



**FU JI Food and Catering Services Holdings Limited**

(Provisional Liquidators Appointed)

**福記食品服務控股有限公司**

(已委任臨時清盤人)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1175)

**Interim Report 2011/2012**

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **EXECUTIVE**

Chin Chang Keng Raymond

#### **INDEPENDENT NON-EXECUTIVE**

Chung Wai Man

#### **AUDITOR**

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

#### **JOINT AND SEVERAL PROVISIONAL LIQUIDATORS**

Lai Kar Yan Derek,  
Yeung Lui Ming Edmund and  
Darach E. Haughey  
35th Floor, One Pacific Place  
88 Queensway, Hong Kong.

### **REGISTERED OFFICE**

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 2703-08, 27th Floor  
Shui On Centre,  
6-8 Harbour Road, Wanchai  
Hong Kong

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the six months ended 30 September 2011, the turnover of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) was approximately RMB63.9 million (six months ended 30 September 2010: approximately RMB66.4 million), representing a decrease of approximately 3.8% from the six months ended 30 September 2010.

The consolidated profit attributable to equity holders of the Company amounted to approximately RMB1,674.57 million for the six month ended 30 September 2011 (six months ended 30 September 2010: Loss of approximately RMB302.6 million). Basic earnings per share was approximately RMB3.09 for the six months ended 30 September 2011 (six months ended 30 September 2010: Loss per share of approximately RMB0.56).

### **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

Bank and cash balances as at 30 September 2011 was approximately RMB251.20 million (31 March 2011: approximately RMB278.85 million). The Group’s debt-to-capital ratio measured on the basis of the Group’s total liabilities net of bank and cash balances related to the total equity is not applicable as the Group had a net deficiency in capital as at 30 September 2011 and 31 March 2011.

### **CAPITAL STRUCTURE**

For the six months ended 30 September 2011, there was no change in the capital structure and issue share capital of the Company.

### **WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS**

On 7 October 2009, the Company engaged Deloitte Touche Tohmatsu as an independent financial adviser (the “IFA”) (i) to assist the Group with the finalisation of its financial statements for the year ended 31 March 2009 and (ii) to conduct independent analysis on the Group’s financial position with a view to addressing concerns raised by stakeholders of the Company resulting from the delay in the publication of the Company’s annual results.

In the course of reviewing the Group’s affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with its catering business operations, the financial position and outlook of which had been deteriorating quite rapidly.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **WINDING-UP PETITION AND APPOINTMENT OF PROVISIONAL LIQUIDATORS (Continued)**

After receiving and discussing the IFA's preliminary findings, on 19 October 2009, the Board of Directors of the Company presented to the High Court of the Hong Kong SAR (the "High Court") a petition (the "Petition") to wind up the Company. On the same day, Messrs Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company (the "Provisional Liquidators") by the Hong Kong Court.

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

The hearing of the Petition against the Company was originally scheduled on 23 December 2009 and the Court adjourned the hearing of the Petition against the Company to 23 January 2013. It is expected that the Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed "Restructuring of the Group" below.

### **RESTRUCTURING OF THE GROUP**

On 30 November 2009, the Provisional Liquidators published advertisements in relation to the proposed sale of the Group's assets and business as a going concern and sought expression of interest in relation to such sale. Further to such advertisement, the Provisional Liquidators received expressions of interest from various parties, including companies in the catering and food and beverage industry and other industries as well as various financial investors.

In December 2009, the Provisional Liquidators issued a tender process memorandum and guidance note to those parties who had registered their interest in the proposal sale of the Group's assets and businesses as a going concern and executed confidentiality and non-disclosure agreements with such parties.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESTRUCTURING OF THE GROUP (Continued)**

On 5 February 2010, the Provisional Liquidators received proposals from potential investors for the sale of the Group's assets and businesses as a going concern. After careful consideration, the Provisional Liquidators considered that the proposal received from Marvel Light Holdings Limited ("Investor") represented the best option available to the Company and its shareholders at that time.

On 16 March 2010, the Company, the Investor and the Provisional Liquidators entered into the Heads of Terms, which are legally binding and set out the agreement of the parties in respect of major provisions of the reorganisation proposal and are subject to the execution of definitive documentation. Details of the Heads of Terms are set out in the Company's announcement dated 26 May 2010.

On 29 June 2010, the Company, Fortune Guard Holdings Limited (the "Purchaser", a company wholly-owned by the Investor), the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement which involved the disposal of certain subsidiaries of the Company to the Investor in order to strengthen the remaining Group (the "Phase I Disposal"). Details of the Phase I Disposal are set out in the Company's announcement dated 7 July 2010.

On 17 August 2010, the Provisional Liquidators published advertisements seeking expressions of interest from parties interested in relation to the sale of the remaining non-core assets under the Heads of Terms (the "Nominated Excluded Assets"), which comprise mainly land and buildings in the PRC.

