,939)** | (2,540) |
| **Profit/(loss) before tax** | | **4,196** | (430) |
| Income tax expense | *11* | **(1,754)** | (161) |
| Profit/(loss) for the year | *12* | **2,442** | (591) |
| **Other comprehensive income:** | | | |
| Exchange differences on translation of foreign operations | | **146** | – |
| Total comprehensive income/(loss) for the year | | **2,588** | (591) |
| **Profit/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **1,739** | (660) |
| Non-controlling interests | | **703** | 69 |
| | | **2,442** | (591) |
| **Total comprehensive income/(loss) for the year attributable to:** | | | |
| Owners of the Company | | **1,885** | (660) |
| Non-controlling interests | | **703** | 69 |
| | | **2,588** | (591) |
| **Earning/(Loss) per share attributable to owners of the Company** | *14* | | |
| Basic (HK cents per share) | | **0.05** | (0.02) |
| Diluted (HK cents per share) | | **N/A** | N/A |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **33** | – |
| **Current assets** | | | |
| Inventories | 17 | **3,305** | – |
| Trade receivables | 18 | **33,084** | 9,256 |
| Prepayments, deposits and other receivables | 19 | **21,162** | 7,322 |
| Bank and cash balances | | **14,800** | 3,373 |
| | | **72,351** | 19,951 |
| **Current liabilities** | | | |
| Trade payables | 20 | **20,815** | 6,407 |
| Accruals and other payables | | **20,843** | 6,550 |
| Due to deconsolidated subsidiaries | 21 | **416,323** | 416,347 |
| Due to the Investor | 22 | **19,800** | 4,800 |
| Financial guarantee liabilities | 23 | **1,118,325** | 1,118,325 |
| Convertible notes | 24 | **71,577** | 67,638 |
| Current tax liabilities | | **1,899** | 161 |
| | | **1,669,582** | 1,620,228 |
| **Net current liabilities** | | **(1,597,231)** | (1,600,277) |
| **Total assets less current liabilities** | | **(1,597,198)** | (1,600,277) |
| **NET LIABILITIES** | | **(1,597,198)** | (1,600,277) |
| **Capital and reserves** | | | |
| Share capital | 25 | **356,936** | 356,936 |
| Deficiency | | **(1,955,397)** | (1,957,282) |
| Equity attributable to owners of the Company | | **(1,598,461)** | (1,600,346) |
| Non-controlling interests | | **1,263** | 69 |
| **TOTAL EQUITY** | | **(1,597,198)** | (1,600,277) |

Approved by:

| | **TANG Kwok Hung** | **NG Cheuk Fan Keith** |
|---|---|---|
| | *Director* | *Director* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2011*

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium account | Statutory reserve | Capital reserve | Share-based compensation reserve | Foreign currency translation reserve | Retained profits/ (accumulated losses) | Total | Non-controlling interests | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2009 | 356,936 | 614,493 | 220 | 3,020 | 1,904 | – | (2,576,259) | (1,599,686) | – | (1,599,686) |
| Total comprehensive loss for the year | – | – | – | – | – | – | (660) | (660) | 69 | (591) |
| At 31 March 2010 | 356,936 | 614,493 | 220 | 3,020 | 1,904 | – | (2,576,919) | (1,600,346) | 69 | (1,600,277) |
| At 1 April 2010 | 356,936 | 614,493 | 220 | 3,020 | 1,904 | – | (2,576,919) | (1,600,346) | 69 | (1,600,277) |
| Capital contributed from non-controlling interests | – | – | – | – | – | – | – | – | 491 | 491 |
| Total comprehensive income for the year | – | – | – | – | – | 146 | 1,739 | 1,885 | 703 | 2,588 |
| At 31 March 2011 | 356,936 | 614,493 | 220 | 3,020 | 1,904 | 146 | (2,575,180) | (1,598,461) | 1,263 | (1,597,198) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) before tax | | **4,196** | (430) |
| Adjustments for: | | | |
| Depreciation | | **2** | – |
| Impairments on inventories | | **118** | – |
| Finance cost | | **3,939** | 2,540 |
| Operating cash flows before working capital changes | | **8,255** | 2,110 |
| Change in inventories | | **(3,423)** | – |
| Change in trade receivables | | **(23,828)** | (9,256) |
| Change in prepayments, deposits and other receivables | 26 | **1,160** | (7,322) |
| Change in trade payables | | **14,408** | 6,407 |
| Change in accruals and other payables | | **14,293** | 872 |
| Change in due to deconsolidated subsidiaries | | **(24)** | (865) |
| **Cash generated from/(used in) operations** | | **10,841** | (8,054) |
| Tax paid | | **(16)** | – |
| **Net cash flows generated from/(used in) operating activities** | | **10,825** | (8,054) |

