



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 2010/2011

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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
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JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Lai Kar Yan Derek,
Yeung Lui Ming Edmund and
Darach E. Haughey
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REGISTERED OFFICE

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Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 September 2010, 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 RMB66.4 million (six months ended 30 September 2009: approximately RMB65.79 million), representing an increase of approximately 1% from the six months ended 30 September 2009. The results of the Group for the six month ended 30 September 2010 are set out in the condensed consolidated statement of comprehensive income on page 13.

The consolidated loss attributable to equity holders of the Company amounted to approximately RMB302.06 million for the six month ended 30 September 2010 (six months ended 30 September 2009: approximately RMB239.10 million). Loss per share was approximately RMB55.8 cents for the six months ended 30 September 2010 (six months ended 30 September 2009: approximately RMB44.2 cents).

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank and cash balances as at 30 September 2010 was approximately RMB273.31 million (31 March 2010: approximately RMB240.26 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 2010 and 31 March 2010.

CAPITAL STRUCTURE

For the six months ended 30 September 2010, 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 finalization 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

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 8 February 2012. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RESTRUCTURING OF THE GROUP (Continued)

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.

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 reorganization 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. 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 is 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.

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.

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.

On 13 June 2011, the Company submitted a reply/clarification in relation to the queries from the Stock Exchange on the Resumption Proposal received on 31 January 2011. Subsequently, the Company received a second round of queries from the Stock Exchange on 25 July 2011 and is preparing the reply to the queries accordingly.

The Company is confident that, with strong financial support from Investor, the Group will be able to regain dominant in its business and maintain a substantial level of operations after the resumption of trading in the Company’s shares on the HKSE.

It is anticipated that the financial position of the Group will be substantially improved upon the Completion as all the liabilities arising from the creditors of the Company will be compromised and discharged through the proposed scheme of arrangement and liabilities of the Group will be assumed by the Investor through assets disposal.

Upon the Completion, the Company’s shares will resume trading on the HKSE subject to the approval of the HKSE.

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 resumption proposal may or may not be approved by the HKSE.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CHARGES ON GROUP'S ASSETS

As at 30 September 2010, save as the pledged bank deposits of approximately HK\$66.5 million, there were no other charges on the Group's assets.

REVIEW BY THE AUDIT COMMITTEE

By the time the interim financial report (the "Interim Report") for the six months ended 30 September 2010 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 2010

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.

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

Due to the failure to get access to the books and records of certain subsidiaries, the resignation of the major management personnel, Independent Non-executive Directors and all Executive Directors, the Directors do not have sufficient data available to compile the Interim Report so as to comply with Appendix 16 "Disclosure of Financial Information" of the Listing Rules. A separate Corporate Governance Report contained the information required under Appendix 23 of the Listing Rules has been omitted from this Interim Report.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION ON SHARE OPTION SCHEME (Continued)

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 preceding the date of the offer; and (iii) the nominal value of the Company's shares.

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 2010 are as follows:

Name or Category of participant	Balance	Forfeited during the period	Outstanding	Date of grant	Exercisable Period	Exercise price per share (HK\$)
	as at 1 April 2010		as at 30 September 2010			
Employees:						
In aggregate	1,120,000	(600,000)	520,000	25 May 2006	25 May 2007 to 24 November 2014	15.61

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 2010.

CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group at the end of the reporting period.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 September 2010, 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:

Interest in Shares

Name of Shareholder	Capacity	Number of Shares	Position	Approximate Percentage of the Company's Issued Share Capital
Mr. Wei Dong (<i>Note 1</i>)	Beneficial owner/Interest of spouse/Interest of controlled corporation	261,185,000	Long	48.25%
Ms. Yao Juan (<i>Note 2</i>)	Interest of spouse/Interest of controlled corporation	261,185,000	Long	48.25%
Million Decade Limited (<i>Note 1</i>)	Beneficial owner	185,000,000	Long	34.18%
Top Ample Limited (<i>Note 2</i>)	Beneficial owner	75,000,000	Long	14.97%
Ameriprise Financial Inc	Interest of controlled corporation	40,336,000	Long	7.45%
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)

Save as disclosed herein, there was no person known to any Directors or chief executives of the Company, who, as at 30 September 2010, 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 2010.