On 30 August 2010, the Provisional Liquidators issued a tender process memorandum and guidance note to those parties who had registered their interest in the Nominated Excluded Assets and executed confidentiality and non-disclosure agreements with such parties.

On 13 January 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement for the disposal of the restaurants business, certain idle food processing centres and certain subsidiaries of the Group which operated as investment vehicles (the "Restaurant Business Disposal"). Details of such disposal are set out in the Company's announcement dated 26 May 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESTRUCTURING OF THE GROUP (Continued)

On 31 January 2011, the Provisional Liquidators received a proposal from an interested person for the purchase of the Nominated Excluded Assets. Pursuant to the Heads of Terms, the Investor was granted a Right of First Refusal (“ROFR”) to acquire the Nominated Excluded Asset at no less favorable terms than those offered by any interested person. Subsequently on 14 February 2011, the Investor elected to exercise the ROFR to acquire the Nominated Excluded Assets. The terms of the related sale and purchase agreement was under negotiation by the Company, the Investor, the Purchaser, the Provisional Liquidators and certain members of the Group.

On 11 March 2011, the Hong Kong Court directed that a meeting of Scheme Creditors (as defined in the Scheme) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Cap. 32) proposed to be made between the Company and the Scheme Creditors.

At the Scheme Creditors’ Meeting held on 29 April 2011, the Scheme of Arrangement was approved by the requisite majority of Scheme Creditors and on 17 May 2011 the Hong Kong Court sanctioned the Scheme. On 9 August 2011, the Provisional Liquidators, on behalf of the Company, issued a completion notice notifying the Scheme Creditors that following the satisfaction or waiver of all the conditions as detailed in the Scheme document, the Scheme has become effective on 9 August 2011.

The principal elements of the proposed restructuring of the Group are, inter alia, as follows:

#### a) **Capital Restructuring**

The Company will undergo, inter alia, a capital restructuring, involving the capital reduction, the capital cancellation, the capital consolidation and the capital increase.

#### b) **Share Subscription**

The Company will raise new funds by way of an open offer to all the existing shareholders, and the issuance of ordinary shares and preference shares to the Investor.

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESTRUCTURING OF THE GROUP (Continued)

#### c) Scheme and Debt Restructuring

The Provisional Liquidators will implement a Scheme of Arrangement to settle the debts owed to the Scheme Creditors by payment of cash and, where applicable, the issue and allotment of new shares in the agreed percentage to Scheme Creditors, to be distributed in accordance with the terms of the Scheme of Arrangement.

The Investor would become a controlling shareholder of the Company upon completion of the proposed restructuring of the Group (the “Completion”) as contemplated under the Heads of Terms.

After the Scheme became effective, the Scheme Administrators examined all the claims received from the Scheme Creditors. A first interim dividend of ten per cent and a second interim dividend of one per cent were distributed to the Scheme Creditors with Accepted Claims in November 2011 and June 2012 respectively.

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into a sale and purchase agreement for the sales of the Nominated Excluded Assets under the Heads of Terms (the “Phase III Disposal”).

In accordance with the sale and purchase agreement, the consideration for the Nominated Excluded Assets comprises the cash consideration of RMB2.5 million and the assumption by the Purchaser of liabilities of approximately RMB480.6 million.

The Shortfall Guarantee, a deed of guarantee granted by the Investor in relation to the net realisation proceeds from the sale and purchase agreement for the Nominated Excluded Assets, was duly executed by the Investor on the same day.

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group entered into the Debt Restructuring Agreement (the “DRA”) for the purpose of formalising the terms and conditions of the Company’s restructuring under the Heads of Terms.

The Debt Restructuring Agreement confirms all of the restructuring process undergone by the Company with the cooperation of the Investor and outlines the remaining components of the restructuring to be conducted in the future, in particular, after the Stock Exchange notifies the Company of the result of its application for Resumption.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PROSPECTS

On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to Practice Note 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “HKSE”) (the “Listing Rules”) and that the Company was required to submit a viable resumption proposal which demonstrates its compliance with the requirement stipulated under Rule 13.24 of the Listing Rules.

On 14 January 2011, a resumption proposal was submitted by the Company to the HKSE to demonstrate to the HKSE that when the resumption proposal is successfully implemented, the Group will have in place suitable structures and have a sufficient level of operations and tangible assets of sufficient value and will be able to fully comply with Rule 13.24 of the Listing Rules.

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Resumption Proposal and the Company’s financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company’s application for the resumption of trading in the shares of the Company (the “Resumption”).

