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: 01076)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board (the "**Board**") of directors (the "**Directors**") of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2011 which have been reviewed by the auditors of the Company, together with comparative figures for the corresponding year of 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3&4*	**265,142**	7,333
Cost of sales		**(256,933)**	(7,004)
Gross profit		**8,209**	329
Other income		**3,014**	13
Administrative expenses		**(6,172)**	(1,322)
Profit/(loss) from operations		**5,051**	(980)
Finance costs		**(3,549)**	(4,253)
Profit/(loss) before tax	*5*	**1,502**	(5,233)
Income tax expense	*6*	**(1,111)**	–
Profit/(loss) for the period attributable to owners of the Company		**391**	(5,233)
Other comprehensive income after tax:			
Translation difference		**8,020**	1,671
Total comprehensive income/(loss) for the period attributable to owners of the Company		**8,411**	(3,562)
Earnings/(loss) per share attributable to owners of the Company	*7*		
Basic and diluted (RMB cents per share)		**0.03**	(0.44)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 RMB'000 (unaudited)	31 December 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**250**	40
Prepayments, deposits and other receivables	*13(a)*	**25,643**	–
Goodwill		**5,065**	5,180
Deferred tax assets		**219**	224
		31,177	5,444
Current assets			
Inventories		**1,288**	3,944
Trade receivables	*9*	**41,554**	33,514
Prepayments, deposits and other receivables		**8,111**	6,581
Bank and cash balances		**14,411**	13,485
		65,364	57,524
Current liabilities			
Trade payables	*10*	**14,076**	18,670
Accruals, other payables and deposits received	*11*	**253,727**	226,502
Bank and other borrowings	*12*	**179,064**	177,192
Financial guarantee liabilities		**13,500**	13,500
Current tax liabilities		**1,974**	1,315
		462,341	437,179
Net current liabilities		**(396,977)**	(379,655)
NET LIABILITIES		**(365,800)**	(374,211)
Capital and reserves attributable to owners of the Company			
Share capital		**61,387**	61,387
Reserves		**(427,187)**	(435,598)
TOTAL EQUITY		**(365,800)**	(374,211)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010.

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

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been reviewed by the joint and several provisional liquidators (the "Provisional Liquidators") and the audit committee of the Company (the "Audit Committee"). However, as the consolidated financial statements of the Group for the year ended 31 December 2010 were disclaimed by the auditors of the Group and the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

Going concern

The Group had net current liabilities and net liabilities of approximately RMB396,977,000 and approximately RMB365,800,000 as at 30 June 2011 respectively (31 December 2010: approximately RMB379,655,000 and approximately RMB374,211,000 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 unaudited condensed consolidated interim financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the 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 unaudited condensed consolidated interim 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 as current assets.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2010. In the current period, the Group has adopted, for the first time, the following new and revised HKFRSs, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations which are effective for the Group's financial years beginning on or after 1 January 2011.

HKFRS 1 Amendments	Limited Exemptions from Comparative HKFRS 7 – Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13 are effective for the Group's financial years beginning on or after 1 January 2011.

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 years.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 Amendments	Amendments relating to Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]
HKAS 1 Amendments	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes: Deferred Tax: Recovery of Underlying Assets[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 July 2012

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.

3. TURNOVER

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of goods	**265,142**	7,333

4. SEGMENT INFORMATION

The group has one reportable operating segment named "Frozen and functional food products" which refers to the processing and trading of food products mainly including frozen and functional food products.

Information about reportable segment profit and assets is as follows:

	Frozen and functional food products	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
6 months ended 30 June:		
Revenue from external customers	**265,142**	7,333
Segment profit	**6,536**	295
As at 30 June 2011/31 December 2010:	**(unaudited)**	(audited)
Segment assets	**84,949**	48,498

Reconciliation of segment profit or loss:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment profit	**6,536**	295
Unallocated amounts:		
Unallocated corporate income and expenses	**(1,485)**	(1,275)
Finance costs	**(3,549)**	(4,253)
Consolidated profit/(loss) before tax	**1,502**	(5,233)

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments		
As directors	**118**	145
For management	**–**	–
	118	145
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**1,233**	218
Retirement benefits scheme contributions	**72**	4
	1,305	222
Cost of inventories sold	**256,933**	7,004
Depreciation	**23**	4
Net exchange loss	**22**	–
Other operating lease charges on Sincere Gold Agreement *(note (13(a)))*	**945**	–
Operating lease charges on land and buildings	**326**	138

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax – Hong Kong Profits Tax provided for the period	**1,111**	–

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 as the Group did not generate any assessable profits arising in Hong Kong during that period.