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 2010. 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 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	
		30 September	
		2010	2009
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	4	66,403	65,794
Cost of materials consumed		(45,069)	(56,646)
Gross profit		21,334	9,148
Other income		87	638
Staff costs		(14,993)	(22,871)
Operating lease rentals		(2,809)	(5,073)
Depreciation		(4,851)	(4,833)
Fuel and utility costs		(4,202)	(5,089)
Consumable stores		(2,103)	(1,316)
Other operating expenses		(49,760)	(10,981)
Impairments on due from deconsolidated subsidiaries		(167,654)	(125,011)
Loss on disposal of property, plant and equipment		–	(94)
Impairment of prepayments, deposits and other receivables		–	(504)
Loss from operations		(224,951)	(165,986)
Finance costs	5	(77,105)	(73,114)
Loss before tax	5	(302,056)	(239,100)
Income tax	6	–	–
Loss for the period attributable to equity holders of the Company		(302,056)	(239,100)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		29,165	795
Total comprehensive loss for the period attributable to equity holders of the Company		(272,891)	(238,305)
Loss per share	7		
Basic and diluted (RMB cents per share)		(55.8)	(44.2)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2010 RMB'000 (Unaudited)	At 31 March 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	22,417	27,268
Current assets			
Inventories		5,015	5,167
Trade receivables	10	24,490	12,472
Due from deconsolidated subsidiaries	11	58,222	105,316
Prepayments, deposits and other receivables		41,252	41,467
Pledged bank deposits		66,513	67,719
Bank and cash balances		273,305	240,255
		468,797	472,396
Current liabilities			
Trade payables	12	31,000	20,647
Accruals and other payables		36,257	24,467
Due to deconsolidated subsidiaries	11	890,636	711,905
Bank borrowings		25,257	25,715
Convertible bonds		2,111,800	2,047,788
		3,094,950	2,830,522
Net current liabilities		(2,626,153)	(2,358,126)
NET LIABILITIES		(2,603,736)	(2,330,858)
Capital and reserves			
Share capital		5,665	5,665
Reserves		(2,609,401)	(2,336,523)
TOTAL EQUITY		(2,603,736)	(2,330,858)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Statutory reserve	Capital reserve	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2009	5,665	1,491,807	7,500	144,473	(186,819)	(3,325,742)	(1,863,116)
Total comprehensive loss for the period	-	-	-	-	795	(239,100)	(238,305)
Equity settled share-based payments	-	-	-	950	-	-	950
Forfeiture of share options	-	-	-	(1,160)	-	1,160	-
	<u>5,665</u>	<u>1,491,807</u>	<u>7,500</u>	<u>144,263</u>	<u>(186,024)</u>	<u>(3,563,682)</u>	<u>(2,100,471)</u>
At 30 September 2009	<u>5,665</u>	<u>1,491,807</u>	<u>7,500</u>	<u>144,263</u>	<u>(186,024)</u>	<u>(3,563,682)</u>	<u>(2,100,471)</u>
At 1 April 2010	5,665	1,491,807	7,500	137,468	(183,198)	(3,790,100)	(2,330,858)
Total comprehensive loss for the period	-	-	-	-	29,165	(302,056)	(272,891)
Equity settled share-based payments	-	-	-	13	-	-	13
Forfeiture of share options	-	-	-	(3,317)	-	3,317	-
	<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>
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>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(27,839)	(118,120)
Net cash generated from investing activities	47,427	173,082
Net cash used in financing activities	—	(94,050)
Net increase/(decrease) in cash and cash equivalents	19,588	(39,088)
Effect of foreign exchange rate changes	13,462	1,773
Cash and cash equivalents at beginning of period	240,255	79,640
Cash and cash equivalents at end of period	<u>273,305</u>	<u>42,325</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 and principal place of business are disclosed in the corporate information section of the annual report. 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. During the period, the Company and its subsidiaries (collectively "the Group") were principally engaged in the provision of catering services and production and sale of convenience food products.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 ("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 for the year ended 31 March 2010.

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 2010.

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 publication of 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 AND ACCOUNTING POLICIES (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 the Group’s affairs, the IFA identified circumstances that indicated the Group had experienced significant financial challenges, particularly in connection with the Group’s catering business operations, 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 and, 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 Court adjourned the hearing of the Petition against the Company to 8 February 2012. 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 of Hong Kong Limited (the “Stock Exchange”) informed the Provisional Liquidators that the Company was placed in the first stage of the delisting procedures under Practice Note 17 (“PN17”) to 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 PN17 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 AND ACCOUNTING POLICIES (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) withdrawal or dismissal of the winding-up petition presented against the Company, and discharge of 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. On 13 June 2011, the Provisional Liquidators, on behalf of the Company, submitted their reply/clarification in relation to the queries from the Stock Exchange on the Resumption Proposal received on 31 January 2011 and is preparing replies to the second round of queries from the Stock Exchange received on 25 July 2011.

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;

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Proposed restructuring of the Group (Continued)

- (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.

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.

Deconsolidation of subsidiaries

The Interim Financial Statements have been prepared based on the books and records maintained by the Group. However, the directors of the Company ("the Directors") considered that the control over certain subsidiaries had been lost from 1 April 2008. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group from 1 April 2008. Further details of which were described in the Group's annual financial statements for the year ended 31 March 2010.