On 18 October 2012, the Provisional Liquidators, on behalf of the Company, received a letter from the Stock Exchange informing the Company that the Stock Exchange allows resumption of trading in the shares of the Company subject to fulfillment of the following conditions by 17 June 2013:–

- (i) completion of the open offer, subscriptions of shares and preference shares and all other transactions, more particularly described and as contemplated under the Resumption Proposal;
- (ii) inclusion in a circular to Shareholders the following:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the six-month ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PROSPECTS (Continued)**

- (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of resumption in trading of the shares of the Company;
- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;
- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and
- (vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

### **WARNING STATEMENT**

Shareholders and potential investors of the Company should note that, (1) the principal elements of the Restructuring of the Group may be subject to further changes; (2) the trading resumption of the shares of the Company is subject to a number of resumption conditions set out by the Stock Exchange.

### **EMPLOYMENT**

It is the Group's policy that remuneration of the employees is in line with the market and commensurate with the level of pay for similar responsibilities within the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees included medical insurance, retirement schemes, training programs and education subsidies.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CHARGES ON GROUP'S ASSETS**

As at 30 September 2011, there were no charges on the Group's assets.

### **EVENTS AFTER THE REPORTING PERIOD**

Details of the events after the reporting period of the Group are set out in note 13 to the Interim Financial Statements.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2011.

### **REVIEW BY THE AUDIT COMMITTEE**

By the time the interim financial report (the "Interim Report") for the six months ended 30 September 2011 of the Group were prepared, no audit committee had been established owing to the current insufficient number of Independent Non-executive Directors in accordance with Rule 3.21 of the Listing Rules. Appropriate personnel will be appointed as members of audit committee before the resumption of the trading in the shares of the Company on the HKSE.

Since the audit committee has yet to be established, the Interim Report has not been reviewed by an audit committee.

### **DELAY IN DISPATCH OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011**

Due to suspension of trading in the Company's shares on the HKSE and most of the responsible officers had left the Group, the Company has not been able to dispatch the Interim Report to its members within the due date as required by the Listing Rules.

The delay in the dispatch of the Interim Report constitutes a breach of Rule 13.48 of the Listing Rules by the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INFORMATION ON SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors and employees of the Group. The Scheme was conditionally adopted by the Company’s Shareholders on 26 November 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Scheme became effective on 17 December 2004.

The maximum number of shares available for issue under share options which may be granted under the Scheme and any other schemes is 54,129,675 shares, representing 10% of the issued share capital of the Company as at the date of this report. In addition, the maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders’ approval in a general meeting.

Share options granted to a connected person (as defined in the Listing Rules) are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a connected person who is also a substantial shareholder or its associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

A nominal consideration of HK\$1.00 is payable by the grantee on acceptance of the grant of the options. Options may be exercised in whole or in part at any time during the exercise period of the share options which is determinable by a committee set up by the Directors from time to time, provided that the period within which the shares may be taken up under the options must not be more than ten years from the date of the grant of the options.

There is no general requirement on the minimum period for which an option must be exercised.

The exercise price of the share options is determinable by the committee, but will be no less than the highest of (i) the HKSE closing price of the Company’s shares on the date of the offer of the share options; (ii) the average HKSE closing price of the Company’s shares for the five trading days immediately proceeding the date of the offer; and (iii) the nominal value of the Company’s shares.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INFORMATION ON SHARE OPTION SCHEME (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements in number of the outstanding share options granted under the Scheme for the six months ended 30 September 2011 are as follows:

Name or Category of participant	Balance as at 1 April 2011	Forfeited during the period	Outstanding as at 30 September 2011	Date of grant	Exercisable Period	Exercise price per share (HK\$)
Employees:						
In aggregate	<u>120,000</u>	<u>(120,000)</u>	<u>–</u>	25 May 2006	25 May 2007 to 24 November 2014	15.61

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

As at the end of the financial period under review, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO, or otherwise as required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the following shareholder (other than the Directors or chief executives of the Company whose interests and short positions in the shares, underlying shares and debentures of the Company are disclosed in the section headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares and debentures” above) had interests or short positions in the shares, underlying shares and debentures of the Company which were recorded in the register to be kept by the Company under section 336 of the SFO:

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

#### Interest in Shares

Name of Shareholder	Capacity	Number of Shares	Position	Approximate Percentage of the Company's Issued Share Capital
Mr. Wei Dong (Note 1)	Beneficial owner/ Interest of spouse/ Interest of controlled corporation	261,185,000	Long	48.25%
Ms. Yao Juan (Note 2)	Interest of spouse/ Interest of controlled corporation	261,185,000	Long	48.25%
Million Decade Limited (Note 1)	Beneficial owner	185,000,000	Long	34.18%
Top Ample Limited (Note 2)	Beneficial owner	75,000,000	Long	14.97%
Deutsche Bank Aktiengesellschaft	Custodian corporation/ approved lending agent	34,834,889	Long	6.43%
		33,325,275	Lending Pool	6.15%
Janus Capital Management LLC	Investment manager	32,918,000	Long	6.08%
The Capital Group Companies, Inc	Investment manager	32,065,213	Long	5.92%

