

TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)



INTERIM REPORT 2008

CONTENTS

	<i>Pages</i>
Corporate Information	2
Provisional Liquidators' Report	3
Condensed Consolidated Income Statement	11
Condensed Consolidated Balance Sheet	12
Condensed Consolidated Statement of Changes in Equity	13
Notes to Condensed Consolidated Financial Statements	14
Additional Information	28

CORPORATE INFORMATION

Joint and Several Provisional Liquidators

FOK Hei Yu (*Appointed by the High Court on 11 September 2008*)

Roderick John SUTTON (*Appointed by the High Court on 11 September 2008*)

Executive Directors

Mr. KWOK Wing

(Retired on 6 October 2009)

Mr. KWOK Kam Chuen

(Resigned on 25 March 2009)

Ms. KWOK Choi Ha

(Resigned on 20 March 2009)

Mr. CHAN Chak Kai, Kenneth (*Appointed on 24 June 2008 and retired on 6 October 2009*)

Mr. DOUGLAS Gary Drew (*Appointed on 24 June 2008 and resigned on 12 September 2008*)

Mr. HO Yik Kin, Norman

(Resigned on 9 September 2008)

Mr. LAM Yick Sing (*Appointed on 24 June 2008 and resigned on 9 September 2008*)

Non-Executive Directors

Mr. McMULLEN James

(Appointed on 13 August 2008)

Mr. SZETO Chak Wah, Michael

(Resigned on 4 August 2008)

Independent Non-Executive Directors

Mr. CHING Kwok Ho, Samuel

(Resigned on 16 September 2008)

Mr. LIU Kwong Sang (*Appointed on 30 June 2008 and resigned on 12 September 2008*)

Ms. SWARTZ Kristi (*Appointed on 13 August 2008 resigned on 12 September 2008*)

Mr. CHAN Sze Hung (*Appointed on 14 August 2008 and resigned on 11 September 2008*)

Mr. CHOW Kai Leung, Sandy

(Resigned on 5 August 2008)

Mr. LAI Man Leung

(Resigned on 4 August 2008)

Mr. LEUNG Yiu Wing, Eric

(Resigned on 30 June 2008)

Mr. PAU Chin Hung, Andy

(Appointed on 7 October 2009)

Mr. CHOONG Khuat Leok

(Appointed on 7 October 2009)

Mr. KOOI Tock Chian

(Appointed on 7 October 2009)

Share Registrar

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

Principal Bankers (prior to the appointment of the Provisional Liquidators)

Taipei Fubon Bank

Bank of America, N.A.

Citic Ka Wah Bank

Banco Commercial De Macau

Principal Office

13th Floor Roxy Industrial Centre

58-66 Tai Lin Pai Road

Kwai Chung, New Territories

Hong Kong

c/o Ferrier Hodgson Limited

14th Floor The Hong Kong Club Building

3A Chater Road

Central

Hong Kong

Company Website

www.tackfatgroup.com

Registered Office

Century Yard

Cricket Square, Hutchins Drive, George Town,

Grand Cayman

Cayman Islands

British West Indies

Auditors

Hopkins CPA Limited

3rd Floor, Sun Hung Kai Centre

30 Harbour Road

Hong Kong

PROVISIONAL LIQUIDATORS' REPORT

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

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

The Provisional Liquidators have been granted the authority to sign, approve, publish and do all such acts in connection with this report pursuant to an order of the High Court.

The Provisional Liquidators herein present their report together with the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008 based on the books and records made available to them. The Provisional Liquidators are responsible for the accuracy of the contents of this report and the condensed consolidated interim financial statements for the six months ended 30 September 2008 in relation to the affairs of the Group after the appointment of the Provisional Liquidators. The Provisional Liquidators make no representation as to the completeness of the information contained in this report.

BUSINESS REVIEW

The Company is principally engaged in investment holding. Although the Group was principally engaged in the apparel manufacturing business through ODM and OEM with manufacturing base in the People's Republic of China (the "PRC") and Kingdom of Cambodia, and also apparel retailing business in the PRC.

As the Provisional Liquidators were appointed on 11 September 2008, they do not have the same knowledge of the financial affairs of the Group as the directors of the Company would have, particularly in relation to the transactions entered into by the Group prior to the appointment date. However, to the best of the Provisional Liquidators' knowledge and information, at the time of their appointment, only the retail business in the PRC was under the Group's control.

FINANCIAL RESULTS

For the six months ended 30 September 2008, the Group's turnover was approximately HK\$61.26 million (six months ended 30 September 2007: HK\$1,183.15 million), representing a decrease of approximately 94.82% as compared to the corresponding period of last year. Respective state of affairs of the Group is set out in the condensed consolidated interim financial statements on pages 11 to 13. The consolidated loss attributable to shareholders of the Company amounted to approximately HK\$61.32 million (six months ended 30 September 2007: Profit of HK\$108.57 million) for the period. Basic loss per share was approximately HK2.78 cents as compared with earnings per share of approximately HK5.14 cents for the corresponding period of last year. There will be no payment of interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: Nil).

