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FIRST NATURAL FOODS HOLDINGS LIMITED

(Provisional Liquidators Appointed)

第一天然食品有限公司*

（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board (the "Board") of directors (the "Directors") of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, which have been agreed by the auditor of the Company, together with comparative figures for the corresponding year of 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	**2009**	2008
		RMB'000	*RMB'000*
Turnover	*4*	**2,542**	478,707
Cost of sales		**(2,505)**	(271,919)
Gross profit		**37**	206,788
Other income	*5*	**429**	6,877
Selling expenses		–	(5,625)
Administrative expenses		**(5,068)**	(23,512)
Other operating expenses	*7*	–	(8,796)
Gain arising from a change in fair value of a derivative financial instrument		–	1,001
(Loss)/profit from operations		**(4,602)**	176,733
Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries		–	(1,470,704)
Other losses		–	(86,756)
Finance costs	*8*	**(9,559)**	(13,614)
Loss before tax	*9*	**(14,161)**	(1,394,341)
Income tax expense	*10*	–	(47,444)
Loss for the year attributable to equity holders of the Company	*11*	**(14,161)**	(1,441,785)
Other comprehensive income for the year, net of tax			
Translation difference		**(118)**	16,107
Total comprehensive income for the year attributable to equity holders of the Company		**(14,279)**	(1,425,678)
Loss per share attributable to equity holders of the Company	*13*		
Basic (RMB cents per share)		**(1.19)**	(126.83)
Diluted (RMB cents per share)		**(1.19)**	(126.83)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009**	2008
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**26**	34
Deferred tax assets		**233**	233
		259	267
Current assets			
Inventories		**918**	–
Trade receivables	*14*	**1,422**	–
Prepayments, deposits and other receivables		**122**	609
Bank and cash balances		**6,487**	529
		8,949	1,138
Current liabilities			
Accruals and other payables	*15*	**195,349**	172,455
Bank borrowings		**183,822**	184,634
Financial guarantee liabilities		**13,500**	13,500
		392,671	370,589
Net current liabilities		**(383,722)**	(369,451)
NET LIABILITIES		**(383,463)**	(369,184)
Capital and reserves			
Share capital		**61,387**	61,387
Reserves		**(444,850)**	(430,571)
TOTAL EQUITY		**(383,463)**	(369,184)

NOTES:

1. General Information

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Room 2501, 25/F, China Online Centre, No. 333 Lockhart 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 have been suspended for trading since 15 December 2008.

The Company is an investment holding company. The Company, through its subsidiaries, is principally engaged in the food processing, manufacturing and trading industry mainly including frozen and functional food products.

2. Basis of Preparation

Trading in the shares of the Company (the "Shares") on the Stock Exchange has been suspended since 9:30 a.m. on 15 December 2008 at the request of the Company.

After the suspension, the whereabouts of Mr. Yeung Chung Lung ("Mr. Yeung"), the former executive Director and chairman, and Mr. Yang Le ("Mr. Yang"), a former executive Director, could not be confirmed. Given that the Board had difficulties in exercising the authority and control over some of its subsidiaries, the Board considered that, for the benefit of the creditors and the shareholders of the Company (the "Shareholders") as a whole, it was appropriate and necessary to appoint provisional liquidators to preserve the Company's assets and investigate into the affairs and financial condition of the Group.

On 6 January 2009, a winding-up petition (the "Petition") and the application for the appointment of the joint and several provisional liquidators of the Company (the "Provisional Liquidators") were presented to and filed with the High Court of Hong Kong Special Administrative Region (the "Court") by the Company. On the same day, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the Provisional Liquidators by the Court.

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the People's Republic of China (the "PRC"). However, without the assistance of the former Directors, Mr. Yeung and Mr. Yang, who were also the legal representatives of the subsidiaries in the PRC, the Provisional Liquidators would not be able to proceed the same. As such, legal actions have been taken against Mr. Yeung and Mr. Yang in respective regions in the PRC for the possible damages to the Group resulting from their illegal possessions of the properties of the subsidiaries in the PRC, including but not limited to, the company chops and statutory certificates of the subsidiaries in the PRC. The status of the court cases as at the date of this announcement is as follows:

(i) Fuqing Longyu Food Development Company Limited ("Fuqing Longyu")