#### Notes:

- 185,000,000 shares are held by Million Decade Limited which is wholly-owned by Mr. Wei Dong. As Mr. Wei Dong is the husband of Ms. Yao Juan, he is deemed to be interested in all of the shares held by Ms. Yao Juan, Million Decade Limited and Top Ample Limited under the SFO.
- 75,000,000 shares are held by Top Ample Limited which is wholly-owned by Ms. Yao Juan. As Ms. Yao Juan is the wife of Mr. Wei Dong, she is deemed to be interested in all of the shares held by Mr. Wei Dong, Top Ample Limited and Million Decade Limited under the SFO.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

#### Short Position in Shares

<u>Name of Corporation</u>	<u>Number of Shares</u>	<u>Approximate Percentage of the Company's Issued Share Capital</u>
Deutsche Bank Aktiengesellschaft	1,141,000	0.21%

Save as disclosed herein, there was no person known to any Directors or chief executives of the Company, who, as at 30 September 2011, had interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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

As at the date of this Interim Report, the Company has only one Executive Director and one Independent Non-executive Director. The Company has been identifying suitable candidates for appointment of sufficient number of Executive Directors and Independent Non-executive Directors and reconstitution of the audit committee in order to meet the requirements under Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules.

#### CODE ON CORPORATE GOVERNANCE PRACTICES

Mr. Chin Chang Keng Raymond was appointed as Executive Director on 1 June 2011 and Mr. Chung Wai Man was appointed as Independent Non-executive Director on the same day. Consequently, they are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011.

#### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Each of Mr. Chin Chang Keng Raymond, the Executive Director and Mr. Chung Wai Man, the Independent Non-executive Director, who were appointed on 1 June 2011, has confirmed that he complied with the required standards as set out in the Model Code during the six months ended 30 September 2011. But the Board makes no representations as to whether the other then Directors had complied with the required standards set out in the Model Code throughout the six months ended 30 September 2011.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 September	
	<i>Notes</i>	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
<b>Turnover</b>	4	63,863	66,403
Cost of materials consumed		(38,279)	(45,069)
<b>Gross profit</b>		25,584	21,334
Other income		207	87
Gain on execution of the Scheme	5	1,732,215	–
Staff costs		(10,516)	(14,993)
Operating lease rentals		(1,848)	(2,809)
Depreciation		(3,903)	(4,851)
Fuel and utility costs		(3,007)	(4,202)
Consumable stores		(562)	(2,103)
Other operating expenses		(3,629)	(49,760)
Impairments on due from deconsolidated subsidiaries		(21,202)	(167,654)
<b>Profit/(loss) from operations</b>		1,713,339	(224,951)
Finance costs	6	(38,792)	(77,105)
<b>Profit/(loss) before tax</b>	6	1,674,547	(302,056)
Income tax	7	–	–
<b>Profit/(loss) for the period</b>		1,674,547	(302,056)
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		14,755	29,165
<b>Total comprehensive income/(loss) for the period</b>		1,689,302	(272,891)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30 September	
	<i>Notes</i>	2011	2010
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Profit/(loss) for the period attributable to:</b>			
Equity holders of the Company		1,674,568	(302,056)
Non-controlling interests		(21)	–
		<u>1,674,547</u>	<u>(302,056)</u>
<b>Total comprehensive income/(loss)</b>			
<b>for the period attributable to:</b>			
Equity holders of the Company		1,689,323	(272,891)
Non-controlling interests		(21)	–
		<u>1,689,302</u>	<u>(272,891)</u>
<b>Earnings/(loss) per share</b>			
	8		
Basic (RMB cents per share)		<u>309</u>	<u>(56)</u>
Diluted (RMB cents per share)		<u>2</u>	<u>(56)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2011 RMB'000 (Unaudited)	At 31 March 2011 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		<u>17,832</u>	<u>14,999</u>
<b>Current assets</b>			
Inventories		1,840	2,819
Trade receivables	10	12,254	15,483
Due from the Investor		54,876	55,505
Prepayments, deposits and other receivables		10,164	14,617
Bank and cash balances		<u>251,196</u>	<u>278,852</u>
		<u>330,330</u>	<u>367,276</u>
<b>Current liabilities</b>			
Trade payables	11	30,329	37,015
Accruals and other payables		11,101	24,289
Payable to the Scheme	5	438,370	–
Due to deconsolidated subsidiaries		807,358	785,360
Bank borrowings		–	24,599
Convertible bonds		–	<u>2,139,310</u>
		<u>1,287,158</u>	<u>3,010,573</u>
<b>Net current liabilities</b>		<u>(956,828)</u>	<u>(2,643,297)</u>
<b>NET LIABILITIES</b>		<u>(938,996)</u>	<u>(2,628,298)</u>
<b>Capital and reserves</b>			
Share capital		5,665	5,665
Reserves		<u>(945,160)</u>	<u>(2,634,483)</u>
Equity attributable to equity holders of the Company		<u>(939,495)</u>	<u>(2,628,818)</u>
Non-controlling interests		<u>499</u>	<u>520</u>
<b>TOTAL EQUITY</b>		<u>(938,996)</u>	<u>(2,628,298)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Share capital	Share premium	Statutory reserve	Capital reserve	Foreign currency		Accumulated losses	Total	Non- controlling interests	Total
					translation	reserve				
					reserve	losses				
RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
At 1 April 2010	5,665	1,491,807	7,500	137,468	(183,198)	(3,790,100)	(2,330,858)	–	(2,330,858)	
Total comprehensive loss for the period	–	–	–	–	29,165	(302,056)	(272,891)	–	(272,891)	
Equity settled share-based payments	–	–	–	13	–	–	13	–	13	
Forfeiture of share options	–	–	–	(3,317)	–	3,317	–	–	–	
At 30 September 2010	<u>5,665</u>	<u>1,491,807</u>	<u>7,500</u>	<u>134,164</u>	<u>(154,033)</u>	<u>(4,088,839)</u>	<u>(2,603,736)</u>	<u>–</u>	<u>(2,603,736)</u>	
At 1 April 2011	5,665	1,491,807	7,500	131,410	(107,287)	(4,157,913)	(2,628,818)	520	(2,628,298)	
Total comprehensive loss for the period	–	–	–	–	14,755	1,674,568	1,689,323	(21)	1,689,302	
Release upon execution of the Scheme	–	–	–	(130,751)	–	130,751	–	–	–	
Forfeiture of share options	–	–	–	(659)	–	659	–	–	–	
At 30 September 2011	<u>5,665</u>	<u>1,491,807</u>	<u>7,500</u>	<u>–</u>	<u>(92,532)</u>	<u>(2,351,935)</u>	<u>(939,495)</u>	<u>499</u>	<u>(938,996)</u>	