PROVISIONAL LIQUIDATORS' REPORT

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash as at 30 September 2008 was approximately HK\$3.8 million (31 March 2008: HK\$2.67 million). The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds is not applicable as the Group had shareholders' deficits as at 30 September 2008 and 31 March 2008.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 15 to the condensed consolidated financial statements.

FOREIGN CURRENCY EXPOSURE

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi.

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

KEY TRANSACTIONS CONDUCTED DURING THE INTERIM PERIOD

Based on published information, prior to the appointment of the Provisional Liquidators, the Group entered into an agreement on 8 July 2008 to acquire 40% of both the entire issued share capital of and the shareholder's loan due by Global Agricultural Development Limited at a total consideration of HK\$300 million which will be satisfied by the Group procuring Global Far East (Macao Commercial Offshore) Limited, an indirect wholly-owned subsidiary of the Company then, to assign as a beneficial owner, all the rights, title, benefits and interests in its account receivables in the aggregate book values of HK\$300 million upon completion of the said transaction. However, there is no evidence which shows that the said transaction has been completed.

PLEDGE OF ASSETS

In June 2008, the Company has charged its entire interest in Ever Century to Forefront Finance Co., Limited ("Forefront") and Forefront has enforced its right under the said share charge. Accordingly, the Company's ownership in Ever Century was transferred to Merrier Limited ("Merrier") on 15 August 2008.

On 3 April 2009, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom Finance Limited ("Hansom") and the Investor entered into a settlement deed pursuant to which Merrier agreed to transfer the interest in Ever Century back to the Company in order to facilitate the restructuring of the Company, Forefront and Hansom acknowledged, confirmed and agreed that there was no intention for Forefront to change the beneficial ownership of interest in Ever Century or the Company's control over Ever Century upon the transfer of the legal ownership of Ever Century to Merrier on 15 August 2008.

PROVISIONAL LIQUIDATORS' REPORT

RESTRUCTURING OF THE GROUP AFTER THE APPOINTMENT OF THE PROVISIONAL LIQUIDATORS

On 10 October 2008, the Stock Exchange issued a letter to the Company, inter alia, setting out the conditions for resumption of trading of the shares of the Company as follows:

- to submit a viable resumption proposal to demonstrate the Company's compliance with Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and all applicable laws and regulations;
- to clarify the Group's financial position and the transfer of the shares of Ever Century, to Merrier for US\$1 on 15 August 2008;
- to publish all outstanding financial results of the Group as required under the Listing Rules and address any concerns that may be raised by the auditors of the Company through the qualification of their audit report on the financial statements of the Group; and
- to demonstrate that the Company has adequate financial reporting system and internal control procedures to enable the Company to meet its obligations under the Listing Rules.

The Stock Exchange placed the Company in the first stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules. If the Company failed to submit a viable resumption proposal on or before 10 April 2009 and demonstrate its compliance with Rule 13.24 of the Listing Rules, the Stock Exchange would consider whether to proceed to place the Company in the second stage of delisting procedures. Subsequently, the Stock Exchange extended the said deadline.

Asian Capital (Corporate Finance) Limited has been appointed by the Provisional Liquidators as the financial advisor to the Company regarding the restructuring of the Group.

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

On 3 April 2009, the Company, the Provisional Liquidators, Forefront, Merrier, Hansom and the Investor entered into a settlement deed pursuant to which Merrier agreed to transfer the interest in Ever Century back to the Company in order to facilitate the restructuring of the Company and Forefront and Hansom acknowledged, confirmed and agreed that there was no intention to change the beneficial ownership of interest in Ever Century or the Company's control over Ever Century.

PROVISIONAL LIQUIDATORS' REPORT

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

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

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

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

On 11 August 2009, the Investor and the Provisional Liquidators entered into a revolving loan facility agreement, pursuant to which, the Investor consented to provide additional working capital loan for the Group’s retail business operating entity in the PRC of an aggregate amount equal to HK\$15 million till 31 December 2009 or any date to be extended by written agreement between the Investor and the Provisional Liquidators.

PROSPECTS

It is anticipated that the financial position of the Group will be substantially improved upon (i) the Investor signing a formal restructuring agreement with the Provisional Liquidators (on behalf of the Company without personal liability) to revive the Group; and (ii) completion of the proposed restructuring of the Group as contemplated under such agreement. The Investor and the Provisional Liquidators anticipate all existing liabilities owed to the creditors of the Company and creditors of its subsidiaries holding guarantees given by the Company will be compromised and discharged through a proposed Hong Kong scheme of arrangement.