| | *Notes* | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(35)** | – |
| Proceeds from sales/settlement of available-for-sale financial assets | | **–** | 4,000 |
| **Net cash flows generated from/(used in) investing activities** | | **(35)** | 4,000 |
| **Cash flows from financing activities** | | | |
| Contribution from non-controlling interests | | **491** | – |
| Fund from the Investor | *26* | **–** | 4,800 |
| **Net cash flows generated from financing activities** | | **491** | 4,800 |
| **Net increase in cash and cash equivalents** | | **11,281** | 746 |
| Effect of foreign exchange rate changes | | **146** | – |
| Cash and cash equivalents at beginning of year | | **3,373** | 2,627 |
| **Cash and cash equivalents at end of year** | | **14,800** | 3,373 |
| **Analysis of cash and cash equivalents** | | | |
| Bank and cash balances | | **14,800** | 3,373 |

## 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 Group's principal activities are trading and retailing of fashion garments, textiles and leathers.

## 2. BASIS OF PREPARATION

*Suspension of trading in shares of the Company*

At the request of the Company, trading in shares of the Company had been suspended since 17 September 2008.

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 (as supplemented by the three supplementary agreements and hereinafter collectively referred as to the "Escrow Agreement", unless otherwise specified) 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 (as subsequently extended to 31 March 2012) to negotiate a legally binding restructuring agreement for the implementation of the restructuring proposal.

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 26 February 2010, the Company was placed in the third stage of the delisting procedures pursuant to Practice Note 17 of the Listing Rules and that the Company was required to submit a viable resumption proposal which demonstrates its compliance with the requirement stipulated under Rule 13.24 of the Listing Rules.

## 2. BASIS OF PREPARATION (continued)

*Suspension of trading in shares of the Company (continued)*

On 6 August 2010, a directly wholly-owned subsidiary of the Company, UR Group Limited ("UR Group") and the Investor entered into a secured loan facility agreement, pursuant to which the Investor agreed to provide a working capital facility up to HK$15,000,000 to UR Group. The advance of HK$4,800,000 has already been received from the Investor prior to the date of the said agreement. On the same day, a directly wholly-owned subsidiary of the Company, Alfreda Limited ("Alfreda") and the Investor entered into another secured loan facility agreement, pursuant to which the Investor agreed to provide a facility up to HK$20,000,000 to Alfreda as part of the consideration of the acquisition (the "Acquisition") of the entire interest in Sino Hill Group Limited ("Sino Hill"). Two advances of HK$10,000,000 and of HK$5,000,000 were drawn down from the Investor on 15 September 2010 and on 31 January 2011 respectively in respect of the second loan facility agreement.

On 9 August 2010, an indirectly wholly-owned subsidiary of the Company, Right Season Limited ("Right Season"), entered into a sale and purchase agreement (the "S&P Agreement") for the Acquisition, at a consideration of HK$40 million by way of cash and the promissory note. Details of the S&P Agreement are set out in the Company's announcement dated 31 August 2010.

On 9 August 2010, the Provisional Liquidators, with the assistance of the financial advisor of the Company, Veda Capital Limited, submitted the resumption proposal to the Stock Exchange and the resumption proposal is currently under review by the Stock Exchange.

By an order of the High Court dated 30 March 2011, the hearing of the Petition to the High Court for the winding-up of the Company was further adjourned to 26 September 2011.

