

TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)



INTERIM REPORT 2009

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CORPORATE INFORMATION

Joint and Several Provisional Liquidators

FOK Hei Yu
Roderick John SUTTON

Executive Directors

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

Non-Executive Directors

Mr. James McMULLEN

Independent Non-Executive Directors

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

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

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 2009 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 2009 in relation to the affairs of the Group after the appointment of the Provisional Liquidators.

BUSINESS REVIEW

To the best of the Provisional Liquidators' knowledge and information, since the time of their appointment, the Company is principally engaged in investment holding and the Group is principally engaged in the apparel retail business in the People's Republic of China (the "PRC"), being the only business remaining under the Group's control.

FINANCIAL RESULTS

For the six months ended 30 September 2009, the Group's turnover was approximately HK\$21.44 million (six months ended 30 September 2008: HK\$61.26 million), representing a decrease of approximately 65% 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 30. The consolidated loss attributable to shareholders of the Company amounted to approximately HK\$26.06 million for the six months ended 30 September 2009 (six months ended 30 September 2008: loss HK\$48.61 million). Basic loss per share was approximately HK1.08 cents for the six months ended 30 September 2009 (six months ended 30 September 2008: loss per share HK2.78 cents). There will be no payment of interim dividend for the six months ended 30 September 2009 (six months ended 30 September 2008: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash including escrow money as at 30 September 2009 was approximately HK\$4.55 million (31 March 2009: HK\$8.21 million). The Group's gearing ratio measured on the basis of the Group's total bank borrowings relative to the shareholders' funds is not applicable as the Group had shareholders' deficits as at 30 September 2009 and 31 March 2009 respectively.

PROVISIONAL LIQUIDATORS' REPORT

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in note 16 to the condensed consolidated financial statements.

FINANCIAL RISK MANAGEMENT

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

(a) Credit Risk

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

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

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

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of trade and other receivables in the condensed consolidated statement of financial position. Except for the guarantees given by the Group as disclosed in note 14, the Group does not provide any other guarantees which expose the Group to credit risk.

(b) Liquidity Risk

The operating entity of the Group is responsible for its own cash management – to utilize its cash flow in order to meet its expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from certain parties to meet its liquidity requirements in the short and longer term.

(c) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and may consider hedging its interest rate exposure if necessary.

PROVISIONAL LIQUIDATORS' REPORT

(d) Foreign Currency Risk

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.

PLEDGE OF ASSETS

On 3 April 2009, the Company, the Provisional Liquidators, Forefront Finance Co., Limited ("Forefront"), Merrier Limited ("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 Holdings Limited ("Ever Century") (a wholly-owned subsidiary of the Company the entire equity interest of which was charged and transferred to Forefront by the Company in June 2008 and August 2008 respectively) back to the Company 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.

RESTRUCTURING OF THE GROUP AND KEY EVENTS AFTER THE APPOINTMENT OF THE PROVISIONAL LIQUIDATORS UP TO THE DATE OF THIS REPORT

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 the 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.

PROVISIONAL LIQUIDATORS' REPORT

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 (a wholly-owned subsidiary of the Company the entire equity interest of which was charged and transferred to Forefront by the Company in June 2008 and August 2008 respectively) back to the Company 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.

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 was primarily in furtherance of the Group's restructuring process.

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

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

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.

PROVISIONAL LIQUIDATORS' REPORT

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 is expected to 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.

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 15 to the condensed consolidated financial statements.

SIGNIFICANT INVESTMENT

To the best knowledge of 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 of contingent liabilities are set out in note 18 to the condensed consolidated financial statements.

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. Choong Khuat Leok and Mr. Kooi Tock Chian were appointed as members of the audit committee, with Mr. Choong being appointed as chairman. Accordingly, the audit committee considered and accepted its terms of reference to:

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

The interim report has been reviewed by the audit committee but not the auditors.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

To the best knowledge of the Provisional Liquidators, during the six months ended 30 September 2009, the Group has not entered into any related party transactions (defined under HKAS 24), connected transactions and continuing connected transactions (defined under the Listing Rules).