Subject to, among other things, the approvals of the shareholders of the Company and the Stock Exchange upon completion of the abovementioned restructuring agreement, the Company’s shares will resume trading on the Stock Exchange.

It is the Investor’s intention to maintain the Group’s existing retail business, currently conducted through New Profit Garment (Luo Ding) Company Limited, an indirect 90% owned subsidiary of the Company which is currently the only operating subsidiary of the Company.

PROVISIONAL LIQUIDATORS' REPORT

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

PRE-EMPTIVE RIGHTS

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

CONVERTIBLE BONDS

Details of convertible bonds are set out in note 14 to the condensed consolidated financial statements.

SIGNIFICANT INVESTMENT

On the basis of the available books and records to the Provisional Liquidators, the Group did not have any significant investment throughout the period. Accordingly, the Provisional Liquidators are not aware of any significant discrepancy of the said item.

DIRECTORS' SERVICE CONTRACTS

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

CONTINGENT LIABILITIES

Details are set out in note 17 to the condensed consolidated financial statements.

PUBLIC FLOAT

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

PROVISIONAL LIQUIDATORS' REPORT

AUDIT COMMITTEE

Following the resignations of the Company's independent non-executive directors in or around September 2008, there have been no replacements of independent non-executive directors until the appointment of Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian on 7 October 2009 due to restricted financial resources of the Company.

On 24 November 2009, the audit committee of the Company was reconstituted. Mr. Pau Chin Hung, Andy, Mr. Kooi Tock Chian and Mr. Choong Khuat Leok were appointed as members of the audit committee, with the latter being appointed as chairman.

As the members of the audit committee were appointed long after 30 September 2008, they are not in a position to monitor the integrity of the condensed consolidated interim financial statements of the Group for the six months ended 30 September 2008. Therefore, this interim report has not been reviewed by the audit committee.

DELAY IN DESPATCH OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Due to suspension of trading in its shares on the Stock Exchange and most of the responsible officers having left the Group as explained below, the Company has not been able to prepare and despatch the interim report for the six months ended 30 September 2008 to its members within the stipulated date as required by the Listing Rules. The delay in the despatch of the 2008 interim report constitutes a non-compliance of the Rule 13.48(1) of the Listing Rules by the Company.

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

Due to the failure to access the books and records of certain subsidiaries and the resignation of the majority of management personnel responsible for maintaining the books and records, the Provisional Liquidators do not have sufficient data to compile the annual report so as to comply with the Appendix 16 "Disclosure of financial information" to the Listing Rules. The following information has been omitted from this interim report:

1. A statement in respect of connected transactions and continuing connected transactions with the connected person as defined in Chapter 14A (or Chapter 14 prior to the coming into force of Chapter 14A) of the Listing Rules.
2. Details of the number and remuneration of employees, remuneration policies, and the retirement benefits scheme.
3. Details of related party transactions.
4. Audit committee must review the interim report.

SHARE CAPITAL

Movements in share capital of the Company are set out in note 15 to the condensed consolidated financial statements.

PROVISIONAL LIQUIDATORS' REPORT

SHARE OPTION SCHEME

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

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

To the best knowledge of the Provisional Liquidators, 40,000,000 share options were exercised during the six months ended 30 September 2008.

SUSPENSION OF TRADING OF THE COMPANY'S SHARES AND APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Trading in the Company's shares on Stock Exchange has been suspended since 30 July 2008. As stated in note 2 to the condensed consolidated financial statements:

“On 11 September 2008, pursuant to a court order, Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, were appointed as the joint and several provisional liquidators to the Company (the “Provisional Liquidators”) as a result of the Company's self petition for winding up and Bank of America N.A.'s application to support the winding up petition against the Company. Upon the appointment of the Provisional Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

Based on the books and records made available to them, the Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the condensed consolidated interim financial statements for the six months ended 30 September 2008 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of the condensed consolidated interim financial statements for the six months ended 30 September 2008.”

PROVISIONAL LIQUIDATORS' REPORT

INTERIM RESULTS AND DIVIDENDS

The loss of the Group for the six months ended 30 September 2008 and the state of affairs of the Group as at that date are set out on pages 11 to 30.

There will not be a payment of an interim dividend for the six months ended 30 September 2008 (six months ended 30 September 2007: Nil).