On 4 April 2011, Right Season entered into the second supplemental agreement to the S&P Agreement to further extend the long stop date to 30 September 2011 as more time is needed for the fulfillment of the conditions precedent of the S&P Agreement.

After the resumption proposal of the Company was submitted to the Stock Exchange on 9 August 2010, the Stock Exchange had made certain queries on the resumption proposal. The Company had replied the Stock Exchange's queries and the resumption proposal is currently under review by the Stock Exchange which the Stock Exchange has not indicated or confirmed that approval (with or without further conditions) may be granted.

The Provisional Liquidators and (amongst others) the Investor entered into the third supplemental agreement to the Escrow Agreement and further extended the exclusivity period to 31 March 2012.

*Going concern basis*

As at 31 March 2011 the Group had net current liabilities of approximately HK$1,597,231,000 (2010: HK$1,600,277,000) and net liabilities of approximately HK$1,597,198,000 (2010: HK$1,600,277,000) 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.

## 2. BASIS OF PREPARATION (continued)

*Going concern basis (continued)*

To address the issues above, the Provisional Liquidators have been in discussion and negotiation with the Investor to explore the possibility of injecting new funds into the Group through the proposed restructuring.

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.

Should the Group be unable to achieve a successful restructuring as mentioned above, or alternatively under other available options of restructuring, and therefore be unable to continue its business as a going concern, adjustments might have to be made to the carrying amounts of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities to current assets and liabilities, respectively.

## 3. APPLICATION 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 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year 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. These financial statements are presented in Hong Kong Dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Statement of compliance (continued)*

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group ("Management") to exercise its judgments in the process of applying the accounting policies. These 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.

*Consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(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:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses for each statement of comprehensive income 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

(iii) 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 consolidated profit or loss as part of the gain or loss on disposal.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Property, plant and equipment*

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 recognised in profit or loss during the period in which they are incurred.

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

| | |
|---|---|
| Furniture, fixtures and equipment | 32% |

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

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 profit or loss.

*Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense 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 weighted average 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Recognition and derecognition of financial instruments*

Financial assets and financial liabilities are recognised in the statement of financial position 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 the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 profit or 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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 statement of cash flows, 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.

*Borrowings*

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 twelve months after the reporting period.

*Financial guarantee contract liabilities*

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

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

(b) the amount initially recognised less cumulative amortisation recognised in the profit or loss 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 bonds 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)*

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

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 profit or loss.

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 comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts allowed and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenues from the sales of goods are 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.

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

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*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 profit or loss represents contributions payable by the Group to the funds.

*Borrowing costs*

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss 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 recognised in profit or loss 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 end of the reporting period.

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. 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 the end of each reporting period 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 end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly 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*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of the Group's various lines of business geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

*Impairment of assets*

At the end of each reporting period, the Group reviews the carrying amounts of its assets except inventories and receivables 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Impairment of assets (continued)*

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 profit or loss, 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 profit or loss, 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 reporting period*

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period 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 had made the following judgement that has 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 the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements.

(b) Financial results of Xiamen U-Right (the "EJV")

In accordance with an agency agreement, the sales and purchase transactions of the EJV were carried out on the EJV's behalf by Shishi Yiliwang and Xiamen Dateng. Each of them holds 10% of the ownership interest in the EJV. The financial statements have been prepared on the basis that those sales and purchases for the year ended 31 March 2011 have been included in the Group's current year results. In view of the various terms stipulated in the agency agreement, the directors regard such accounting treatments as appropriate.

*Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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 2011.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

*Key sources of estimation uncertainty (continued)*

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Income tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

## 6. FINANCIAL RISK MANAGEMENT

The major financial instruments of the Group include trade and other receivables, bank and cash balances, trade payables, financial guarantee liabilities and convertible notes. The activities of the Group expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Risk management is carried out by the Directors under policies approved by the Board of Directors. The Directors identify, evaluate and hedge financial risks in close co-operation with the Group's operating units.

(a) Market risk

*Foreign exchange 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 or United States Dollars for Hong Kong Dollars functional currency 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.