The Fuzhou Intermediate People's Court (福州市中級人民法院) of Fujian Province, the PRC (the "Fuzhou Court") issued a judgment letter dated 28 July 2009 (the "Judgment Letter") in the Provisional Liquidators' favour with regard to the replacements of Fuqing Longyu's legal representative and board of directors. On 2 September 2009, Mr. Yeung filed an appeal against the decisions of the Judgment Letter. The hearing for the appeal lodged by Mr. Yeung was heard on 19 November 2009 at the Higher People's Court of Fujian Province (福建省高級人民法院). On 18 January 2010, the Provisional Liquidators were informed by the PRC legal adviser that the final decision for the appeal lodged by Mr. Yeung (the "Final Decision") was handed down on 21 December 2009 which upholds the Judgment Letter in the Provisional Liquidators' favour with regard to the replacement of Fuqing Longyu's legal representative and board of directors. The enforcement of the Final Decision was applied with the Fuzhou Court in early March and an enforcement notice has been issued on 12 April 2010 by the Fuzhou Court to the Administration of Industry and Commerce in Fuqing (福清市工商行政管理局).

(ii) Jia Jing Commercial (Shanghai) Company Limited ("Jia Jing (Shanghai)")

On 3 September 2009, the case has been accepted by the The People's Court of Pudong New District in Shanghai ("Pudong Court"). The first and second hearings were heard on 14 October 2009 and 22 December 2009 at which no representatives of nor did Mr. Yang himself attend. On 26 February 2010, the Pudong Court ruled that the request for the return of the business licenses, certificates, common seal, contract seal and authorized representative's personal seal of Jia Jing (Shanghai) which are allegedly possessed by Mr. Yang, is not supported. After consulting the PRC legal advisers, the Provisional Liquidators decided not to appeal against the Pudong Court's decision but to apply for re-issuance of company chops and statutory certificates.

(iii) Ningbo Dingwei Food Development Company Limited ("Ningbo Dingwei")

First China Technology Limited, a subsidiary of the Company and the immediate holding company of Ningbo Dingwei, attempted to file a statement of claim with the Ningbo Intermediate People's Court of Zhejiang Province (浙江省寧波市中級人民法院) but the filing was denied by the court.

The Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited ("Asian Capital") as the financial adviser to the Company on 5 February 2009 to assist the Provisional Liquidators in identifying potential investors with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 12 March 2009, the Stock Exchange sent a letter to the Company stating that in view of the prolonged suspension of trading in the Shares, the delisting procedures set out in Practice Note 17 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") applied to the Company and the Company had been put into the first stage of the delisting procedures which commenced on the date of suspension. If the Company failed to submit a viable resumption proposal to address certain conditions on or before 11 September 2009, the Stock Exchange might consider to proceed to place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules.

The Provisional Liquidators and Asian Capital used their best endeavours to source for potential investors with interest in the restructuring of the Company. Consequently, the restructuring proposal of Group Will Holdings Limited (the "Investor") had been accepted by the Provisional Liquidators.

On 30 July 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into among the Investor, Mr. Huang Kunyan ("Mr. Huang"), the Company and the Provisional Liquidators to grant the Investor a 12-month exclusivity period to prepare a viable resumption proposal to be submitted to the Stock Exchange with a view to resuming the trading in the Shares (the "Resumption Proposal"), and to negotiate in good faith for entering into a legally binding formal agreement (the "Formal Agreement") for the implementation of the Resumption Proposal.

Pursuant to the Exclusivity Agreement, the Investor shall negotiate with the Provisional Liquidators to enter into an arrangement of working capital facility of up to HK$10 million (or such higher sum the Investor may agree from time to time) for the settling of the trading and operating expenses as are required to carry on and maintain a viable business of the sale of food products during the course of the proposed restructuring. Such working capital facility will be secured by a debenture with charge(s) over certain assets of the Group. With the sanction from the Court, the Investor and Supreme Wit Limited ("Supreme Wit"), a wholly owned subsidiary of the Company which was set up after the appointment of the Provisional Liquidators for the purpose of restructuring, on 12 April 2010 entered into a working capital facility agreement pursuant to which the Investor had agreed to provide a facility of up to HK$50 million (or such higher sum as the Investor may agree from time to time) (the "Working Capital Facility") to Supreme Wit, and the Working Capital Facility had been secured by a debenture executed on 12 April 2010 by Supreme Wit in favour of the Investor.