For and on behalf of
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)

Fok Hei Yu
Roderick John Sutton
Joint and Several Provisional Liquidators
who act without personal liabilities

Hong Kong, 4 December 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 September 2008

(Amounts expressed in Hong Kong dollars)

		Unaudited	
		Six months ended	
		30 September	
		2008	2007
	<i>Note</i>	\$'000	\$'000
Turnover	4	61,255	1,183,147
Costs of sales		<u>(41,502)</u>	<u>(856,238)</u>
Gross profit		19,753	326,909
Other revenue	5(c)	214,654	10,681
Distribution costs		(42,097)	(140,656)
Administrative and other operating expenses		<u>(185,816)</u>	<u>(46,513)</u>
Profit from operations		6,494	150,421
Finance costs	5(a)	<u>(5,293)</u>	<u>(34,183)</u>
Profit before taxation	5	1,201	116,238
Income tax	6	<u>(49,815)</u>	<u>(6,084)</u>
(Loss)/profit for the period		<u>(48,614)</u>	<u>110,154</u>
Attributable to:			
Equity shareholders of the Company		(61,324)	108,574
Minority interests		<u>12,710</u>	<u>1,580</u>
		<u>(48,614)</u>	<u>110,154</u>
Dividends payable to equity shareholders of the Company	7	<u>Nil</u>	<u>Nil</u>
(Loss)/earnings per share	8		
Basic		<u>(2.78 cents)</u>	<u>5.14 cents</u>
Diluted		<u>N/A</u>	<u>4.95 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

(Amounts expressed in Hong Kong dollars)

		Unaudited 30 September 2008 \$'000	(Restated) Audited 31 March 2008 \$'000
Non-current assets			
Property, plant and equipment		<u>7,363</u>	<u>8,484</u>
Current assets			
Inventories		46,061	46,158
Trade and other receivables	11	28,111	8,762
Cash and cash equivalents		<u>3,802</u>	<u>2,673</u>
		<u>77,974</u>	<u>57,593</u>
Current liabilities			
Trade and other payables	12	70,169	35,734
Provision for bank loan guarantee for subsidiaries	13(i)	814,298	879,638
Other borrowings	13(ii)	90,500	–
Tax payable		50,324	160
Amounts due to deconsolidated subsidiaries		<u>157,089</u>	<u>–</u>
		<u>1,182,380</u>	<u>915,532</u>
Net current liabilities		<u>(1,104,406)</u>	<u>(857,939)</u>
Total assets less current liabilities		(1,097,043)	(849,455)
Non-current liabilities			
Convertible bonds	14	<u>119,396</u>	<u>119,396</u>
NET LIABILITIES		<u>(1,216,439)</u>	<u>(968,851)</u>
EQUITY			
Share capital	15	221,261	217,261
Reserves		<u>(1,485,218)</u>	<u>(1,220,920)</u>
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		<u>(1,263,957)</u>	<u>(1,003,659)</u>
Minority interests		<u>47,518</u>	<u>34,808</u>
		<u>(1,216,439)</u>	<u>(968,851)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

(Amounts expressed in Hong Kong dollars)

	2008		2007	
	\$'000	\$'000	\$'000	\$'000
Total (deficiency)/equity at 1 April (audited)		(968,851)		1,575,872
Net income recognised directly in equity				
Exchange differences on translation of financial statements of overseas subsidiaries		-	(4,991)	
Capital reserve	(237,782)		-	
Net (loss)/profit for the period		<u>(61,324)</u>		<u>108,574</u>
Total recognised income and expenses for the period		(299,106)		103,583
Dividends declared		<u>-</u>		<u>(43,452)</u>
Movements in equity arising from capital transactions				
Issue of new shares		-	13,881	
Shares issued under share option scheme	4,000		66,660	
Shares issued under conversion of convertible bonds		<u>-</u>	<u>43,443</u>	
		<u>4,000</u>		<u>123,984</u>
Total (deficiency)/equity attributable to shareholders of the Company		(1,263,957)		1,759,987
Minority interests		<u>47,518</u>		<u>33,185</u>
At 30 September (unaudited)		<u>(1,216,439)</u>		<u>1,793,172</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

1 ORGANIZATION AND OPERATION

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

The Company is principally engaged in investment holding. The Group was principally engaged in the apparel manufacturing business through original design manufacturing (ODM) and original equipment manufacturing (OEM) with manufacturing base in the People’s Republic of China (the “PRC”) and the Kingdom of Cambodia, and also apparel retailing business in the PRC. Due to the insolvency and winding up of certain subsidiaries of the Company, only the retailing business remains in the Group.

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

2 BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the applicable disclosure provisions of the Listing Rules and the same accounting policies as those adopted in the annual financial statements for the year ended 31 March 2008 (the “2008 Annual Accounts”). These condensed consolidated financial statements should be read in conjunction with the 2008 Annual Report. The financial information relating to the financial year ended 31 March 2008 that is included in these condensed consolidated financial statements is derived from the 2008 Annual Accounts.