*Interest rate risk*

As at 31 March 2011, the Group did not have significant interest rate risk.

(b) Credit risk

The Group is exposed to credit risk mainly in relation to its trade and other receivables, cash deposits with banks and maximum exposure of credit risk is equal to the carrying amounts of these financial assets. Cash and bank transactions counterparties are limited to financial institutions with good credit rating assigned by international credit-rating agencies.

At the end of the reporting period, the Group had certain concentration of credit risk as approximately 30% (2010: 53%) and approximately 63% (2010: 85%) of the Group's trade receivables were due from the Group's largest trade debtor and the five largest trade debtors, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group reviews the recoverable amount of the trade and other receivables on a regular basis and provision for doubtful debts is made in accordance with the Group's policies. In addition, the Management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Management considers that the Group's credit risk is significantly reduced.

**6. FINANCIAL RISK MANAGEMENT (continued)**

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Management has given careful consideration on the measures currently undertaken in respect of the Group's liquidity position. The Management believes that the Group will be able to meet in full its financial obligations as they fall due upon the completion of the proposed restructuring, as further explained in note 2 to the financial statements.

(d) Fair values

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

**7. REVENUE**

Revenue represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts during the year.

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sales of fashion garments and textiles | **331,084** | 92,305 |

**8. OTHER INCOME**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income | **6** | – |
| Reversal of impairment on due from a deconsolidated subsidiary | **–** | 1,600 |
| Net foreign exchange gain | **27** | – |
| Reimbursement of restructuring expenses from the Investor | **1,934** | 1,309 |
| Others | **46** | – |
| | **2,013** | 2,909 |

## 9. OPERATING SEGMENT INFORMATION

For the years ended 31 March 2011 and 2010, no operating segment information is presented as the Group has only one operating segment of fashion garments and textile business.

Geographical information:

| | **Revenue** | | **Non-current assets** | |
|---|---|---|---|---|
| | **Year ended 31 March** | | **As at 31 March** | |
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | – | – | – | – |
| Mainland China | **123,466** | 5,640 | **33** | – |
| The Philippines | **81,356** | 51,107 | – | – |
| Kingdom of Saudi Arabia | **429** | – | – | – |
| Germany | **885** | – | – | – |
| United Arab Emirates | **124,948** | 28,904 | – | – |
| Thailand | – | 3,123 | – | – |
| Taiwan | – | 2,327 | – | – |
| Malaysia | – | 1,204 | – | – |
| Consolidated total | **331,084** | 92,305 | **33** | – |

In presenting the geographical information, revenue is based on the locations of the customers.

## 10. FINANCE COST

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expenses on borrowings wholly repayable within five years | | |
| – convertible notes | **3,939** | 2,540 |

## 11. INCOME TAX EXPENSE

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax – Hong Kong Profits Tax | | |
| Provision for the year | **643** | 120 |
| Current tax – the PRC Enterprise Income Tax | | |
| Provision for the year | **1,111** | 41 |
| | **1,754** | 161 |

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

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

The reconciliation between the income tax expense and profit/(loss) before tax multiplied by the Hong Kong profits tax rate is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit/(loss) before tax | **4,196** | (430) |
| Tax at the domestic income tax rate of 16.5% (2010: 16.5%) | **692** | (71) |
| Tax effect of expenses that are not deductible | **678** | 210 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **384** | 22 |
| | **1,754** | 161 |

## 12. PROFIT/(LOSS) FOR THE YEAR

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of sales | **311,766** | 90,696 |
| Depreciation | **2** | – |
| Impairment on inventories | **118** | – |
| Staff costs (including Directors' remuneration): | | |
| – salaries, bonuses and allowances | **2,196** | 151 |
| – retirement benefits scheme contributions | **334** | – |
| | **2,530** | 151 |
| Auditor's remuneration | **480** | 380 |
| Net foreign exchange loss/(gain) | **(27)** | 5 |
| Operating lease charges on land and buildings | **481** | 27 |

## 13. DIRECTORS' EMOLUMENTS

*(a) Directors' emoluments*

None of the Directors received any remuneration for the years ended 31 March 2011 and 2010.