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	3,122	(27,839)
Net cash generated from investing activities	131	47,427
Net cash used in financing activities	<u>(11,242)</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	(7,989)	19,588
Effect of foreign exchange rate changes	(19,667)	13,462
Cash and cash equivalents at beginning of period	<u>278,852</u>	<u>240,255</u>
Cash and cash equivalents at end of period	<u><u>251,196</u></u>	<u><u>273,305</u></u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed) was incorporated in the Cayman Islands on 8 April 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and principal place of business is Room 2703-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the trading in shares of the Company has been suspended since 29 July 2009.

The Company is an investment holding company. The Company and its subsidiaries (collectively "the Group") were principally engaged in the provision of Catering Services and sale of Convenience Food products and related business in the People's Republic of China (the "PRC").

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim financial statements ("the Interim Financial Statements") do not include all the information and disclosures required in the full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2011.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

### **Winding-up petition and appointment of the provisional liquidators**

On 29 July 2009, 26 August 2009 and 22 September 2009, the Company announced that there shall be certain delay in the publication of the annual results announcement and dispatch of the annual report of the Company for the year ended 31 March 2009 (the "Delay").

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (Continued)

#### Winding-up petition and appointment of the provisional liquidators (Continued)

On 7 October 2009, the Company engaged Deloitte Touche Tohmatsu as an independent financial adviser (the “IFA”) (i) to assist the Group with the finalisation of its financial statements for the year ended 31 March 2009 and (ii) to conduct independent analysis on the Group’s financial position with a view to addressing concerns raised by the stakeholders of the Company resulting from the Delay. During the course of IFA’s reviewing on the Group’s affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with business operations of the Group’s catering business services, the financial position and outlook of which had been deteriorating quite rapidly.

On 19 October 2009, the Company petitioned to the High Court of the Hong Kong Special Administrative Region (the “High Court”) for the winding-up of the Company (the “Petition”). On the same day, Messrs. Edmund Yeung Lui Ming, Derek Lai Kar Yan and Darach E. Haughey of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators (the “Provisional Liquidators”) of the Company by the High Court. The Provisional Liquidators are empowered, inter alia, to take possession of the assets of the Company and its subsidiaries, if thought to be in the best interests of creditors of the Company, to enter into any agreements necessary or desirable to effectively restructure the affairs of the Company.

The hearing of the Petition against the Company was originally scheduled on 23 December 2009 and the High Court adjourned the hearing of the Petition against the Company to 23 January 2013. It is expected that the Petition against the Company will be withdrawn upon the successful implementation of the restructuring of the Company as referred to in the section headed “Proposed restructuring of the Group” below.

#### Suspension of trading in the shares of the Company

At the request of the Company, trading in shares of the Company has been suspended since 29 July 2009. By a letter dated 28 January 2010, the Stock Exchange informed the Provisional Liquidators that the Company was placed in the first stage of the delisting procedures under Practice Note 17 (“PN 17”) to the Listing Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), and the Company was required to submit a viable resumption proposal by 27 July 2010.