A condensed consolidated cash flow statement for the six months ended 30 September 2008 have not been presented in the condensed consolidated financial statements as it is impracticable for the Group to prepare such statement and information.

The interim financial report is unaudited and has not been reviewed by the auditors and audit committee of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

2 BASIS OF PRESENTATION (Continued)

Going concern

As at 30 September 2008, the Group had unaudited consolidated net current liabilities of approximately HK\$1,104.41 million (31 March 2008: approximately HK\$857.94 million) and unaudited consolidated net liabilities of approximately HK\$1,216.44 million (31 March 2008: approximately HK\$968.85 million). The Group had a net loss attributable to equity holders of the Company for the 6 months ended 30 September 2008 of approximately HK\$48.61 million (Six months ended 30 September 2007: net profit of approximately HK\$110.15 million).

On 11 September 2008, pursuant to a court order by the High Court of Hong Kong (the “High Court”), Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, were appointed as the joint and several provisional liquidators to the Company (the “Provisional Liquidators”) as a result of the Company’s self petition for winding up and Bank of America N.A.’s application to support the winding up petition against the Company. Upon the appointment of the Provisional Liquidators, the powers of the directors were suspended with regard to the affairs and business of the Company.

Based on the books and records made available to them, the Provisional Liquidators are responsible for the accuracy of the contents of this report and the condensed consolidated financial statements for the six months ended 30 September 2008 in relation to (i) the affairs of the Group after the appointment of the Provisional Liquidators; and (ii) the preparation of the contents of these condensed consolidated financial statements for the six months ended 30 September 2008.

The Provisional Liquidators make no representation as to the completeness of the information contained in the condensed consolidated financial statements.

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

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

Loss of books and records

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

2 BASIS OF PRESENTATION (Continued)

Loss of books and records (Continued)

- According to some former staff of the Group, some of the relevant books and records may have been shipped overseas shortly prior to the appointment of the Provisional Liquidators. However, the Provisional Liquidators are unable to verify the validity of this information; and
- Former accounting personnel of the Group had left and the Provisional Liquidators have been unable to get their cooperation in connection with updating the accounts.

The condensed consolidated financial statements of the Group have been prepared based on the available books and records. Accordingly, the Provisional Liquidators are unable to ascertain that the opening balances and corresponding figures of the Group for the six months ended 30 September 2008 have been properly reflected.

Deconsolidation of subsidiaries and subsequent impairment of respective book values

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

- The directors of the Company resolved to appoint an independent reporting accountant Borrelli Walsh Limited on 30 July 2008 to investigate into the matters giving rise to the Company's failure to report its results for the year ended 31 March 2008;
- On 9 September 2008, Borrelli Walsh Limited resigned, citing that it was unable to obtain sufficient information to properly discharge its engagement, and raised concern that the board of directors was unable to control the assets of the Group after 23 June 2008;
- Mr. Fok Hei Yu and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, were appointed as provisional liquidators to Tack Fat Swimwear Manufacturing Limited ("Tack Fat Swimwear") and liquidators to Tack Fat Manufacturing Factory Limited ("Tack Fat Manufacturing") on 6 October 2008 and 4 September 2009 respectively;
- Tack Fat International Holdings Limited ("Tack Fat International") and Chiu Wing Enterprise Company Limited ("Chiu Wing") were placed into creditors' voluntary liquidation on 23 April 2009;
- Lantern Services Limited, Potter Industries Limited and Sino Profit Limited, all directly wholly owned subsidiaries of Ever Century were transferred to a special purpose vehicle controlled by the Provisional Liquidators on 29 May 2009 for realisation for the benefit of the creditors of the Company and to facilitate the restructuring as proposed by the Investor; and

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

2 BASIS OF PRESENTATION (Continued)

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

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

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

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

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

2 BASIS OF PRESENTATION (Continued)

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

Any adjustment as a result of the abovementioned action may have a significant effect to the Group's condensed consolidated financial statements for the six months ended 30 September 2008 and the relevant disclosures. Accordingly, the corresponding figures shown in the condensed consolidated financial statements may not be comparable with those figures for the six months period ended 30 September 2007.