Given the time constraints, the Company was unable to submit the Resumption Proposal by 11 September 2009 and the Company was placed into the second stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on 18 September 2009.

While continuing to take necessary steps to regain the control of Fuqing Longyu, Jia Jing (Shanghai) and Ningbo Dingwei, the Group has been trying to resume normal business operations of the Group by recommencing the trading business through the subsidiaries of the Company. In the meantime, the Company has been actively looking for investment opportunities which can commercially benefit the Group.

By a letter dated 9 April 2010 from the Stock Exchange, the Company was placed into the third stage of delisting procedures pursuant to Practice Note 17 to the Listing Rules. The Stock Exchange announced this matter on 21 April 2010. The Company is now given to submit a viable resumption proposal 10 business days before 20 October 2010, which should meet the following conditions:

1. Demonstrate sufficient operations or assets to comply with Rule 13.24;

2. Address auditors' qualifications and demonstrate adequate internal control system; and

3. Withdraw and/or dismiss the winding-up petition and discharge the Provisional Liquidators.

The Investor and the Company are currently reviewing the Group's existing operations. The Company, with the assistance of Asian Capital and the Investor, are in the course of preparing the Resumption Proposal, and which will be submitted to the Stock Exchange as soon as practicable.

The proposed restructuring, if successfully implemented, among others, will result in:

(i) a restructuring of the share capital of the Company through capital reduction, share consolidation, share subdivision and issue of new shares;

(ii) all creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and Bermuda as appropriate; and

(iii) resumption of trading in the Shares upon completion of the proposed restructuring subject to the restoration of sufficient public float.

The Provisional Liquidators have provided regular updates of the status of the Group to the Court and suggested for the adjournment of granting the winding-up order against the Company. On 14 January 2010, the hearing of the Petition has been further adjourned to 19 July 2010.

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB14,161,000 for the year ended 31 December 2009 (2008: loss of approximately RMB1,441,785,000) and as at 31 December 2009 the Group had net current liabilities of approximately RMB383,722,000 (2008: net current liabilities of approximately RMB369,451,000) and net liabilities of approximately RMB383,463,000 (2008: net liabilities of approximately RMB369,184,000) 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 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 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 will have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which may 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 ("HKFRS")

In the current year, the Group has applied for the first time the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective:

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Amendments to HKFRS 7 Financial Instruments: Disclosure – Improving Disclosures about Financial instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 18 (Amendment)*	Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of assets from Customers (adopted from 1 July 2009)
Improvements to HKFRS (October 2008)**	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009)

** The Group adopts all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary, which are effective for annual periods beginning on or after 1 July 2009.

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 polices, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating Segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters [2]
HKFRS 1 (Amendments)	Amendment to HKFRS 1 – First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [4]
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions [2]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [6]
HKAS 24 (Revised)	Related Party Disclosures [5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [3]
HKAS 39 (Amendment)	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1]
HK(IFRIC)-Int 14 (Amendments)	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement [5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling interest in a Subsidiary [1]
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases [2]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2010.
[3] Effective for annual periods beginning on or after 1 February 2010.
[4] Effective for annual periods beginning on or after 1 July 2010.
[5] Effective for annual periods beginning on or after 1 January 2011.
[6] Effective for annual periods beginning on or after 1 January 2013.

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

4. Turnover

Turnover represents the invoiced value of goods sold, less value-added tax, goods returns and trade discounts during the year.

	2009	2008
	RMB'000	*RMB'000*
Sales of goods	**2,542**	478,707

5. Other Income

	2009	2008
	RMB'000	*RMB'000*
Interest income	**11**	5,103
Over-provision of interest expenses on convertible notes in prior years	**397**	–
Sundry income	**21**	1,774
	429	6,877

6. Operating Segment Information

The Group comprises the following reportable operating segments:

Frozen marine food products	:	The manufacture, processing and sale of frozen marine food products
Frozen functional food products	:	The manufacture, processing and sale of frozen functional food products
Seasoned convenient products	:	The manufacture, processing and sale of seasoned convenient food products
Retail shops	:	Sale of food products in UBI brand

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include deferred tax assets and unallocated corporate assets. Segment liabilities do not include bank borrowings, financial guarantee liabilities and 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.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Information about reportable segment profit or loss, assets and liabilities is as follows:

	Frozen marine food products		Frozen functional food products		Seasoned convenient products		Retail shops		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Years ended 31 December										
Revenue from external customers	**–**	189,004	**2,453**	265,684	**89**	16,571	**–**	7,448	**2,542**	478,707
Inter-segment revenue	**–**	3,229	**–**	1,856	**–**	–	**–**	–	**–**	5,085
Segment results	**–**	93,657	**15**	103,821	**(11)**	7,068	**–**	2,770	**4**	207,316
Interest revenue	**–**	2,559	**–**	–	**–**	–	**–**	9	**–**	2,568
Interest expense	**–**	467	**–**	–	**–**	–	**–**	2	**–**	469
Depreciation and amortisation	**–**	3,827	**–**	1,598	**–**	3,002	**–**	97	**–**	8,524
Income tax expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Additions to segment non-current assets	**–**	7,918	**–**	1,118	**–**	–	**–**	218	**–**	9,254
As at 31 December										
Segment assets	**–**	–	**1,422**	–	**918**	–	**–**	–	**2,340**	–
Segment liabilities	**–**	–	**1,407**	–	**929**	–	**–**	–	**2,336**	–

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
Total revenue of reportable segments	**2,542**	483,792
Elimination of intersegment revenue	**–**	(5,085)
Consolidated revenue	**2,542**	478,707
Profit or loss		
Total profit or loss of reportable segments	**4**	207,316
Elimination of intersegment profits	**–**	(528)
Unallocated amounts:		
Unallocated corporate income and expenses	**(4,606)**	(30,055)
Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries	**–**	(1,470,704)
Other losses	**–**	(86,756)
Finance costs	**(9,559)**	(13,614)
Consolidated loss before tax	**(14,161)**	(1,394,341)

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Assets		
Total assets of reportable segments	**2,340**	–
Unallocated amounts:		
Deferred tax assets	**233**	233
Unallocated corporate assets	**6,635**	1,172
Consolidated total assets	**9,208**	1,405
Liabilities		
Total liabilities of reportable segments	**2,336**	–
Unallocated amounts:		
Bank borrowings	**183,822**	184,634
Financial guarantee liabilities	**13,500**	13,500
Unallocated corporate liabilities	**193,013**	172,455
Consolidated total liabilities	**392,671**	370,589

Geographical information:

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**–**	46,214	**–**	–
Japan	**–**	296,260	**–**	–
United States of America	**–**	114,653	**–**	–
Hong Kong	**88**	–	**259**	267
Others	**2,454**	21,580	**–**	–
Consolidated total	**2,542**	478,707	**259**	267

In presenting the geographical information, revenue is based on the locations of the customers.

7. Other Operating Expenses

	2009	2008
	RMB'000	*RMB'000*
Exchange loss	**–**	4,603
Impairment on interest receivables	**–**	2,769
PRC other taxes and levies	**–**	1,384
Sundries	**–**	40
	–	8,796

8. Finance Costs

	2009	2008
	RMB'000	*RMB'000*
Interest expenses on:		
Bank borrowings	**9,019**	12,070
Convertible notes	**–**	1,544
Derivative financial instrument	**540**	–
	9,559	13,614

9. Loss Before Tax

The Group's loss before tax is stated after charging the following:

	2009	2008
	RMB'000	*RMB'000*
Directors' emoluments		
As directors	**287**	1,010
For management	**–**	1,320
	287	2,330
Auditor's remuneration		
Current year	**281**	227
Under-provision in prior year	**–**	181
	281	408
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**447**	4,784
Retirement benefits scheme contributions	**8**	646
	455	5,430
Cost of inventories sold	**2,505**	271,919
Depreciation	**8**	21,965
Amortisation of leasehold land and rental prepayments	**–**	9,783
Other operating lease charges on land and buildings	**569**	1,728
Exchange loss	**–**	4,603

10. Income Tax Expense

	2009	2008
	RMB'000	*RMB'000*
Current tax – the PRC Enterprise Income Tax		
Provision for the year	**–**	47,444

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 (2008: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the loss before tax is as follows:

	2009	2008
	RMB'000	*RMB'000*
Loss before tax	**(14,161)**	(1,394,341)
Notional tax credit on loss before tax, calculated at the rates applicable in the tax jurisdictions concerned	**(3,540)**	(348,586)
Tax effect of income that is not taxable	**–**	(687)
Tax effect of expenses that are not deductible	**3,540**	390,839
Tax effect of unused tax losses not recognised	**–**	5,878
	–	47,444

11. Loss For the Year Attributable to Equity Holders of the Company

The consolidated loss attributable to equity holders of the Company includes a loss of approximately RMB14,056,000 (2008: loss of approximately RMB570,557,000) which has been dealt with in the financial statements of the Company.

12. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

Dividends attributable to the prior financial years, approved and paid during the year:

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the prior financial years, approved and paid during the year of nil per ordinary share (2008: HK$0.040 (equivalent to approximately RMB0.036) per ordinary share)	**–**	43,034

13. Loss Per Share Attributable to Equity Holders of the Company

Basic loss per share

The calculation of basic loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately RMB14,161,000 (2008: loss of approximately RMB1,441,785,000) and the weighted average number of approximately 1,185,915,000 ordinary shares (2008: approximately 1,136,782,000 ordinary shares) in issue during the year.

Diluted loss per share

Diluted loss per share for the year ended 31 December 2009 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the year.

As the exercise of the Group's outstanding convertible notes for the year ended 31 December 2008 would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options, diluted loss per share was the same as the basic loss per share for the year ended 31 December 2008.

14. Trade Receivables

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of trade receivables as at the end of the reporting period, based on the invoice date, and net of allowance, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**1,422**	–
More than 1 month but within 3 months	**–**	–
More than 3 months but within 6 months	**–**	–
More than 6 months but within 1 year	**–**	–
	1,422	–
Less: Allowance for doubtful debts *(note)*	**–**	–
	1,422	–

Note:

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The aging analysis of trade receivables as at the end of the reporting period that are neither individually nor collectively considered to be impaired are as follows:

	2009 *RMB'000*	2008 *RMB'000*
Neither past due nor impaired	**1,422**	–
3 to 12 months past due	**–**	–
	1,422	–

Receivables that were neither past due nor impaired relate to a customer for whom there was no recent history of default.

15. Accruals and Other Payables

	2009 *RMB'000*	2008 *RMB'000*
Finance costs payable	**10,843**	1,892
Accruals and other payables	**3,687**	2,227
Claim arising from derivative financial instrument *(note (a))*	**109,555**	109,155
Amounts due to a former director of the Company *(note (b))*	**60,144**	59,181
Amounts due to a director of the subsidiaries *(note (b))*	**2,308**	–
Amounts due to the Investor *(note (c))*	**8,812**	–
	195,349	172,455

Notes:

(a) Included in the accruals and other payables of the Group is a claim arising from the derivative financial instrument with a carrying amount of US$15,979,544 (equivalent to approximately RMB109,555,000) (2008: US$15,927,075 (equivalent to approximately RMB109,155,000)). The claim is arising from a notice of early termination of a US$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. The Provisional Liquidators had engaged a Hong Kong legal adviser to assist in reviewing the claim lodged by the that commercial bank.

(b) The amounts due to a former director of the Company and a director of the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) The amounts due to the Investor are unsecured and non-interest bearing.

The outstanding balance included HK$5 million (approximately RMB4.406 million) earnest money (the "Earnest Money") paid by the Investor pursuant to the Exclusivity Agreement. If the completion of the restructuring fails to take place solely as a consequence of (i) the Investor failing to perform its obligations in material aspects; or (ii) the Investor breaching any of its obligations under the Exclusivity Agreement or any restructuring agreement in material aspects, the Earnest Money shall be forfeited and released to the Provisional Liquidators for the benefit of the Company's creditors. If the Exclusivity Agreement is terminated or if the completion of the restructuring fails to take place because of any reason(s) other than the failure or the breach by the Investor as aforesaid stated, the Earnest Money shall be refunded to the Investor. Upon the completion of the restructuring, the Earnest Money and the remaining amounts due to the Investor shall form part of the subscription proceeds payable by the Investor.

(d) All amounts of the accruals and other payables as stated above were recognised based on the books and records of the Group made available to the Directors and the Provisional Liquidators.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Basis for disclaimer of opinion

1. Opening balances and corresponding figures

   Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2008 (the "2008 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 22 January 2010. Accordingly, we were then unable to form an opinion as to whether the 2008 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended.

2. Deconsolidation of the subsidiaries

   Certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008 and throughout the year ended 31 December 2009.