Upon the expiry of the first delisting stage, the Company was unable to submit the resumption proposal. On 30 July 2010, the Company was placed in the second stage of the delisting procedures pursuant to PN 17 of the Listing Rules and that the Company was still required to submit a viable resumption proposal to the Stock Exchange fulfilling certain requirements set out by the Stock Exchange therein including but not limited to the following:

- (i) demonstrate sufficient operations or assets under Rule 13.24 of the Listing Rules;
- (ii) publish outstanding financial results and address any audit qualifications;

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (Continued)

#### Suspension of trading in the shares of the Company (Continued)

- (iii) demonstrate that the Company has an adequate financial reporting system and internal control procedures to meet its obligations under the Listing Rules; and
- (iv) withdraw or dismise the winding-up petition presented against the Company, and discharge the Provisional Liquidators.

If the Company fails to submit a viable resumption proposal to address the above conditions to the Stock Exchange at least 10 business days before 29 January 2011, the Stock Exchange might consider to proceed to place the Company in the third stage of the delisting procedures pursuant to PN 17 to the Listing Rules. In response to the requests from the Stock Exchange, on 14 January 2011, the Provisional Liquidators, on behalf of the Company, submitted a resumption proposal (the "Resumption Proposal") to the Stock Exchange.

Following their submission, the Provisional Liquidators and the Company received various queries and verbal comments from the Stock Exchange in relation to the Resumption Proposal and the Company's financial forecasts. The Provisional Liquidators and the Company responded to the queries and verbal comments from the Stock Exchange and included various information in support of the Company's application for the resumption of trading in the shares of the Company (the "Resumption").

On 18 October 2012, the Provisional Liquidators, on behalf of the Company, received a letter from the Stock Exchange informing the Company that the Stock Exchange allows the Resumption subject to fulfillment of the following conditions by 17 June 2013:–

- (i) completion of the open offer, subscriptions of shares and preference shares and all other transactions, more particularly described and as contemplated under the Resumption Proposal;
- (ii) inclusion in a circular to Shareholders the following:
  - (a) detailed disclosure of the Resumption Proposal and information about the Group comparable to prospectus standards;
  - (b) profit forecasts for the year ending 31 March 2013 and the six-month ending 30 September 2013 together with reports from the auditors and the financial adviser of the Company under paragraph 29(2) of Appendix 1b of the Listing Rules; and
  - (c) a pro forma balance sheet upon completion of the Resumption Proposal and a comfort letter from an independent accounting firm under Rule 4.29 of the Listing Rules;
- (iii) provide a comfort letter from auditors or the financial adviser of the Company relating to working capital sufficiency for the next 12 months from the latest practicable date before the expected date of resumption in trading of the shares of the Company;

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (Continued)

#### Suspension of trading in the shares of the Company (Continued)

- (iv) publish all outstanding financial results of the Company and address any concerns that may be raised by auditors of the Company through qualification of their audit reports;
- (v) provide confirmation from an independent professional party that the Group has an adequate and effective internal control system; and
- (vi) discharge of the winding-up petition against the Company and the Provisional Liquidators.

The Company should also comply with the Listing Rules. The Stock Exchange may modify the above resumption conditions if the Company's situation changes.

#### Proposed restructuring of the Group

On 16 March 2010, Marvel Light Holdings Limited (the "Investor"), the Company and the Provisional Liquidators entered into the heads of terms (the "Heads of Terms") setting out the agreement of the parties in respect of major provisions of the reorganisation proposal on the Company (the "Reorganisation Proposal"). Further details of the Reorganisation Proposal are described in the Company's announcements dated 26 May 2010 and 7 July 2010 (the "Announcements"). Unless otherwise specified, capitalised terms used herein shall have the same meanings as in the Announcements. As set out in the Heads of Terms, the Reorganisation Proposal will mainly involve the execution of the following transactions, as the case may be:

- (i) the intra-group transfer of the Catering and Restaurant Business including the relevant business contracts, assets and/or employees of the Group which the Provisional Liquidators consider necessary for the continuation of the Catering and Restaurant Business by the Group;
- (ii) the transfer and disposal of such right, title and interest in certain assets of the Group to the Investor;
- (iii) the execution of a management agreement between the Company and the Investor pursuant to which the Investor shall provide management services to the Catering and Restaurant Business for a fee;
- (iv) the debt restructuring and the capital reorganisation of the Company;
- (v) the submission of the resumption proposal to the Stock Exchange for the purpose of seeking the resumption of the trading of the Shares on the Stock Exchange;
- (vi) the subscription of the new Shares and preference share of the Company by the Investor; and
- (vii) the disposal of assets of the Group by way of Scheme of Arrangement to fully compromise and discharge all indebtedness due from the Group to the Scheme Creditors by creating a trust to hold certain assets of the Group for the purpose of payment and distribution to the Scheme Creditors.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (Continued)

#### Proposed restructuring of the Group (Continued)

On 11 March 2011, the High Court directed that a meeting of Scheme Creditors (as defined in the Scheme) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to section 166 of the Companies Ordinance (Cap. 32) proposed to be made between the Company and the Scheme Creditors.