3 PRINCIPLE ACCOUNTING POLICIES

(i) DEPARTURE FROM THE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Due to the resignation of the majority of management personnel responsible for maintaining the books and records and the failure to access the books and records of certain subsidiaries, the Provisional Liquidators do not have sufficient information to compile the condensed consolidated financial statements of the Group for the six months period ended 30 September 2008 so as to comply with the HKFRSs. The following information are not disclosed in the said condensed consolidated financial statements:

- (a) Information about the extent and nature of the financial instruments as required by HKAS 32 "Financial Instruments: Disclosure and Presentation" issued by the HKICPA;
- (b) Details of the Group's policy in respect of the financial risk management as required by HKFRS 7 "Financial Instruments: Disclosure" issued by the HKICPA;
- (c) Details of related party disclosures as required by HKAS 24 "Related Party Disclosures" issued by the HKICPA;
- (d) Details of the Group's aging of debtors and creditors as required by the Listing Rules;
- (e) Details of analysis of pledge of assets as required by the Companies Ordinance (Chapter 32) of the Laws of Hong Kong (the "Companies Ordinance");
- (f) Information of deferred taxation and taxation charge reconciliation as required by HKAS 12 "Income Taxes"; and
- (g) Details of directors' and employees' emoluments as required by the Listing Rules and the Companies Ordinance.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(ii) APPLICATION OF NEW AND REVISED HKFRSs

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

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvement to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ⁸
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁷
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁷
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

3 PRINCIPLE ACCOUNTING POLICIES (Continued)

(ii) APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁹
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ⁴
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for transfers on or after 1 July 2009

⁷ Effective for annual periods beginning on or after 1 January 2010

⁸ Effective for annual periods beginning on or after 1 February 2010

⁹ Effective for annual periods beginning on or after 1 July 2008

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Provisional Liquidators anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

4 TURNOVER

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

5 PROFIT BEFORE TAXATION

Results before taxation is arrived at after charging the following:

(a) Finance Costs

	Unaudited Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	5,293	27,994
Others	—	6,189
	<u>5,293</u>	<u>34,183</u>

(b) Other Items

	Unaudited Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Cost of goods sold	41,502	856,238
Depreciation and amortization of fixed assets	<u>1,387</u>	<u>24,822</u>

(c) Other revenue

	Unaudited Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
Interest income	8	—
Reversal of excess impairment and written off (<i>Note</i>)	213,123	—
Others	<u>1,523</u>	<u>10,681</u>
	<u>214,654</u>	<u>10,681</u>

Note: These amounts mainly represent certain impairments recognised in the “Prepayment, deposits and other receivables” and “Amounts due to deconsolidated subsidiaries” written-off in the accounts of New Profit Garment (Luo Ding) Company Limited as at 31 March 2008 due to incomplete books and records. As a result of further investigation by the Provisional Liquidators, such impairments and write-off are considered excessive. Accordingly, the Provisional Liquidators have made adjustments for the reversal of these figures in the period.

On the basis that the relevant books and records are either lost prior to the appointment of the Provisional Liquidators or being incomplete, the Provisional Liquidators make no representation as to the completeness and accuracy of the abovementioned items.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

6 INCOME TAX

The provision for Hong Kong Profits Tax for 2008 is calculated at 16.5% (30 September 2007: 17.5%) of the estimated assessable profits for the period.

The Group's subsidiary in the PRC is subject to PRC income tax at the rate of 25% of its taxable income.

The immediate holding company of all of the Company's Cambodia subsidiaries, Tack Fat International, has been deconsolidated from the condensed consolidated financial statements of the Group since the year ended 31 March 2008 and has been placed into creditors' voluntary liquidation pursuant to section 228A of the Companies Ordinance on 23 April 2009. On this basis, the Group will no longer be subject to Cambodia tax.

7 DIVIDEND

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Interim dividend paid – Nil per share	<u>–</u>	<u>–</u>
Final dividend of Nil (six months ended 30 September 2007: HK\$2 cents) per share in respect of the previous year, approved and accrued during the period	<u>–</u>	<u>43,452</u>

8 (LOSS)/EARNINGS PER SHARE

The loss attributable to equity holders of the Company is dealt with in the condensed consolidated financial statements of the Company for the six months ended 30 September 2008 to the extent of approximately HK\$61.32 million (six months ended 30 September 2007: net profit of approximately HK\$108.57 million).

(a) Basic (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2008 of approximately HK\$61.32 million (six months ended 30 September 2007: profit of approximately HK\$108.57 million) and the weighted average number of 2,205,175,106 ordinary shares in issue during the period (six months ended 30 September 2007: 2,111,792,000).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

8 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Diluted Loss Per Share

The calculation of diluted earnings per share for the six months ended 30 September 2007 is based on the adjusted profit attributable to equity holders of the Company of \$109,397,000 and the weighted average number of ordinary shares of 2,211,639,000 shares after adjusting for the effects of all dilutive potential ordinary shares.

Since the outstanding share options and convertible bonds are anti-dilutive to the loss per share, no diluted loss per share is presented for this period.

9 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments according to the information available to the Provisional Liquidators. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business Segment

The Group has been predominately operating in one single business segment, i.e. the retail trading of garments in the PRC.

(b) Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers. Segment assets and capital expenditures are based on the geographical location of the assets.

