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TACK FAT GROUP INTERNATIONAL LIMITED

(Provisional Liquidators Appointed)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00928)



INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

INTERIM RESULTS

The joint and several provisional liquidators (the “Provisional Liquidators”) of Tack Fat Group International Limited (Provisional Liquidators Appointed) (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2008 together with comparative figures for the six months period ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 September 2008

(Amounts expressed in Hong Kong dollars)

		Unaudited Six months ended 30 September	
		2008	2007
	<i>Note</i>	\$'000	\$'000
Turnover	4	61,255	1,183,147
Costs of sales		<u>(41,502)</u>	<u>(856,238)</u>
Gross profit		19,753	326,909
Other revenue	5(c)	214,654	10,681
Distribution costs		(42,097)	(140,656)
Administrative and other operating expenses		<u>(185,816)</u>	<u>(46,513)</u>
Profit from operations		6,494	150,421

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)**For the six months period ended 30 September 2008**(Amounts expressed in Hong Kong dollars)*

		Unaudited	
		Six months ended	
		30 September	
		2008	2007
	<i>Note</i>	\$'000	\$'000
Finance costs	5(a)	<u>(5,293)</u>	<u>(34,183)</u>
Profit before taxation	5	1,201	116,238
Income tax	6	<u>(49,815)</u>	<u>(6,084)</u>
(Loss)/profit for the period		<u>(48,614)</u>	<u>110,154</u>
Attributable to:			
Equity shareholders of the Company		(61,324)	108,574
Minority interests		<u>12,710</u>	<u>1,580</u>
		<u>(48,614)</u>	<u>110,154</u>
Dividends payable to equity shareholders of the Company	7	<u>Nil</u>	<u>Nil</u>
(Loss)/earnings per share	8		
Basic		<u>(2.78 cents)</u>	<u>5.14 cents</u>
Diluted		<u>N/A</u>	<u>4.95 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

(Amounts expressed in Hong Kong dollars)

		Unaudited 30 September 2008 \$'000	(Restated) Audited 31 March 2008 \$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		<u>7,363</u>	<u>8,484</u>
Current assets			
Inventories		46,061	46,158
Trade and other receivables	10	28,111	8,762
Cash and cash equivalents		<u>3,802</u>	<u>2,673</u>
		<u>77,974</u>	<u>57,593</u>
Current liabilities			
Trade and other payables	11	70,169	35,734
Provision for bank loan guarantee for subsidiaries	12(i)	814,298	879,638
Other borrowings	12(ii)	90,500	—
Tax payable		50,324	160
Amounts due to deconsolidated subsidiaries		<u>157,089</u>	<u>—</u>
		<u>1,182,380</u>	<u>915,532</u>
Net current liabilities		<u>(1,104,406)</u>	<u>(857,939)</u>
Total assets less current liabilities		<u>(1,097,043)</u>	<u>(849,455)</u>
Non-current liabilities			
Convertible bonds		<u>119,396</u>	<u>119,396</u>
NET LIABILITIES		<u><u>(1,216,439)</u></u>	<u><u>(968,851)</u></u>
EQUITY			
Share capital		221,261	217,261
Reserves		<u>(1,485,218)</u>	<u>(1,220,920)</u>
ATTRIBUTABLE TO:			
EQUITY SHAREHOLDERS OF THE COMPANY		<u>(1,263,957)</u>	<u>(1,003,659)</u>
Minority interests		<u>47,518</u>	<u>34,808</u>
		<u><u>(1,216,439)</u></u>	<u><u>(968,851)</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 September 2008

1 ORGANIZATION AND OPERATION

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

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

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

2 BASIS OF PRESENTATION

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

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

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

Going concern

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

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

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

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

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

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

Loss of books and records

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

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

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

Deconsolidation of subsidiaries and subsequent impairment of respective book values