   Accordingly, no sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the transactions of the Group for the year ended 31 December 2009. There are no other satisfactory audit procedures that we could adopt to satisfy ourselves that the income and expense items are properly accounted for in the consolidated statement of comprehensive income for the year ended 31 December 2009 and that these items are properly disclosed in the consolidated financial statements.

3. Accruals and other payables

   No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the accruals and other payables of the Group as disclosed in note 28 to the consolidated financial statements of approximately RMB195,349,000 as at 31 December 2009.

4. Financial guarantee liabilities

   No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the financial guarantee liabilities of the Group as disclosed in note 30 to the consolidated financial statements of RMB13,500,000 as at 31 December 2009.

5. Commitments and contingent liabilities

   No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities of the Group as at 31 December 2009.

6. Related party transactions

   No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions of the Group for the year ended 31 December 2009 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 6 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2008 and 2009, the Group's cash flows for the two years ended 31 December 2008 and 2009 and the financial positions of the Group as at 31 December 2008 and 2009, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group will be submitted to The Stock Exchange of Hong Kong Limited as soon as practicable.

The consolidated 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 restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

Disclaimer of opinion: disclaimer on view given by the financial statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FINANCIAL REVIEW

For the year ended 31 December 2009, the Group recorded turnover and gross profit of approximately RMB2,542,000 (2008: approximately RMB478,707,000) and approximately RMB37,000 (2008: approximately RMB206,788,000) respectively. Loss for the year attributable to equity holders of the Company was approximately RMB14,161,000 (2008: approximately RMB1,441,785,000). The Group's total turnover represented a decrease of 99.47% as compared to 2008, while gross profit dropped approximately 99.98%.

FINAL DIVIDEND

Payment of a final dividend is not proposed for the year ended 31 December 2009 (2008: nil).

BUSINESS REVIEW

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the food processing, manufacturing and trading industry mainly including frozen and functional food products.

Trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 15 December 2008 at the request of the Company.

After the suspension, the whereabouts of Mr. Yeung, the former executive Director and chairman, and Mr. Yang, a former executive Director, could not be confirmed. Given that the Board had difficulties in exercising the authority and control of the Company over some of its subsidiaries, the Board considered that, for the benefit of the creditors and the Shareholders as a whole, it was appropriate and necessary to appoint provisional liquidators to preserve the Company's assets and investigate into the affairs and financial condition of the Group.

On 6 January 2009, the Petition and the application for the appointment of the provisional liquidators were presented to and filed with the Court by the Company. On the same day, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the Provisional Liquidators by the Court. The Petition was filed with the Court on 7 January 2009 to effect the appointment. As such, the Provisional Liquidators do not have the same knowledge of the financial affairs of the Group as the Board would have, particularly in relation to the transactions entered into by the Group prior to their appointment date and the Board has been assisting the Provisional Liquidators to ascertain the Group's financial position since then.

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the PRC. However, without the assistance of the former Directors, Mr. Yeung and Mr. Yang, who were also the legal representatives of the subsidiaries in the PRC, the Provisional Liquidators would not be able to proceed the same. As such, legal actions have been taken against Mr. Yeung and Mr. Yang in respective regions in the PRC for the possible damages to the Group resulting from their illegal possessions of the properties of the subsidiaries in the PRC, including but not limited to, the company chops and statutory certificates of the subsidiaries in the PRC. The status of the court cases as at the date of this announcement is as follows:

(i) Fuqing Longyu

The Fuzhou Court issued the Judgment Letter in the Provisional Liquidators' favour with regard to the replacements of Fuqing Longyu's legal representative and board of directors. On 2 September 2009, Mr. Yeung filed an appeal against the decisions of the Judgment Letter. The hearing for the appeal lodged by Mr. Yeung was heard on 19 November 2009 at the Higher People's Court of Fujian Province (福建省高級人民法院). On 18 January 2010, the Provisional Liquidators were informed by the PRC legal adviser that the Final Decision was handed down on 21 December 2009 which upholds the Judgment Letter in the Provisional Liquidators' favour with regard to the replacement of Fuqing Longyu's legal representative and board of directors. The enforcement of the Final Decision was applied with the Fuzhou Court in early March and an enforcement notice has been issued on 12 April 2010 by the Fuzhou Court to the Administration of Industry and Commerce in Fuqing（福清市工商行政管理局）.