The Group's business is principally managed in Hong Kong and other parts of the PRC while the principal market for the Group's products is retail trading of garments in the PRC.

For the six months period ended 30 September 2008, a substantial amount of the Group's revenue and assets are derived from operations based in the PRC. Accordingly, no further analysis of the Group's geographical segments is disclosed.

An analysis of the Group's turnover by geographical location of the customers is set out below:

	Unaudited Group's turnover Six months ended 30 September	
	2008	2007
	HK\$'000	HK\$'000
North America	-	781,527
Mainland China	61,255	192,549
Europe	-	158,044
Other regions	-	51,027
	<u>61,255</u>	<u>1,183,147</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

10 OTHER FINANCIAL ASSETS

On the basis that the relevant books and records are either lost prior to the appointment of the Provisional Liquidators or being incomplete, the Provisional Liquidators make no representation as to the completeness and accuracy of the other financial assets.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Trade receivables	17,647	8,762
Other receivables	7,143	–
Prepayments, deposits and other receivables	3,321	–
	<u>28,111</u>	<u>8,762</u>

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

12 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2008 <i>HK\$'000</i>	Audited 31 March 2008 <i>HK\$'000</i>
Trade payables	49,079	35,267
Accruals and other payables	21,090	467
	<u>70,169</u>	<u>35,734</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

13 PROVISION FOR BANK LOAN GUARANTEE FOR SUBSIDIARIES AND OTHER BORROWINGS

The banking facilities of the Group were secured by corporate guarantees issued by the Company. The banking facilities granted to the subsidiaries of the Company were secured by the Company's interest in some of its subsidiaries and guaranteed by the Company. During the six months period ended 30 September 2008, the Company obtained loans from certain financial institutions. Details of such guarantees and loans provided by financial institutions are set out below:

(i) Provision for bank loan guarantee for subsidiaries

	Unaudited 30 September 2008 HK\$	Audited 31 March 2008 HK\$ (Restated)
Secured (<i>Note</i>)	133,018	198,000
Unsecured	<u>681,280</u>	<u>681,638</u>
	<u>814,298</u>	<u>879,638</u>

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

(ii) Other borrowings

	Unaudited 30 September 2008 HK\$	Audited 31 March 2008 HK\$ (Restated)
Secured	45,000	–
Unsecured	<u>45,500</u>	<u>–</u>
	<u>90,500</u>	<u>–</u>

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

The effective interest rate for the six months ended 30 September 2008 for other borrowings were 2% per month and 6% per annum. (31 March 2008: Nil).

On the basis of the available books and records to the Provisional Liquidators, the Provisional Liquidators are not aware of any significant discrepancy of the abovementioned provision for bank loan guarantees for subsidiaries and other borrowings.

Note: Pursuant to further investigations by the Provisional Liquidators, the provision for bank loan guarantees for subsidiaries for the year ended 31 March 2008 was understated. Accordingly, this amount is restated.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

14 CONVERTIBLE BONDS

Pursuant to a bond placement agreement dated 13 September 2004, the Company issued US\$30,000,000 (equivalent to approximately HK\$234,000,000) convertible bonds bearing interest at 1% per annum payable in quarters to independent investors on 11 October 2004. The convertible bonds will mature on 12 October 2009. Up to the date of this report, the Provisional Liquidators have not received any formal demand letter from the bondholders. The bonds are convertible into the Company's shares at the conversion price of HK\$1.00 after three months from 11 October 2004 provided that up to a maximum of 50% of the bonds may be converted within the first 12 months from the date of issue. Each bondholder has a put option such that the Company shall redeem the bonds upon exercise of the option by the relevant bondholder under the following circumstances: (i) on the third and fifth anniversaries from the date of bond issue; or (ii) if the Company's shares are de-listed or suspended from trading on the Stock Exchange for more than 14 consecutive trading days; or (iii) if there is a change in control of the Company.

During the 6 months period ended 30 September 2008 and up to the date of this report, no convertible bonds were converted into ordinary shares.

15 SHARE CAPITAL

	Unaudited At 30 September 2008		Audited At 31 March 2008	
	No. of shares	Amount \$'000	No. of shares	Amount \$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	<u>4,000,000,000</u>	<u>400,000</u>	<u>4,000,000,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>				
At 1 April	2,172,606,800	217,261	2,000,000,000	200,000
Placement of new shares	-	-	12,734,000	1,274
Exercise of share options (<i>Note</i>)	40,000,000	4,000	102,000,000	10,200
Conversion of convertible bonds	-	-	57,872,800	5,787
	<u>2,212,606,800</u>	<u>221,261</u>	<u>2,172,606,800</u>	<u>217,261</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

16 COMMITMENTS

At 30 September 2008, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Within 1 year	6,461	11,176
After 1 year but within 5 years	14,304	9,008
	<u>20,765</u>	<u>20,184</u>

According to the books and records available to the Provisional Liquidators, the Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated.