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

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit/(loss) for the period attributable to owners of the Company of approximately RMB391,000 (2010: loss of approximately RMB5,233,000) and the weighted average number of approximately 1,185,915,000 ordinary shares (2010: approximately 1,185,915,000 ordinary shares) in issue during the period.

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the six months ended 30 June 2011 and 2010 were the same as the basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding.

8. INTERIM DIVIDENDS

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

9. TRADE RECEIVABLES

The Group's trading terms with customers mainly comprise credit and cash on delivery. 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 the management.

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

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
Within 1 month	**16,673**	12,692
More than 1 month but within 3 months	**13,775**	17,351
More than 3 months but within 6 months	**8,828**	2,130
More than 6 months but within 1 year	**2,278**	1,341
	41,554	33,514

10. TRADE PAYABLES

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

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
Within 1 month	**7,352**	11,523
More than 1 month but within 3 months	**4,494**	6,173
More than 3 months but within 6 months	**1,958**	974
More than 6 months	**272**	–
	14,076	18,670

11. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
Finance costs payable	**19,556**	16,416
Accruals and other payables	**7,983**	7,048
Deposit received	**990**	1,623
Claim arising from derivative financial instrument *(note (a))*	**103,255**	105,604
Amount due to a former director of the Company *(note (b))*	**56,685**	57,975
Amount due to a director of the subsidiaries *(note (b))*	**3,885**	3,573
Amount due to the Investor *(note (c))*	**61,373**	34,263
	253,727	226,502

Notes:

(a) Included in the accruals, other payables and deposits received of the Group is a claim arising from the derivative financial instrument with a carrying amount of US$15,979,544 (equivalent to approximately RMB103,255,000) (31 December 2010: US$15,979,544 (equivalent to approximately RMB105,604,000)). The claim is arising from a notice of early termination of a US$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. The Provisional Liquidators had engaged a Hong Kong legal advisor to assist in reviewing the claim lodged by 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 amount due to the Investor is non-interest bearing.

The outstanding balance included an amount of approximately RMB10.6 million advancement (the "Advancement") and an amount of HK$5 million (approximately RMB4.2 million) earnest money (the "Earnest Money") paid by the Investor pursuant to the Exclusivity Agreement. The Advancement is used for payment of the restructuring fees and other professional fees during the restructuring process. 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 Advancement shall form part of the subscription proceeds payable by the Investor. Both the Earnest Money and the Advancement are unsecured.

The remaining outstanding balance of approximately RMB46.6 million is the loan (the "Loan") paid by the Investor pursuant to the Working Capital Facility and for the use of the operation of Supreme Wit Limited ("Supreme Wit") and its operating subsidiaries. The Loan is secured by the floating charge on all the assets of Supreme Wit, a direct wholly-owned subsidiary of the Company, and has no fixed terms of repayment.

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

12. BANK AND OTHER BORROWINGS

The bank and other borrowings were unsecured and repayable as follows:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 year or on demand		
Bank borrowings	**173,250**	177,192
Other borrowing	**5,814**	–
	179,064	177,192

13. COMMITMENTS

Capital commitments

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Deposit and prepayment in relation to the Sincere Gold Agreement *(note (a))*	**–**	26,758
The consideration in relation to the S&P Agreement *(note (b))*	**3,322**	–
	3,322	26,758

Notes:

(a) On 5 October 2010, Pacific Prosper Limited ("Pacific Prosper"), an indirect wholly-owned subsidiary of the Company, entered into the Sincere Gold Agreement pursuant to which the total rental for a five-year period and security deposit are HK$15,000,000 and HK$20,000,000 respectively. In November 2010, HK$3,500,000 was paid and the balance of HK$31,500,000 was paid in February 2011.