*(b) Five highest-paid individuals*

Details of the aggregate emoluments for the five employees whose emoluments were the highest in the Group are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefit-in-kind | **637** | 99 |
| Retirement benefit costs | **44** | – |
| | **681** | 99 |

## 13. DIRECTORS' EMOLUMENTS (continued)

### (b) *Five highest-paid individuals (continued)*

The number of employees whose remuneration fell within the following bands are as follows:

| | **2011** | 2010 |
|---|---|---|
| Nil – HK$1,000,000 | **5** | 5 |
| HK$1,000,001 – HK$1,500,000 | **–** | – |
| HK$1,500,001 – HK$2,000,000 | **–** | – |
| | **5** | 5 |

Based on the audited results of the Group for the two years ended 31 March 2011 and 2010, the Directors were not entitled to any of the performance-based discretionary bonus during the years.

Emoluments had been paid by the Group to the Directors or the five highest-paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

## 14. EARNING/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

*Basic earning/(loss) per share*

The calculation of basic earning/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$1,739,000 (2010: loss of HK$660,000) and the weighted average number of ordinary shares of 3,569,364,916 (2010: 3,569,364,916) in issue during the year.

*Diluted earning/(loss) per share*

No diluted earning/(loss) per share for the years ended 31 March 2011 and 2010 is presented as the Company did not have any dilutive potential ordinary sharing during the years in respect of the warrants and share options and the effects of all convertible notes are anti-dilutive for the years.

## 15. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the years ended 31 March 2011 and 2010.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | **Furniture, fixtures and equipment** *HK$'000* |
|---|---|
| **Cost:** | |
| At 1 April 2009, 31 March 2010 and 1 April 2010 | – |
| Additions | 35 |
| At 31 March 2011 | 35 |
| **Accumulated depreciation:** | |
| At 1 April 2009, 31 March 2010 and 1 April 2010 | – |
| Charge for the year | 2 |
| At 31 March 2011 | 2 |
| **Carrying amount:** | |
| At 31 March 2011 | 33 |
| At 31 March 2010 | – |

## 17. INVENTORIES

| | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|
| Merchandises | **3,423** | – |
| Less: Impairments | **(118)** | – |
| | **3,305** | – |

## 18. TRADE RECEIVABLES

Other than cash sales, invoices are normally payable within 30 to 90 days of issuance. 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.

At the end of the reporting period, the aging analysis of the trade receivables is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1-30 days | **22,479** | 9,256 |
| 31-60 days | **3,652** | – |
| 61-90 days | **2,853** | – |
| 91-120 days | **2,244** | – |
| Over 120 days | **1,856** | – |
| Less: Impairments | **–** | – |
| | **33,084** | 9,256 |

At the end of the reporting period, the trade receivables with the carrying amounts of approximately HK$4,100,000 (2010: HK$ Nil) were past due but not impaired. Approximately HK$2,244,000 and HK$1,856,000 of which were falling within the ageing band from 91 to 120 days and over 120 days respectively.

The gross amounts of the Group's trade receivables were denominated in the following currencies:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$ | **–** | – |
| US$ | **21,110** | 4,937 |
| RMB | **11,974** | 4,319 |
| Others | **–** | – |
| | **33,084** | 9,256 |

## 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | *Notes* | **2011** | 2010 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Deposit | | **5,188** | 1,085 |
| Prepayments | | **580** | 243 |
| Due from deconsolidated subsidiaries | *(a)* | **394** | 5,994 |
| Refundable deposit for acquisition of a subsidiary | *26* | **15,000** | – |
| | | **21,162** | 7,322 |

*Note (a):* The advances are unsecured, non-interest bearing and have no fixed repayment terms.

## 20. TRADE PAYABLES

At the end of the reporting period, the ageing analysis of the trade payables is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1-30 days | **17,983** | 6,407 |
| 31-60 days | **1,635** | – |
| 61-90 days | **748** | – |
| 91-120 days | **92** | – |
| Over 120 days | **357** | – |
| | **20,815** | 6,407 |

The carrying amounts of the Group's trade payables were denominated in the following currencies:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| HK$ | **–** | – |
| US$ | **19,804** | 2,275 |
| RMB | **1,011** | 4,132 |
| Others | **–** | – |
| | **20,815** | 6,407 |

## 21. DUE TO DECONSOLIDATED SUBSIDIARIES

The amounts due to deconsolidated subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms.