The Provisional Liquidators make no representation as to whether the Group entered into any related party transactions, connected transactions and continuing connected transactions during the six months ended 30 September 2008 as defined under the Listing Rules.

EMPLOYEES

As at 30 September 2009, the Group employed about 340 full time employees. The Group remunerates its employees based on performance and experience.

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

To the best knowledge of the Provisional Liquidators, save as disclosed above, the Group has no other significant obligations to make payments in respect of retirement benefits of the employees.

PROVISIONAL LIQUIDATORS' REPORT

DIRECTORS' REMUNERATION

Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian were appointed as independent non-executive directors of the Company with effect from 7 October 2009. Accordingly, the Provisional Liquidators were authorised to fix their remuneration. The director's fee of each of the said directors is fixed at HK\$15,000 per month.

None of these said directors has a fixed term of service with the Company and they will hold office until the next annual general meeting of the Company and shall be eligible for re-election at that meeting and retirement by rotation at the subsequent annual general meetings of the Company in accordance with the Company's articles of association.

To the best knowledge of the Provisional Liquidators, the Company did not pay any remuneration to its directors for the six months ended 30 September 2009.

The Provisional Liquidators make no representation as to whether the Company paid any remuneration to its directors for the six months ended 30 September 2008.

SHARE CAPITAL

Movements in share capital of the Company are set out in note 16 to the condensed consolidated financial statements.

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.

PROVISIONAL LIQUIDATORS' REPORT

To the best knowledge of the Provisional Liquidators, no share options were exercised during the six months ended 30 September 2009.

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 their best knowledge, 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 2009 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 2009.”

INTERIM RESULTS AND DIVIDENDS

The loss of the Group for the six months ended 30 September 2009 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 2009 (six months ended 30 September 2008: Nil).

By Order of the Board
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)

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

CHOONG Khuat Leok
Independent Non-Executive Director

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

Hong Kong, 24 December 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 September 2009

(Amounts expressed in Hong Kong dollars)

		Unaudited	
		Six months ended	
		30 September	
		2009	2008
	<i>Note</i>	\$'000	\$'000
Turnover	4	21,435	61,255
Cost of sales		<u>(12,984)</u>	<u>(41,502)</u>
Gross profit		8,451	19,753
Other revenue	5(c)	1,557	214,654
Distribution costs		(24,559)	(42,097)
Administrative and other operating expenses		<u>(5,723)</u>	<u>(185,816)</u>
(Loss)/Profit from operations		(20,274)	6,494
Finance costs	5(a)	<u>(5,783)</u>	<u>(5,293)</u>
(Loss)/Profit before taxation	5	(26,057)	1,201
Income tax	6	<u>–</u>	<u>(49,815)</u>
Total comprehensive loss for the period		<u>(26,057)</u>	<u>(48,614)</u>
Attributable to:			
Equity shareholders of the Company		(23,834)	(61,324)
Minority interests		<u>(2,223)</u>	<u>12,710</u>
		<u>(26,057)</u>	<u>(48,614)</u>
Dividends payable to equity shareholders of the Company	7	<u>Nil</u>	<u>Nil</u>
Basic loss per share	8	<u>(1.08 cents)</u>	<u>(2.78 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

(Amounts expressed in Hong Kong dollars)