The operating lease commenced since mid-February 2011 and HK$1,125,000 (approximately RMB945,000) was charged to profit or loss of the Group for the six months ended 30 June 2011. As a result, the Group had remaining balances of rental prepayment and security deposit of HK$13,875,000 (approximately RMB11,524,000) and HK$20,000,000 (approximately RMB16,611,000) as at 30 June 2011, in which HK$3,000,000 (approximately RMB2,492,000) of the rental prepayment was classified as a current asset and the remaining rental prepayment of HK$10,875,000 (approximately RMB9,032,000) and the security deposit of HK$20,000,000 (approximately RMB16,611,000) are classified as non-current assets at the end of the reporting period.

(b) On 10 June 2011, Pacific Prosper and Mr. Chu Yin Tat and Ms. Tam Wai Chun (the "Vendors") entered into the sale and purchase agreement (the "S&P Agreement") pursuant to which Pacific Prosper conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of the New Profit Global Limited at the consideration of HK$4.5 million in cash. In June 2011, HK$500,000 (equivalent to approximately RMB415,000) was paid. HK$2,000,000 (equivalent to approximately RMB1,661,000) shall be paid upon completion and the balance of HK$2,000,000 (equivalent to approximately RMB1,661,000) shall be paid on the date falling the expiry of 18 months from the completion date.

Operating lease commitments

At the end of the reporting period, the Group had the total future minimum lease payments under noncancellable operating leases in respect of land and buildings as follows:

	30 June 2011 *RMB'000* **(unaudited)**	31 December 2010 *RMB'000* (audited)
Within 1 year	**693**	536
After 1 year but within 5 years	**608**	542
After 5 years	**–**	–
	1,301	1,078

The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

14. EVENTS AFTER THE REPORTING PERIOD

On 28 March 2011, the Company's financial advisor filed an application for review on behalf of the Company to the Listing Appeals Committee of The Exchange of Hong Kong Limited (the "Listing Appeals Committee"). The hearing by the Listing Appeals Committee has been fixed on 27 September 2011. The Provisional Liquidators are working closely with the Company's financial advisor and the Investor on this matter.

The Provisional Liquidators have provided regular updates on the status of the Group to the High Court of Hong Kong (the "Court") and suggested for the adjournment of granting the winding-up order against the Company. Pursuant to an order of the Court dated 14 July 2011, the hearing of the winding-up petition has been further adjourned to 16 January 2012.

EXTRACT OF REPORT ON REVIEW ON INTERIM FINANCIAL INFORMATION

In the report on review on interim financial information, the auditors have included the following paragraphs in the auditors' conclusion:

"BASIS FOR DISCLAIMER OF CONCLUSION

1. **Opening balances and corresponding figures**

   Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 (the "**2010 Financial Statements**"), which forms the basis for the corresponding figures presented in the current period's condensed consolidated statement of financial position and related explanatory notes, 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 16 February 2011. Accordingly, we were then unable to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2010.

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 two six-month periods ended 30 June 2010 and 2011.

   Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the six-month periods ended 30 June 2010 and 2011 and the Group's financial position as at 30 June 2011.

3. **Accruals, other payables and deposits received**

   No sufficient evidence have been received by us up to the date of this report in respect of whether the amount due to a former director of the Company of approximately RMB56,685,000 is fairly stated as at 30 June 2011 as included in the accruals, other payables and deposits received of approximately RMB253,727,000 in the condensed consolidated statement of financial position.

4. **Financial guarantee liabilities**

   No sufficient evidence have been received by us up to the date of this report in respect of whether the financial guarantee liabilities of RMB13,500,000 is fairly stated as at 30 June 2011 in the condensed consolidated statement of financial position.

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 as at 30 June 2011.

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 for the six-month period ended 30 June 2011.

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 six-month periods ended 30 June 2010 and 2011, the Group's cash flows for the six-month periods ended 30 June 2010 and 2011 and the financial positions of the Group as at 31 December 2010 and 30 June 2011, and the related disclosures thereof in the interim financial information.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our conclusion, we have considered the adequacy of the disclosures made in note 1 to the condensed consolidated interim financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "**Resumption Proposal**") was submitted to The Stock Exchange of Hong Kong Limited on 6 October 2010.