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

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

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

3 PRINCIPLE ACCOUNTING POLICIES

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

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

- (a) Information about the extent and nature of the financial instruments as required by HKAS 32 "Financial Instruments: Disclosure and Presentation" issued by the HKICPA;
- (b) Details of the Group's policy in respect of the financial risk management as required by HKFRS 7 "Financial Instruments: Disclosure" issued by the HKICPA;
- (c) Details of related party disclosures as required by HKAS 24 "Related Party Disclosures" issued by the HKICPA;

- (d) Details of the Group's aging of debtors and creditors as required by the Listing Rules;
- (e) Details of analysis of pledge of assets as required by the Companies Ordinance (Chapter 32) of the Laws of Hong Kong (the "Companies Ordinance");
- (f) Information of deferred taxation and taxation charge reconciliation as required by HKAS 12 "Income Taxes"; and
- (g) Details of directors' and employees' emoluments as required by the Listing Rules and the Companies Ordinance.

(ii) APPLICATION OF NEW AND REVISED HKFRSs

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

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

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

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

HKFRSs (Amendments)	Improvement to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ⁸
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁷
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁷
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁹
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ⁴
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁶

- ¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
- ³ Effective for annual periods beginning on or after 1 January 2009
- ⁴ Effective for annual periods beginning on or after 1 July 2009
- ⁵ Effective for annual periods beginning on or after 1 October 2008
- ⁶ Effective for transfers on or after 1 July 2009
- ⁷ Effective for annual periods beginning on or after 1 January 2010
- ⁸ Effective for annual periods beginning on or after 1 February 2010
- ⁹ Effective for annual periods beginning on or after 1 July 2008

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

4 SEGMENT INFORMATION

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.

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

(a) Business Segment

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

(b) Geographical Segments

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

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

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

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

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

5 PROFIT BEFORE TAXATION

Results before taxation is arrived at after charging the following:

(a) Finance Costs

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

(b) Other Items

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

(c) Other revenue

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

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

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

6 INCOME TAX

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

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

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

7 DIVIDEND

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

8 (LOSS)/EARNINGS PER SHARE

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

(a) Basic (Loss)/Earnings Per Share

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

(b) Diluted Loss Per Share

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

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

9 OTHER FINANCIAL ASSETS

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

10 TRADE AND OTHER RECEIVABLES

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

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

11 TRADE AND OTHER PAYABLES

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

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

12 PROVISION FOR BANK LOAN GUARANTEE FOR SUBSIDIARIES AND OTHER BORROWINGS

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

(i) Provision for bank loan guarantee for subsidiaries

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

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

(ii) Other borrowings

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

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

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

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

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

13 COMMITMENTS

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

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

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

14 CONTINGENT LIABILITIES

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

15 RELATED PARTY TRANSACTION

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

16 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

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

KEY TRANSACTIONS CONDUCTED DURING THE INTERIM PERIOD

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

PLEDGE OF ASSETS

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

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

RESTRUCTURING OF THE GROUP AND KEY EVENTS AFTER THE APPOINTMENT OF THE PROVISIONAL LIQUIDATORS

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

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

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

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

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

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

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

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

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

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

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

PROSPECTS

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

To the best knowledge of the Provisional Liquidators, 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 2008.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

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

PUBLICATION OF INFORMATION ON WEBSITES

This results announcement is available for viewing on the website of Stock Exchange at www.hkex.com.hk and on the website of the Company at www.tackfatgroup.com.

For and on behalf of
TACK FAT GROUP INTERNATIONAL LIMITED
(Provisional Liquidators Appointed)
FOK Hei Yu
Roderick John Sutton
Joint and Several Provisional Liquidators
who act without personal liabilities

Hong Kong, 4 December 2009

As at the date of this announcement, the Board comprises (i) one non-executive Director, Mr. James D. McMullen; and (ii) three independent non-executive Directors, namely, Mr. Pau Chin Hung, Andy, Mr. Choong Khuat Leok and Mr. Kooi Tock Chian.