At the Scheme Creditors' Meeting held on 29 April 2011, the Scheme of Arrangement was approved by the requisite majority of Scheme Creditors and on 17 May 2011, the High Court sanctioned the Scheme. On 9 August 2011, the Provisional Liquidators, on behalf of the Company, issued a completion notice notifying the Scheme Creditors that following the satisfaction or waiver of all the conditions as detailed in the Scheme document, the Scheme has become effective on 9 August 2011 (the "Effective date").

On 5 September 2011, the Company, the Purchaser, the Investor, the Provisional Liquidators and certain members of the Group have entered into the Debt Restructuring Agreement (the "DRA") for the purpose of formalising and amending the terms and conditions of the Company's restructuring under the Heads of Terms.

The DRA confirms all of the restructuring processes undergone by the Company with the cooperation of the Investor and outlines the remaining components of the restructuring to be conducted in the future, in particular, after the Stock Exchange notifies the Company of the result of its application for the Resumption.

Following the signing of the DRA, the Provisional Liquidators addressed several key terms under the agreement including, distribution of the first and second interim dividend to the Scheme Creditors with Accepted Claims and signing of the sale and purchase agreement under the disposal of nominated excluded assets. The remaining terms, including but not limited to, the capital reorganisation, the open offer and the share subscription, which will be carried out upon the Resumption.

#### Going concern

As at 30 September 2011, the Group had net current liabilities of approximately RMB956,828,000 (31 March 2011: RMB2,643,297,000) and net liabilities of approximately RMB938,996,000 (31 March 2011: RMB2,628,298,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (Continued)

#### Going concern (Continued)

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 Interim 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.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 April 2011. HKFRSs comprise HKFRSs; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior periods.

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

### 4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sale value of goods supplied and services provided to customers, net of business tax and other government surcharges, less sales returns and discounts during the period. The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include gains or losses from investments, interest income, finance costs, income tax, gain on execution of the Scheme, impairments on due from deconsolidated subsidiaries and other unallocated corporate income and expenses. Segment assets do not include amounts due from the Investor, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include bank borrowings, convertible bonds, payable to the Scheme and other unallocated corporate liabilities. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

An analysis of the Group's turnover and results by operating segments is as follows:

	Catering Services RMB'000 (Unaudited)	Convenience Food and related business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>For the six months ended 30 September 2011:</b>			
Revenue from external customers	62,430	1,433	63,863
Segment profit/(loss)	4,502	(387)	4,115
Interest income	2	–	2
Depreciation	3,648	255	3,903
<b>At 30 September 2011:</b>			
Segment assets – unaudited	<u>30,221</u>	<u>3,300</u>	<u>33,521</u>

	Catering Services RMB'000 (Unaudited)	Convenience Food and related business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>For the six months ended 30 September 2010:</b>			
Revenue from external customers	63,533	2,870	66,403
Segment loss	(9,186)	(2,013)	(11,199)
Interest income	7	3	10
Depreciation	4,746	105	4,851
<b>At 31 March 2011:</b>			
Segment assets – audited	<u>34,375</u>	<u>4,496</u>	<u>38,871</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. TURNOVER AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit and loss:

	<b>Six months ended 30 September</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Total profit/(loss) from reportable segments	<b>4,115</b>	(11,199)
Gain on execution of the Scheme	<b>1,732,215</b>	–
Impairments on due from deconsolidated subsidiaries	<b>(21,202)</b>	(167,654)
Corporate and unallocated loss	<b>(1,789)</b>	(46,098)
	<u><b>1,713,339</b></u>	<u>(224,951)</u>
Consolidated profit/(loss) from operations	<u><b>1,713,339</b></u>	<u>(224,951)</u>

### 5. GAIN ON EXECUTION OF THE SCHEME/PAYABLE TO THE SCHEME

With effect from the Effective Date of the Scheme, the indebtedness effected by the Scheme shall be fully released and discharged in exchange for Scheme consideration to be distributed to the Scheme Creditors in accordance with the terms of the Scheme as further explained below:

	<b>Six months ended 30 September 2011 RMB'000 (Unaudited)</b>
Liabilities of Scheme Creditors released and discharged on the Effective Date were as follows:	
Accruals and other payables	12,437
Bank borrowings	24,096
Convertible bonds	<u>2,134,052</u>
	2,170,585
Less: Payable to the Scheme ( <i>Note</i> )	<u>438,370</u>
Gain on execution of the Scheme	<u><b>1,732,215</b></u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. GAIN ON EXECUTION OF THE SCHEME/PAYABLE TO THE SCHEME (Continued)