The interim financial information 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 interim financial information 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 conclusion in respect of the material uncertainty relating to the going concern basis.

DISCLAIMER OF CONCLUSION

Because of the significance of the matters described in the basis for disclaimer of conclusion paragraphs and the material uncertainty relating to the going concern as described above, we do not express any conclusion as to whether the interim financial information for the six-month period ended 30 June 2011 is prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34."

FINANCIAL REVIEW

For the six months ended 30 June 2011, the Group recorded turnover and gross profit of approximately RMB265,142,000 (2010: approximately RMB7,333,000) and approximately RMB8,209,000 (2010: approximately RMB329,000) respectively. Profit attributable to the owners of the Company was approximately RMB391,000 (2010: loss of approximately RMB5,233,000). The Group's total turnover represented an increase of approximately 3,500% as compared to 2010, while gross profit increased by approximately 2,400%. There was profit attributable to the owners of the Company for the six months ended 30 June 2011 as compared to a loss over the same period in 2010.

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

Trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (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, 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 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 joint and several provisional liquidators of the Company were presented to and filed with the High Court of the 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 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 People's Republic of China (the "**PRC**"). However, without the assistance of the former Directors, Mr. Yeung and Mr. Yang Le, 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 Le 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 report is as follows:

(i) Fuqing Longyu Food Development Co., 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 advisor that the final decision for the appeal had been handed down on 21 December 2009 which upheld the Judgment Letter in the Provisional Liquidators' favour with regard to the replacements 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 had 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) (the "**Fuqing AIC**"). The Provisional Liquidators were informed by the PRC legal advisor, based on his recent visit to the Fuqing AIC in May 2010 and to the Foreign Trade and Economic Cooperation Bureau in Fuqing (福清市對外貿易經濟合作局) ("**Fuqing FTECB**") in July 2010, that the changes of the board and the legal representative of Fuqing Longyu have not been effected despite the enforcement notices having been issued to both authorities by the Fuzhou Court.

As such, the Provisional Liquidators have written to the Fujian Provincial Department of Foreign Trade and Economic Cooperation Bureau (the "**Fujian FTECB**") (福建省對外貿易經濟合作廳), the Hong Kong Economic and Trade Office in Guangdong of the Government of the Hong Kong Special Administrative Region (the "**HKETO**") (香港特別行政區政府駐粵經濟貿易辦事處) and the Ministry of Commerce of the PRC (中華人民共和國商務部) informing the difficulties encountered and seeking their assistance in replacing the board and the legal representative of Fuqing Longyu. The HKETO issued letters to the Fujian FTECB and the Higher People's Court of Fujian province in late August 2010.

Given that the Fuqing FTECB failed unjustifiably to respond to the Provisional Liquidators' request, the Provisional Liquidators instructed the PRC legal advisor to sue the Fuqing FTECB in the PRC in order to enforce the Judgment Letter. The Provisional Liquidators prepared the statement of claim together with a set of notarized documents for submission to court. The PRC legal advisor attempted to receive the Fuqing People's Court's (福清市人民法院) (the "**Fuqing Court**") acceptance of the application on 16 February 2011 but it was turned down by the court officer, who suggested that the statement of claim should be revised. Subsequently, after the Provisional Liquidators had prepared the revised documents, the PRC legal advisor made the submission to the Fuqing Court on 7 March 2011. The Provisional Liquidators was informed by the PRC legal advisor that the Fuqing Court had refused to accept/handle the said case.

The Provisional Liquidators were informed by the Fujian Branch of Bank of China (the "**BOC Fujian**") (中國銀行－福建省分行) in the PRC that the BOC Fujian had obtained a judgment against Fuqing Longyu in relation to a loan granted to Fuqing Longyu and is taking steps to dispose of certain collaterals to repay the loan. Since the replacement of the board and the legal representative of Fuqing Longyu has not been effected by Fuqing AIC, the BOC Fujian has not provided the Provisional Liquidators with the details of the abovementioned legal action.

(ii) Jia Jing Commercial (Shanghai) Co., Limited ("Jia Jing (Shanghai)")

After consulting the PRC legal advisor, the Provisional Liquidators are taking appropriate steps to apply for reissuance of company chops and statutory certificates of Jia Jing (Shanghai).