17 CONTINGENT LIABILITIES

On the basis that the relevant books and records are either lost prior to the appointment of the Provisional Liquidators or being incomplete, the Provisional Liquidators make no representation as to the completeness and accuracy of the contingent liabilities.

18 RELATED PARTY TRANSACTION

On the basis that the relevant books and records are either lost prior to the appointment of the Provisional Liquidators or being incomplete, the Provisional Liquidators make no representation as to the completeness and accuracy of the related party transaction.

19 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

According to the latest available information to the Provisional Liquidators, the immediate parent and ultimate controlling party of the Group was Efulfilment Enterprises Limited, which was incorporated in the British Virgin Islands and beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, former executive director and chairman of the Company, in the proportion of 50:50, as at 30 September 2008. This entity does not produce financial statements available for public use.

ADDITIONAL INFORMATION

Directors' Interest or Short Positions in Shares, Underlying Shares and Debentures

At 30 September 2008, the interests of the directors and the chief executives and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Beneficial interests	Position	Corporate interests	Total number of shares held	Percentage of total issued shares
Mr. Kwok Wing (<i>Note 1</i>)	Long	762,424,000	762,424,000	38.12%

Note 1: Mr. Kwok Wing retired as the executive director and the chairman of the Company on 6 October 2009.

In addition to the above, certain director has non-beneficial personal equity interest in certain subsidiaries held for the benefit of the Group solely for the purpose of complying with the minimum company membership requirements of the Companies Ordinance. Certain directors also have beneficial interests in non-voting deferred shares practically carrying no rights to dividends or to receive notice of or to attend or vote at any general meeting or to participate in any distribution or winding up in a subsidiary.

To the best information and knowledge of the Provisional Liquidators, other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2008.

ADDITIONAL INFORMATION

Substantial Shareholders

As at 30 September 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

	Ordinary shares held	Position	Percentage of total issued shares
Wan Lai Ngan (<i>Note 1</i>)	762,424,000	Long	38.12%
Efulfilment Enterprises Limited (<i>Note 2</i>)	652,800,000	Long	32.64%
Kwok Chiu (<i>Note 2</i>)	652,800,000	Long	32.64%
Sansar Capital Management, LLC (<i>Note 3</i>)	434,636,000	Long	19.64%
McCathy Kent C. (<i>Note 4</i>)	237,604,000	Long	10.94%
Sansar Capital Master Fund, LP (<i>Note 3</i>)	262,275,900	Long	12.07%
Jayhawk China Fund (Cayman), Ltd. (<i>Note 4</i>)	195,700,000	Long	9.01%
Sansar Capital Special Opportunity Master Fund, LP (<i>Note 3</i>)	152,396,400	Long	7.01%
Sharp Asset Holdings Limited (<i>Note 5</i>)	109,624,000	Long	5.48%
Templeton Asset Management Limited	239,547,000	Long	11.03%

Note 1: Ms Wan Lai Ngan is the spouse of Mr Kwok Wing and is therefore deemed to be interested in the shares held or deemed to be held by Mr Kwok Wing under the SFO.

Note 2: The issued share capital of Efulfilment Enterprises Limited is beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, the chairman and an executive Director, in the proportion of 50:50. Mr. Kwok Chiu is therefore deemed to be interested in the Shares held by Efulfilment Enterprises Limited under the SFO.

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

Note 4: According to the form filed pursuant to Part XV of the SFO by McCarthy Kent C. and Jayhawk China Fund (Cayman) Ltd., the Shares are held by Jayhawk China Fund (Cayman), Ltd. as investment manager which is owned 100% by McCarthy Kent C. According to information available to the Provisional Liquidators, Mr. McCarthy Kent C had ceased to be interested in at least 5% issued share capital of the Company since 17 November 2008.

Note 5: The entire issued share capital of Sharp Asset Holdings Limited is owned by Mr. Kwok Wing, the then chairman and executive director of the Company. Mr. Kwok Wing retired from the above position on 6 October 2009.

ADDITIONAL INFORMATION

Purchase, Sale or Redemption of The Company's Listed Securities

To the best knowledge of the Provisional Liquidators, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

Code on Corporate Governance Practices

The Provisional Liquidators were appointed on 11 September 2008 pursuant to an order of the High Court. Consequently, the Provisional Liquidators are unable to comment as to whether the Company had complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2008.

Model Code For Securities Transactions By Directors

The Provisional Liquidators were appointed on 11 September 2008 pursuant to an order of the High Court. Consequently, the Provisional Liquidators are unable to comment whether the Company and its directors had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2008.