(ii) Jia Jing (Shanghai)

On 3 September 2009, the case has been accepted by the Pudong Court. The first and second hearings were heard on 14 October 2009 and 22 December 2009 at which no representatives of nor did Mr. Yang himself attend. On 26 February 2010, the Pudong Court ruled that the request for the return of the business licenses, certificates, common seal, contract seal and authorized representative's personal seal of Jia Jing (Shanghai) which are allegedly possessed by Mr. Yang, is not supported. After consulting the PRC legal advisers, the Provisional Liquidators decided not to appeal against the Pudong Court's decision but to apply for re-issuance of company chops and statutory certificates.

(iii) Ningbo Dingwei

First China Technology Limited, a subsidiary of the Company and the immediate holding company of Ningbo Dingwei, attempted to file a statement of claim with the Ningbo Intermediate People's Court of Zhejiang Province (浙江省寧波市中級人民法院) but the filing was denied by the court.

RESTRUCTURING OF THE GROUP

The Provisional Liquidators appointed Asian Capital as the financial adviser to the Company on 5 February 2009 to assist the Provisional Liquidators in identifying potential investors with a view to restructuring the Company and submitting a viable resumption proposal to the Stock Exchange.

On 12 March 2009, the Stock Exchange sent a letter to the Company stating that in view of the prolonged suspension of trading in the Shares, the delisting procedures set out in Practice Note 17 to the Listing Rules applied to the Company and the Company had been put into the first stage of the delisting procedures which commenced on the date of suspension. If the Company failed to submit a viable resumption proposal to address certain conditions on or before 11 September 2009, the Stock Exchange might consider to proceed to place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules.

The Provisional Liquidators and Asian Capital used their best endeavours to source for potential investors with interest in the restructuring of the Company. Consequently, the restructuring proposal of the Investor had been accepted by the Provisional Liquidators.

On 30 July 2009, the Exclusivity Agreement was entered into among the Investor, Mr. Huang the Company and the Provisional Liquidators to grant the Investor a 12-month exclusivity period to prepare the Resumption Proposal, and to negotiate in good faith for entering into the Formal Agreement for the implementation of the Resumption Proposal.

Pursuant to the Exclusivity Agreement, the Investor shall negotiate with the Provisional Liquidators to enter into an arrangement of working capital facility of up to HK$10 million (or such higher sum the Investor may agree from time to time) for the settlement of the trading and operating expenses as are required to carry on and maintain a viable business of the sale of food products during the course of the proposed restructuring. Such working capital facility will be secured by a debenture with charge(s) over certain assets of the Group. With the sanction from the Court, the Investor and Supreme Wit, a wholly owned subsidiary of the Company which was set up after the appointment of the Provisional Liquidators for the purpose of the restructuring, on 12 April 2010 entered into the Working Capital Facility Agreement pursuant to which the Investor had agreed to provide a facility of up to HK$50 million (or such higher sum as the Investor may agree from time to time) to Supreme Wit, and the Working Capital Facility had been secured by a debenture executed on 12 April 2010 by Supreme Wit in favour of the Investor.

Given the time constraints, the Company was unable to submit the Resumption Proposal by 11 September 2009 and the Company was placed into the second stage of the delisting procedures in accordance with Practice Note 17 to the Listing Rules on 18 September 2009.

While continuing to take necessary steps to regain the control of Fuqing Longyu, Jia Jing (Shanghai) and Ningbo Dingwei, the Group has been trying to resume normal business operations of the Group by recommencing the trading business through the subsidiaries of the Company. In the meantime, the Company has been actively looking for investment opportunities which can commercially benefit the Group.

By a letter dated 9 April 2010 from the Stock Exchange, the Company was placed into the third stage of delisting procedures pursuant to Practice Note 17 to the Listing Rules. The Stock Exchange announced this matter on 21 April 2010. The Company is now given to submit a viable resumption proposal 10 business days before 20 October 2010, which should meet the following conditions:

1. Demonstrate sufficient operations or assets to comply with Rule 13.24;

2. Address auditors' qualifications and demonstrate adequate internal control system; and

3. Withdraw and/or dismiss the winding-up petition and discharge the Provisional Liquidators.

The Investor and the Company are currently reviewing the existing operations of the Group. The Company, with the assistance of Asian Capital and the Investor, are in the course of preparing the Resumption Proposal, and which will be submitted to the Stock Exchange as soon as practicable.