		Unaudited 30 September 2009 \$'000	Audited 31 March 2009 \$'000
Non-current assets			
Property, plant and equipment		<u>4,333</u>	<u>6,503</u>
Current assets			
Inventories		11,863	15,210
Trade and other receivables	11	29,171	36,264
Escrow money	12	2,986	6,332
Cash and cash equivalents		<u>1,566</u>	<u>1,878</u>
		<u>45,586</u>	<u>59,684</u>
Current liabilities			
Trade and other payables	13	58,859	60,641
Provision for bank loan guarantees for subsidiaries	14(i)	828,304	822,523
Other borrowings	14(ii)	90,500	90,500
Convertible bonds	15	119,396	119,396
Loans from Investor	12	26,400	16,400
Tax payable		50,243	50,384
Amounts due to deconsolidated subsidiaries		<u>157,157</u>	<u>157,157</u>
		<u>1,330,859</u>	<u>1,317,001</u>
Net current liabilities		<u>(1,285,273)</u>	<u>(1,257,317)</u>
NET LIABILITIES		<u>(1,280,940)</u>	<u>(1,250,814)</u>
EQUITY			
Share capital	16	221,261	221,261
(Deficiency)		<u>(1,544,818)</u>	<u>(1,516,915)</u>
ATTRIBUTABLE TO:			
Equity holders of the Company (Deficiency)		(1,323,557)	(1,295,654)
Minority interests		<u>42,617</u>	<u>44,840</u>
		<u>(1,280,940)</u>	<u>(1,250,814)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2009

(Amounts expressed in Hong Kong dollars)

	Unaudited	
	Six months ended	
	30 September	
	2009	2008
	\$'000	\$'000
Net cash used in operating activities	(13,638)	(47,868)
Net cash used in investing activities	(18)	(33)
Net cash generated from financing activities	<u>9,998</u>	<u>49,030</u>
Net (decrease)/increase in cash and cash equivalents	(3,658)	1,129
Cash and cash equivalents at 1 April	<u>8,210</u>	<u>2,673</u>
Cash and cash equivalents at 30 September	<u><u>4,552</u></u>	<u><u>3,802</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

(Amounts expressed in Hong Kong dollars)

	Unaudited Six months ended 30 September		2008	
	2009 \$'000	\$'000	\$'000	\$'000
Total deficiency at 1 April (audited)		(1,250,814)		(968,851)
Net loss recognised directly in equity:				
Capital reserve		(46,686)		(237,782)
Total comprehensive loss for the period		<u>(26,057)</u>		<u>(61,324)</u>
Total recognised income and expenses for the period		<u>(72,743)</u>		<u>(299,106)</u>
Movements in equity arising from capital transactions				
Shares issued under share option scheme		<u>—</u>		<u>4,000</u>
Total deficiency attributable to shareholders of the Company		<u>(1,323,557)</u>		<u>(1,263,957)</u>
Minority interests		<u>42,617</u>		<u>47,518</u>
At 30 September (unaudited)		<u>(1,280,940)</u>		<u>(1,216,439)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

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 is principally engaged in the apparel retailing business in the People’s Republic of China (the “PRC”).

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 unaudited 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 2009 (the “2009 Annual Accounts”). These condensed consolidated financial statements should be read in conjunction with the 2009 Annual Report. The financial information relating to the financial year ended 31 March 2009 that is included in these condensed consolidated financial statements is derived from the 2009 Annual Accounts.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

2 BASIS OF PRESENTATION (Continued)

Going concern

As at 30 September 2009, the Group had unaudited consolidated net current liabilities of approximately HK\$1,285.27 million (31 March 2009: approximately HK\$1,257.32 million) and unaudited consolidated net liabilities of approximately HK\$1,280.94 million (31 March 2009: approximately HK\$1,250.81 million). The Group had a net loss attributable to equity holders of the Company for the 6 months ended 30 September 2009 of approximately HK\$23.83 million (six months ended 30 September 2008: approximately HK\$61.32 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 their best knowledge, the Provisional Liquidators are responsible for the accuracy and completeness of the contents of this report and the condensed consolidated financial statements for the six months ended 30 September 2009 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 2009.