## 22. DUE TO THE INVESTOR

On 6 August 2010, a directly wholly-owned subsidiary of the Company, UR Group and the Investor entered into a secured loan facility agreement, pursuant to which the Investor agreed to provide a working capital facility up to HK$15,000,000 to UR Group. The advance of HK$4,800,000 has already been received from the Investor prior to the date of the said agreement. This advance is non-interest bearing, secured by the entire issued share capital of an indirectly wholly-owned subsidiary of the Company, URTDL, and repayable on 31 December 2011.

On 6 August 2010, a directly wholly-owned subsidiary of the Company, Alfreda and the Investor entered into another secured loan facility agreement, pursuant to which the Investor agreed to provide a facility up to HK$20,000,000 to Alfreda as part of the consideration of the Acquisition. Two advances of HK$10,000,000 and of HK$5,000,000 were drawn down from the Investor on 15 September 2010 and on 31 January 2011 respectively in respect of the second loan facility agreement. These advances are non-interest bearing, secured by the entire issued share capital of an indirectly wholly-owned subsidiary of the Company, Right Season, and repayable on 31 December 2011.

## 23. FINANCIAL GUARANTEE LIABILITIES

The Company has provided corporate guarantees for certain bank loans of its subsidiaries which had been deconsolidated from the consolidated financial statements of the Group since 1 April 2008. At the end of the reporting period, it is probable that the Company will be liable to the potential claims under any of these guarantees. Accordingly, a provision for financial guarantee liabilities of approximately HK$1,118,325,000 as at 31 March 2011 (2010: HK$1,118,325,000) for the Company has been made against the probable uncovered exposures to be borne by the Company under those guarantees at the end of the reporting period.

## 24. 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.

Pursuant to a subscription agreement dated 23 October 2007, the Company issued convertible notes with principal value of HK$24,000,000 on 15 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 the date of issue of CN2 and 15 November 2010. Any convertible notes not converted before 15 November 2010 will be redeemed at 135.00 per cent of its principal amount on 15 November 2010. CN2 bears interests at 6 months 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.

The liability component of convertible bonds recognised at the end of the reporting period is analysed as follows:

| | **CN1** | **CN2** | **Total** |
|---|---|---|---|
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Liability component at 1 April 2009 | 35,098 | 30,000 | 65,098 |
| Interest charged | 1,487 | 1,053 | 2,540 |
| Liability component at 31 March 2010 and 1 April 2010 | 36,585 | 31,053 | 67,638 |
| Interest charged | 2,592 | 1,347 | 3,939 |
| Liability component at 31 March 2011 | 39,177 | 32,400 | 71,577 |

The interest charged for the years ended 31 March 2011 and 2010 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.

## 25. SHARE CAPITAL

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Authorised: | | |
| 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 |

*a) 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 2011 and 2010.

## 26. MAJOR NON-CASH TRANSACTIONS

During the year, two advances of HK$10,000,000 and of HK$5,000,000 were drawn down from the Investor on 15 September 2010 and on 31 January 2011 respectively. These advances were directly transferred from the Investor to the owner of Sino Hill as deposits pursuant to the S&P Agreement dated 9 August 2010.

## 27. SHARE-BASED PAYMENTS

*Equity-settled 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 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 Share Option 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 Share Option Scheme should, unless otherwise terminated or amended, remain in force for 10 years from 17 July 2002.

## 27. SHARE-BASED PAYMENTS (continued)

*Equity-settled share option scheme (continued)*

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 Share Option 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.

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 2011, the total number of the Company's shares currently available for issue under the Share Option Scheme is 351,191,691 (2010: 351,191,691), representing 9.8% (2010: 9.8%) of the issued share capital of the Company shares after the refreshment of the scheme mandate limit.