(iii) Ningbo Dingwei Food Development Co., 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 (the "**Ningbo Court**") (浙江省寧波市中級人民法院) but the filing was denied by the Ningbo Court. Subsequently, after the Provisional Liquidators had prepared the revised documents, the PRC legal advisor paid a visit to the Ningbo Court on 18 March 2011 trying to have the case accepted, but it was turned down by the judge who requested parts of the submission documents be notarized by the Chinese Embassy in the United Kingdom.

As mentioned in the section headed "RESTRUCTURING OF THE GROUP" below, with the Working Capital Facility provided by the Investor, the Group has restored its trading business operations in the second half of 2009.

To further extend the Group's geographical coverage and enlarge the scale of its operations, in April 2010, Pacific Prosper Limited ("**Pacific Prosper**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Pacific Prosper agreed to acquire the entire issued share capital of Orient Legend International Limited ("**Orient Legend**"), which is engaged in the trading of frozen food and food processing for an aggregate cash consideration of HK$10 million (the "**Acquisition**"). The completion of the Acquisition took place on 4 October 2010.

In order to have better control over the raw materials quality and enhance the profitability of the Group, in April 2010, Trendy Leader Limited ("**Trendy Leader**"), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a leasing agreement, pursuant to which Trendy Leader leased fish ponds with a total area of approximately 7 hectares located in Jiangmen, Guangdong Province, the PRC for a period of 3 years.

To expand the Group's existing business operations, Trendy Leader entered into a processing agreement with an independent third party in April 2010, which owns processing lines located in Jiangmen, Guangdong Province, the PRC (the "**Processing Agreement**"). Pursuant to the Processing Agreement, Trendy Leader will, among others, provide the raw materials, supplements and packaging materials while the said independent third party will provide processing services to process the frozen fish products in accordance with the specifications and time constraint given by Trendy Leader.

To intensify and strengthen the value-added services of the Group through the processing plant in Jiangmen by taking advantage of the established trading volume already achieved by Orient Legend and Trendy Leader, on 5 October 2010, Pacific Prosper, Mr. Wong Chi Ho and Mr. Wong King Luen entered into an agreement (the "**Sincere Gold Agreement**") to replace the Processing Agreement. Details of the Sincere Gold Agreement are published in the circular of the Company dated 17 December 2010. The transactions contemplated under the Sincere Gold Agreement (the "**Transactions**") were approved by the Shareholders at the special general meeting held on 4 January 2011. The completion of the Transactions took place on 18 February 2011.

To further improve the Group's customer base and supplier network, which considered supplemental to the Group's existing business operations, on 10 June 2011, Pacific Prosper, Mr. Chu Yin Tat and Ms. Tam Wai Chun entered into a sale and purchase agreement, pursuant to which Pacific Prosper agreed to acquire the entire issued share capital of New Profit Global Limited, an investment holding company which owns a subsidiary principally engaged in the trading of frozen seafood for an aggregate cash consideration of HK$4.5 million (subject to adjustments, if any). As all the application percentage ratios as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in respect of the said acquisition are less than 25% but certain of them exceed 5%, the said acquisition constitutes a discloseable transaction of the Company (the "**Discloseable Transaction**") and is subject to notification and announcement requirements but exempt from the Shareholders' approval.

RESTRUCTURING OF THE GROUP

The Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited ("**Asian Capital**") as the financial advisor 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 proceeding 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, 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, and to negotiate in good faith for entering into a legally binding formal agreement for the implementation of the resumption proposal. Since the exclusivity period has expired on 29 July 2010, in view of the Investor's willingness and financial ability to pursue the restructuring, a supplemental agreement was entered into to grant an extension of the exclusivity period to the Investor to cover the remaining period before the deadline for submitting 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 Limited ("**Supreme Wit**"), a direct 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 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 "**Facility Agreement**") to Supreme Wit, and the Facility Agreement had been secured by a debenture (the "**Debenture**") executed on 12 April 2010 by Supreme Wit in favour of the Investor. On 18 February 2011, a supplemental deed to the Facility Agreement and a supplemental deed to the Debenture (the "**Supplemental Deeds**") were entered into, pursuant to which the Investor agreed to increase the said facility to the principal amount of up to HK$70 million.