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB302,056,000 for the six months ended 30 September 2010 (six months ended 30 September 2009: RMB239,100,000) and as at 30 September 2010 the Group had net current liabilities of approximately RMB2,626,153,000 (31 March 2010: RMB2,358,126,000) and net liabilities of approximately RMB2,603,736,000 (31 March 2010: RMB2,330,858,000) 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

Going concern (Continued)

The Interim Financial Statements have been prepared on a going concern basis on the assumptions 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.

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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 period beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); 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 period and prior periods.

The Group has not applied 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 discounting 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 and other unallocated corporate income and expenses. Segment assets do not include available-for-sales financial assets, amounts due from deconsolidated subsidiaries, pledged bank deposits, bank and cash balances and other unallocated corporate assets. Segment liabilities do not include bank borrowings, convertible bonds, consideration payable for acquisition of subsidiaries 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)
For the six months ended 30 September 2010:			
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
At 30 September 2010:			
Segment assets – unaudited	<u>52,214</u>	<u>12,769</u>	<u>64,983</u>
	Catering Services RMB'000 (Unaudited)	Convenience Food and related business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended 30 September 2009:			
Revenue from external customers	65,794	–	65,794
Segment loss	(26,429)	(1,587)	(28,016)
Interest income	106	–	106
Depreciation	4,596	237	4,833
At 31 March 2010:			
Segment assets – audited	<u>43,697</u>	<u>5,900</u>	<u>49,597</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Reconciliations of reportable segment profit and loss:

	Six months ended 30 September	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Total loss from reportable segments	(11,199)	(28,016)
Corporate and unallocated loss	(213,752)	(137,970)
	<u> </u>	<u> </u>
Consolidated loss from operations	<u>(224,951)</u>	<u>(165,986)</u>

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting)

	Six months ended 30 September	
	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
(a) Finance costs:		
Interest on borrowings wholly repayable within five years	4,347	10,462
Interest on convertible bonds	72,758	62,652
	<u> </u>	<u> </u>
	<u>77,105</u>	<u>73,114</u>
(b) Other items:		
Interest income	(33)	(203)
Cost of materials consumed	45,069	56,646
Impairments on due from deconsolidated subsidiaries	167,654	125,011
Loss on disposal of property, plant and equipment	–	94
Impairment of prepayments, deposits and other receivables	–	504
Depreciation	4,851	4,833
Operating leases charges in respect of premises	2,809	5,073
Directors' remuneration	62	1,784
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. INCOME TAX

No provision for profits tax has been made as the Group did not generate any assessable profits for each of the six months ended 30 September 2010 and 2009. The group had no significant deferred tax for each of the six months ended 30 September 2010 and 2009.

7. LOSS PER SHARE

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the six months period attributable to equity holders of the Company of approximately RMB302,056,000 (six months ended 30 September 2009: RMB239,100,000) and the weighted average number of 541,296,756 (six months ended 30 September 2009: 541,296,756) ordinary shares in issue during the period.

As the exercise of the Company's outstanding convertible bonds for the each of six months ended 30 September 2010 and 2009 would be anti-dilutive and there was no dilutive potential ordinary shares of the Company's outstanding options, no diluted loss per share was presented in both periods.

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (six months ended 30 September 2009: nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 September 2010 RMB'000 (Unaudited)	Year ended 31 March 2010 RMB'000 (Audited)
Cost		
At beginning of the period/year	59,380	59,075
Additions	–	853
Disposals	–	(548)
	59,380	59,380
Accumulated depreciation and impairment		
At beginning of the period/year	32,112	22,215
Charge for the period/year	4,851	9,702
Impairment losses	–	195
	36,963	32,112
Carrying amounts		
At 30 September/31 March	22,417	27,268

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

	At 30 September 2010 RMB'000 (Unaudited)	At 31 March 2010 RMB'000 (Audited)
30 days or less	11,701	8,839
31 to 90 days	9,644	3,492
91 to 180 days	214	73
Over 180 days	2,931	180
Less: impairments	–	(112)
	<u>24,490</u>	<u>12,472</u>

11. BALANCES WITH DECONSOLIDATED SUBSIDIARIES

The balances with deconsolidated subsidiaries were unsecured, interest-free and had no fixed term of repayment.

12. TRADE PAYABLES

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

	At 30 September 2010 RMB'000 (Unaudited)	At 31 March 2010 RMB'000 (Audited)
30 days or less	7,542	4,027
31 to 90 days	13,324	6,144
91 to 180 days	6,030	8,546
Over 180 days	4,104	1,930
	<u>31,000</u>	<u>20,647</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. CONTINGENT LIABILITIES

The Directors were not aware of any significant contingent liabilities of the Group as at 30 September 2010.

14. 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.

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 10 August 2011.