The unaudited 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 and effect on the opening and corresponding figures

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 2009

2 BASIS OF PRESENTATION (Continued)

Loss of books and records and effect on the opening and corresponding figures (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 for the six months ended 30 September 2008 and for the financial year ended 31 March 2009 have been prepared based on the available books and records. Accordingly, the Provisional Liquidators are unable to ascertain that the opening balances and corresponding figures of the Group for the six months ended 30 September 2009 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 and Chiu Wing were placed into creditors' voluntary liquidation on 23 April 2009;
- Lantern Services Limited, Potter Industries Limited and Sino Profit Limited, all directly wholly owned subsidiaries of Ever Century were transferred to a special purpose vehicle controlled by the Provisional Liquidators on 29 May 2009 for realisation for the benefit of the creditors of the Company and to facilitate the restructuring as proposed by the Investor; and

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

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 2009

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 2009 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 2008.

3 PRINCIPAL 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 ended 30 September 2009 so as to comply with the HKFRSs. The following information are not disclosed in the said condensed consolidated financial statements:

- (a) Details of the Group's aging of debtors and creditors as required by the Listing Rules; and
- (b) Information of deferred taxation and taxation charge reconciliation as required by HKAS 12 "Income Taxes".

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

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

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁶
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹

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

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

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

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

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

⁶ Effective for annual periods beginning on or after 1 January 2013

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

4 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 2009

5 (LOSS)/PROFIT BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

(a) Finance Costs

	Unaudited Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	<u>5,783</u>	<u>5,293</u>

(b) Other Items

	Unaudited Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Cost of sales	12,984	41,502
Depreciation and amortization of property, plant and equipment	<u>993</u>	<u>1,387</u>

(c) Other revenue

	Unaudited Six months ended 30 September	
	2009	2008
	HK\$'000	HK\$'000
Interest income	–	8
Reversal of excess impairment and written off (<i>Note</i>)	–	213,123
Others	<u>1,557</u>	<u>1,523</u>
	<u>1,557</u>	<u>214,654</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 prior corresponding period ended 30 September 2008.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

6 INCOME TAX

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (six months ended 30 September 2008: 16.5%) 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% (six months ended 30 September 2008: 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	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend paid – HK\$ Nil per share	<u> – </u>	<u> – </u>

8 LOSS PER SHARE

(a) Basic Loss Per Share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 September 2009 of approximately HK\$23.83 million (six months ended 30 September 2008: approximately HK\$61.32 million) and the weighted average number of 2,212,606,800 ordinary shares in issue during the period (six months ended 30 September 2008: 2,205,175,106).

(b) Diluted Loss Per Share

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

9 SEGMENT REPORTING

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

9 SEGMENT REPORTING (Continued)

(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 periods ended 30 September 2009 and 2008, more than 90% 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.

10 OTHER FINANCIAL ASSETS

To the best knowledge of the Provisional Liquidators, the Group did not hold any other financial assets during the six months ended 30 September 2009. Accordingly, the Provisional Liquidators are not aware of any significant discrepancy of the said item.

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 traded in the six month period ended 30 September 2008.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Trade receivables	15,829	22,486
Prepayments, deposits and other receivables	<u>13,342</u>	<u>13,778</u>
	<u>29,171</u>	<u>36,264</u>

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

12 ESCROW MONEY

	Unaudited 30 September 2009 <i>HK\$'000</i>	Audited 31 March 2009 <i>HK\$'000</i>
Professional fees	761	3,184
Working capital	<u>2,225</u>	<u>3,148</u>
	<u>2,986</u>	<u>6,332</u>

On 12 January 2009, the Provisional Liquidators, on behalf of the Company, entered into an exclusivity and escrow agreement with the Investor. The said agreement granted the Investor a 6-month exclusivity period to negotiate the restructuring of the Company and 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 11 August 2009, the Investor and the Provisional Liquidators entered into a revolving loan facility agreement, pursuant to which, the Investor consented to provide an additional working capital loan in an aggregate amount equal to HK\$15 million. As at 30 September 2009, the Company utilized HK\$10 million of the said facility.