The Company did not have any outstanding share options granted under the Share Option Scheme during the two years ended 31 March 2011 and 31 March 2010.

## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES

### a) *Statement of financial position of the Company*

| | 2011 | 2010 |
|---|---|---|
| | HK$'000 | HK$'000 |
| **Non-current assets** | | |
| Investments in subsidiaries | – | – |
| **Current assets** | | |
| Due from deconsolidated subsidiaries | **394** | 394 |
| Bank balances | **7,068** | 1,556 |
| | **7,462** | 1,950 |
| **Current liabilities** | | |
| Accruals and other payables | **6,749** | 6,427 |
| Due to deconsolidated subsidiaries | **268,189** | 268,212 |
| Financial guarantee liabilities | **1,118,325** | 1,118,325 |
| Convertible notes | **71,577** | 67,638 |
| | **1,464,840** | 1,460,602 |
| **Net current liabilities** | **(1,457,378)** | (1,458,652) |
| **Total assets less current liabilities** | **(1,457,378)** | (1,458,652) |
| **Capital and reserves** | | |
| Share capital | **356,936** | 356,936 |
| Deficiency | **(1,814,314)** | (1,815,588) |
| **TOTAL EQUITY** | **(1,457,378)** | (1,458,652) |

## 28. STATEMENT OF FINANCIAL POSITION 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 2009 | 614,493 | 40,358 | 3,020 | 1,904 | (2,472,230) | (1,812,455) |
| Total comprehensive loss for the year | – | – | – | – | (3,133) | (3,133) |
| At 31 March 2010 | 614,493 | 40,358 | 3,020 | 1,904 | (2,475,363) | (1,815,588) |
| At 1 April 2010 | 614,493 | 40,358 | 3,020 | 1,904 | (2,475,363) | (1,815,588) |
| Total comprehensive income for the year | – | – | – | – | 1,274 | 1,274 |
| At 31 March 2011 | 614,493 | 40,358 | 3,020 | 1,904 | (2,474,089) | (1,814,314) |

*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.

## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES (continued)

c) *Nature and purpose of reserves of the Group (continued)*

(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) 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.

## 29. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2011 and 2010.

## 30. COMMITMENTS

On 9 August 2010, Right Season entered into the S&P Agreement for the Acquisition at a consideration of HK$40 million by way of cash and the promissory note. On 15 September 2010, a non-interest bearing refundable deposit of HK$10,000,000 was paid to the owner of Sino Hill. Details of the S&P Agreement are set out in the Company's announcement dated 31 August 2010.

On 31 December 2010, Right Season entered into the first supplemental agreement to the S&P Agreement (the "1st Supplemental Agreement") to extend the long stop date and amend certain terms and conditions as set out in the S&P Agreement. Details of the 1st Supplemental Agreement are set out in the Company's announcement dated 4 January 2011.

On 31 January 2011, a loan of HK$5 million from the Investor was paid to the owner of Sino Hill as a further deposit.

On 4 April 2011, Right Season entered into the second supplemental agreement to the S&P Agreement (the "2nd Supplemental Agreement") to further extend the long stop date to 30 September 2011. Details of the 2nd Supplemental Agreement are set out in the Company's announcement dated 4 April 2011.

**30. COMMITMENTS (continued)**

The Group's capital commitments at the end of the reporting period are as follows:

| | **At 31 March 2011** | At 31 March 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital commitments contracted but not provided for in respect of acquisition of | | |
| – the entire issued share capital of Sino Hill | **25,000** | – |

**31. CONNECTED TRANSACTIONS**

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Management fee paid to Shishi Yiliwang | **2,898** | – |
| Management fee paid to Xiaman Dateng | **287** | – |

The above connected transactions do not constitute related party transactions under HKAS 24.

**32. EVENTS AFTER THE REPORTING PERIOD**

By an order of the High Court dated 30 March 2011, the hearing of the Petition to the High Court for the winding-up of the Company was further adjourned to 26 September 2011.

On 4 April 2011, Right Season entered into the 2nd Supplemental Agreement to further extend the long stop date to 30 September 2011 as more time is needed for the fulfillment of the conditions precedent of the S&P Agreement.