The proposed restructuring, if successfully implemented, among others, will result in:

(i) a restructuring of the share capital of the Company through capital reduction, share consolidation, share subdivision and issue of new shares;

(ii) all creditors of the Company discharging and waiving their claims against the Company by way of schemes of arrangement in Hong Kong and Bermuda as appropriate; and

(iii) resumption of trading in the Shares upon completion of the proposed restructuring subject to the restoration of sufficient public float.

The Provisional Liquidators have provided regular updates on the status of the Group to the Court and suggested for the adjournment of granting the winding-up order against the Company. On 14 January 2010, the hearing of the Petition has been further adjourned to 19 July 2010.

PROSPECTS

The Provisional Liquidators have been working closely with the Investor in preparing the Resumption Proposal to be submitted to the Stock Exchange as soon as practicable.

Since entering into the Exclusivity Agreement and with the support of the Investor, the Company is steadily reviving its business operations. With the Working Capital Facilities provided by the Investor, the Company expects to expand its current existing business through expansion of its product portfolio and enlarge its customer base, and seek investment opportunities and/or acquisition target which could create synergy effect with the Group's existing business thus commercially benefit the Group.

In line with this development strategy, Pacific Prosper Limited ("Pacific Prosper"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement on 22 April 2010 with an independent third party pursuant to which Pacific Prosper agreed to acquire the entire issued capital of a target company which is engaged in the trading of frozen food and food processing. The Company believes that the proposed acquisition provides a good opportunity for the Company to generate synergy with the Group's existing business and expand its customer base and product portfolio.

With the strong support in the business and financial aspects from the Investor, the Group is confident to revive its existing businesses and achieve a substantial level of operations within a reasonable period of time.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

To the best knowledge of the Board, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

CONTINGENT LIABILITIES

A full search of the contingent liabilities of the Group has not been conducted. Any lawsuits or winding-up petitions against the Company will be subject to the Court's approval and the relevant claims will be subject to a formal adjudication process, dealt with and compromised under the scheme(s) of arrangement upon the completion of the restructuring with the Investor.

The Provisional Liquidators, also acting as the directors of the subsidiaries, are not aware of any potential claim against the subsidiaries as at 31 December 2009.

CORPORATE GOVERNANCE

As at 31 December 2009, there were five Directors, of which one was executive Director, namely Mr. Lee Wa Lun, Warren and four of them were independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Leung King Yue, Alex, Mr. Lo Wai On and Mr. Tang Chi Chung, Matthew. Mr. Wong Chi Keung was also the chairman of the Company.

Remuneration Committee

The members of the remuneration committee of the Company during the year and up to the date of this announcement were:

Wong Chi Keung	(Chairman)
Leung King Yue, Alex	
Lo Wai On	
Tang Chi Chung, Matthew	
Yeung Chung Lung	(vacated on 27 August 2009)

The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management, as well as reviewing and determining the remuneration of all executive Directors and senior management with reference to the Company's objectives from time to time.

Audit Committee

The members of the audit committee of the Company during the year and up to the date of this announcement were:

WONG Chi Keung	(Chairman)
LEUNG King Yue, Alex	
LO Wai On	
TANG Chi Chung, Matthew	

The audit committee is responsible for reviewing the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters with the management. The audited financial statements of the Company for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

On 6 January 2009, the Provisional Liquidators were appointed by the Court to, among others, take control and possession of the assets of the Group, accordingly, the current Board is unable to comment as to whether the Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2009.

After the Stock Exchange approves the resumption of trading in the Shares and the Provisional Liquidators are discharged, appropriate personnel will be appointed to the Board and arrangement will be made to comply with the Code.

GENERAL

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 15 December 2008 and will remain suspended until further notice.

For and on behalf of
FIRST NATURAL FOODS HOLDINGS LIMITED
(Provisional Liquidators Appointed)
Stephen Liu Yiu Keung
David Yen Ching Wai
Joint and Several Provisional Liquidators

By order of the Board
FIRST NATURAL FOODS HOLDINGS LIMITED
(Provisional Liquidators Appointed)
Wong Chi Keung
Chairman

* *for identification purposes only*

Hong Kong, 23 April 2010

As at the date of this announcement, the board or directors comprises five directors of which Mr. Lee Wa Lun, Warren is an executive director; and Mr. Wong Chi Keung, Mr. Leung King Yue, Alex, Mr. Tang Chi Chung, Matthew and Mr. Lo Wai On are independent non-executive directors.