*Note:* Scheme consideration includes the payment of cash and, where applicable, proceeds from issue and allotment of new shares in the agreed percentage will be distributed to the Scheme Creditors in accordance with the terms of the Scheme. The payable to Scheme Creditors will be settled by the Scheme consideration as further described below:

	<b>HKS'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>equivalent</b> <b>(Unaudited)</b>
Scheme consideration payable to the Scheme Creditors to be settled by:		
<i>Cash settlement payable to the Scheme</i>	<u>296,821</u>	<u>243,839</u>
<i>Realisation from the Investor, presented as due from the investor:</i>		
– Disposal of restaurant business	10,000	8,215
– Disposal of nominated excluded assets	<u>56,800</u>	<u>46,661</u>
	<u>66,800</u>	<u>54,876</u>
<i>Proceeds from issue of shares to the Investor upon Resumption:</i>		
– Ordinary shares	130,000	106,795
– Preference shares	<u>40,000</u>	<u>32,860</u>
	<u>170,000</u>	<u>139,655</u>
Payable to the Scheme	<u><u>533,621</u></u>	<u><u>438,370</u></u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	<b>348</b>	4,347
Interest on convertible bonds	<b>38,444</b>	72,758
	<b>38,792</b>	77,105
(b) Other items:		
Interest income	<b>(131)</b>	(33)
Cost of materials consumed	<b>38,279</b>	45,069
Impairments on due from deconsolidated subsidiaries	<b>21,202</b>	167,654
Loss on disposal of property, plant and equipment	<b>764</b>	–
Depreciation	<b>3,903</b>	4,851
Minimum lease payments under operating leases in respect of land and buildings	<b>1,848</b>	2,809
Directors' remuneration	<b>62</b>	–

### 7. INCOME TAX

No provision for profits tax has been made as the Group did not generated any assessable profits for each of the six months ended 30 September 2011 and 2010. The group had no significant deferred tax for each of the six months ended 30 September 2011 and 2010.

### 8. EARNINGS/(LOSS) PER SHARE

#### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit for the six months ended 30 September 2011 attributable to equity holders of the Company of approximately RMB1,674,568,000 (six months ended 30 September 2010: a loss approximately RMB302,056,000) and the weighted average number of 541,296,756 (six months ended 30 September 2010: 541,296,756) ordinary shares in issue during the period.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 8. EARNINGS/(LOSS) PER SHARE (Continued)

#### (b) Diluted earnings per share

- (i) Profit attributable to equity holders of the Company:

	<b>Six months ended 30 September 2011 RMB'000 (Unaudited)</b>
Profit attributable to equity holders of the Company used in the calculation of basic earnings per share	1,674,568
After tax effect of effective interest on the liability component of convertible bonds	38,444
After tax effect on reversal of gain arising from the release of the liability component of convertible bonds	<u>(1,703,060)</u>
Profit attributable to equity holders of the Company used in the calculation of diluted earnings per share	<u><u>9,952</u></u>

- (ii) Weighted average number of ordinary shares:

	<b>Six months ended 30 September 2011 (Unaudited)</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	541,296,756
Effect of conversion of convertible bonds	<u>52,246,595</u>
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u><u>593,543,351</u></u>

*Note:* There was no dilutive potential ordinary shares of the Company's outstanding option, as the exercise price of the options exceeds the closing price of the shares of the Company as quoted on the Stock Exchange on the last trading day prior to suspension. For the six months ended 30 September 2010, the diluted earnings per share equated the basic earnings per share, as the exercise of the Company's outstanding convertible bonds would be anti-dilutive and there was no dilutive potential ordinary shares of the Company's outstanding options.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 9. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: nil).

### 10. TRADE RECEIVABLES

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

	At 30 September 2011 RMB'000 (Unaudited)	At 31 March 2011 RMB'000 (Audited)
30 days or less	10,700	9,089
31 to 90 days	1,413	3,359
91 to 180 days	137	2,478
Over 180 days	246	799
Less: impairments	(242)	(242)
	<u>12,254</u>	<u>15,483</u>

### 11. TRADE PAYABLES

An aging analysis of the trade payables at the end of the reporting period, based on invoice dates, is as follows:

	At 30 September 2011 RMB'000 (Unaudited)	At 31 March 2011 RMB'000 (Audited)
30 days or less	–	6,701
31 to 90 days	813	5,306
91 to 180 days	10,449	14,810
Over 180 days	19,067	10,198
	<u>30,329</u>	<u>37,015</u>

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **12. CONTINGENT LIABILITIES**

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2011.

### **13. EVENTS AFTER REPORTING PERIOD**

Subsequent to the end of the reporting period, there are certain updates on the Group's business and financial restructuring in progress, and further details of which are stated in note 2 to the Interim Financial Statements.

### **14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 5 December 2012.