After the resumption proposal of the Company was submitted to the Stock Exchange on 9 August 2010, the Stock Exchange had made certain queries on the resumption proposal. The Company had replied the Stock Exchange's queries and the resumption proposal is currently under review by the Stock Exchange, which the Stock Exchange has not indicated or confirmed that approval (with or without further conditions) may be granted.

The Provisional Liquidators and (amongst others) the Investor entered into the third supplemental agreement to the Escrow Agreement and further extended the exclusivity period to 31 March 2012.

## 33. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

| Name of the subsidiary | Place of incorporation/ registration/ | Issued and paid-up/ registered capital | Percentage of equity interest attributable to the Group 2011 | 2010 | Principal activities |
|---|---|---|---|---|---|
| ***Direct subsidiaries:*** | | | | | |
| Lucky Formosa International Group Limited | British Virgin Islands | 10,000 ordinary shares of US$1 each | **100%** | 100% | Investment holding |
| UR Group Limited | British Virgin Islands | 1 ordinary share of US$1 | **100%** | 100% | Investment holding |
| Alfreda Limited | British Virgin Islands | 1 ordinary share of US$1 | **100%** | – | Inactive |
| ***Indirect subsidiaries:*** | | | | | |
| Nano Garment Holdings Limited | Hong Kong | 1 ordinary share of HK$1 | **100%** | 100% | Inactive |
| U-RIGHT Trading Development Limited | Hong Kong | 1 ordinary share of HK$1 | **100%** | 100% | Trading of fashion garments and textiles |
| Fame Ace Limited | British Virgin Islands | 1 ordinary share of US$1 | **100%** | – | Inactive |
| Right Season Limited | British Virgin Islands | 1 ordinary share of US$1 | **100%** | – | Inactive |
| Xiamen U-Right Garment Co. Ltd. | The PRC | US$240,000 | **80%** | 80% | Retailing of fashion garments and trading of textiles and leathers |

*Note:* Xiamen U-Right Garment Co. Ltd. is a sino foreign joint venture established in the PRC.

## 34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2011.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

| | For the years ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **RESULTS** | | | | | |
| Revenue | **331,084** | 92,305 | 124,377 | 2,079,712 | 1,774,007 |
| Profit/(loss) before tax | **4,196** | (430) | (3,078,321) | 85,880 | 158,063 |
| Income tax | **(1,754)** | (161) | – | (27,132) | (23,765) |
| Profit/(loss) for the year | **2,442** | (591) | (3,078,321) | 58,748 | 134,298 |
| Other comprehensive income | **146** | – | – | – | – |
| Total comprehensive income/(loss) for the year | **2,588** | (591) | (3,078,321) | 58,748 | 134,298 |
| Attributable to: | | | | | |
| Owners of the Company | **1,885** | (660) | (3,078,321) | 61,367 | 123,092 |
| Non-controlling interests | **703** | 69 | – | (2,619) | 11,206 |
| | **2,588** | (591) | (3,078,321) | 58,748 | 134,298 |

# FIVE-YEAR FINANCIAL SUMMARY

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS AND LIABILITIES** | | | | | |
| Non-current assets | **33** | – | – | 1,206,272 | 857,656 |
| Current assets | **72,351** | 19,951 | 6,627 | 1,604,125 | 1,365,798 |
| Current liabilities | **(1,669,582)** | (1,620,228) | (1,606,313) | (796,567) | (688,941) |
| Non-current liabilities | **–** | – | – | (385,312) | (266,852) |
| **Net assets/(liabilities)** | **(1,597,198)** | (1,600,277) | (1,599,686) | 1,628,518 | 1,267,661 |
| Attributable to: | | | | | |
| Owners of the Company | **(1,598,461)** | (1,600,346) | (1,599,686) | 1,627,554 | 1,244,667 |
| Non-controlling interests | **1,263** | 69 | – | 964 | 22,994 |
| **Total equity** | **(1,597,198)** | (1,600,277) | (1,599,686) | 1,628,518 | 1,267,661 |