13 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2009 <i>HK\$'000</i>	Audited 31 March 2009 <i>HK\$'000</i>
Trade payables	40,622	40,532
Accruals and other payables	<u>18,237</u>	<u>20,109</u>
	<u>58,859</u>	<u>60,641</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 2009

14 PROVISION FOR BANK LOAN GUARANTEES FOR SUBSIDIARIES AND OTHER BORROWINGS

The banking facilities of the Group were secured by corporate guarantees issued by the Company. The banking facilities granted to the subsidiaries of the Company were secured by the Company's interest in some of its subsidiaries and guaranteed by the Company. As at 30 September 2009, 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 guarantees for subsidiaries

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Secured	133,018	133,018
Unsecured	<u>695,286</u>	<u>689,505</u>
	<u>828,304</u>	<u>822,523</u>

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

(ii) Other borrowings

	Unaudited 30 September 2009 HK\$'000	Audited 31 March 2009 HK\$'000
Secured	45,000	45,000
Unsecured	<u>45,500</u>	<u>45,500</u>
	<u>90,500</u>	<u>90,500</u>

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

The effective interest rate for the six months ended 30 September 2009 for other borrowings were 2% per month and 6% per annum. (six months ended 30 September 2008: 2% per month and 6% per annum).

To the best knowledge of 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

15 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 2009 and up to the date of this report, no convertible bonds were converted into ordinary shares.

16 SHARE CAPITAL

	Unaudited As at 30 September 2009		Audited As at 31 March 2009	
	<i>No. of shares</i>	<i>Amount HK\$'000</i>	<i>No. of shares</i>	<i>Amount HK\$'000</i>
<i>Authorised:</i>				
Ordinary shares of HK\$0.1 each	4,000,000,000	400,000	4,000,000,000	400,000
<i>Issued and fully paid:</i>				
At 1 April	2,212,606,800	221,261	2,172,606,800	217,261
Exercise of share options	—	—	40,000,000	4,000
	<u>2,212,606,800</u>	<u>221,261</u>	<u>2,212,606,800</u>	<u>221,261</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2009

17 LEASE COMMITMENT

At 30 September 2009, the total future minimum lease payments under non-cancellable operating leases are repayable as follows:

	Unaudited 30 September 2009 <i>HK\$'000</i>	Audited 31 March 2009 <i>HK\$'000</i>
Within 1 year	1,200	2,130
After 1 year but within 5 years	9,470	14,091
	<u>10,670</u>	<u>16,221</u>

To the best knowledge of 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.

18 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, to the best knowledge and information of the Provisional Liquidators, the Group has no significant contingent liabilities.

19 RELATED PARTY TRANSACTION

To the best knowledge and information of the Provisional Liquidators, there was no related party transaction during the six months period ended 30 September 2009.

The Provisional Liquidators make no representation as to whether the Group entered into any related party transaction during the six months ended 30 September 2008.

20 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 2009. 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 2009, 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 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 former-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 2009.

Substantial Shareholders

To the best knowledge and information of the Provisional Liquidators, as at 30 September 2009, 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%

ADDITIONAL INFORMATION

	Ordinary shares held	Position	Percentage of total issued shares
Citigroup Inc.	315,561,500	Long	14.26%
	5,256,500	Interests held as custodian	0.24%
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%

Note 1: Ms Wan Lai Ngan is the spouse of Mr Kwok Wing (the then chairman and executive director of the Company who retired on 6 October 2009) and is therefore deemed to be interested in the shares held or deemed to be held by Mr Kwok Wing under the SFO.

Note 2: The issued share capital of Efulfilment Enterprises Limited is beneficially owned by Mr. Kwok Chiu and Mr. Kwok Wing, 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 was owned 100% by McCarthy Kent C. According to information available to the Provisional Liquidators, Mr. McCarthy Kent C had ceased to be interested in at least 5% issued share capital of the Company since 17 November 2008.

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.

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 throughout the six months ended 30 September 2009.

Code on Corporate Governance Practices

The Provisional Liquidators make no representation as to whether the Company complies 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 2009.

Model Code For Securities Transactions By Directors

The Provisional Liquidators make no representation as to whether its directors had complied with the required standard set out in the Model Code throughout the six months ended 30 September 2009.