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 with the aim to resuming the trading in the Shares.

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 was 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 auditor's qualifications and demonstrate adequate internal control system; and

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

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

1. a restructuring of the share capital of the Company through capital reduction, share consolidation, share subdivision and issue of new shares;

2. 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

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

On 6 October 2010, Asian Capital and the Provisional Liquidators submitted a resumption proposal to the Stock Exchange (the "**Resumption Proposal**"). On 5 November 2010, the Listing Committee of the Stock Exchange (the "**Listing Committee**") rejected the Resumption Proposal. The Listing Committee considered that the Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 of the Listing Rules.

On 15 November 2010, Asian Capital filed an application for review on behalf of the Company to the Listing (Review) Committee of the Stock Exchange (the "**Listing (Review) Committee**"). On 15 March 2011, the hearing by the Listing (Review) Committee took place. On 18 March 2011, the Listing (Review) Committee decided to uphold the Listing Committee's decision.

On 28 March 2011, Asian Capital filed an application for review on behalf of the Company to the Listing Appeals Committee of the Stock Exchange (the "**Listing Appeals Committee**"). The hearing by the Listing Appeals Committee has been fixed on 27 September 2011. The Provisional Liquidators are working closely with Asian Capital and the Investor on this matter.

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. Pursuant to an order of the Court dated 14 July 2011, the hearing of the Petition has been further adjourned to 16 January 2012.

PROSPECTS

As discussed in the section headed "BUSINESS REVIEW" above, since entering the Exclusivity Agreement, the Group has been steadily reviving its business operations. With the financial support from the Investor, the Group has resurrected its trading business, completed the acquisition of Orient Legend, the Sincere Gold Agreement and entered into the Discloseable Transaction. The Group is in the process of integrating and streamlining its business operations. The Company believes that the in-house processing capabilities, the storage facility, expanded customer base and supplier network, the strengthening of the management team, and the synergy and economies of scale effects generated from the business integration will well position the Group to capture more market opportunities with higher profit margin. It is expected that with the in-house processing capabilities, more products under trading orders received by the Group will be processed by the Jiangmen processing plant under the Sincere Gold Agreement, which will result in higher profit margins of the Group.

Since the resurrection of food trading business in October 2009, the financial performance of the Group has been consistently improving. Turnover of the Group has significantly improved from approximately RMB7.3 million for the first six months ended 30 June 2010 to approximately RMB265.1 million for the first six months ended 30 June 2011, which has proven that the business model of the Group is undoubtedly sustainable. In June 2011, the Group started receiving orders of procuring raw materials and provision of food processing services to the same client of Orient Legend by leveraging on the value chain of the Group. In addition, the Group has further expanded its business into distribution of its frozen processed food products in the retail chain stores in the PRC. In June 2011, the Group entered into cooperation agreements and letter of intent with several distributors and a supermarket retail chain store for distribution of frozen seafood products in Beijing, apart from its previous contracts for distribution of its frozen seafood products in North America. Given the confidence of the management in the frozen food market in the region and a wider variety of products sold, the annual sales target under the letter of intent which was entered into with the supermarket retail chain store in Beijing has been substantially revised upward. The Group will pursue further market opportunities in retail business to increase its market exposure.

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 six months ended 30 June 2011.

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 restructuring scheme 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 30 June 2011.

CORPORATE GOVERNANCE

As at 30 June 2011, there were four Directors, of which one was executive Director, namely Mr. Lee Wa Lun, Warren and three of them were independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Leung King Yue, Alex 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 six months ended 30 June 2011 and up to the date of this report were:

Wong Chi Keung *(Chairman)*
Leung King Yue, Alex
Lo Wai On (resigned with effect from 31 January 2011)
Tang Chi Chung, Matthew

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 six months ended 30 June 2011 and up to the date of this report were:

WONG Chi Keung *(Chairman)*
LEUNG King Yue, Alex
LO Wai On (resigned with effect from 31 January 2011)
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 unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 have been reviewed by ANDA CPA Limited, the auditors of the Company. However, as the consolidated financial statements of the Group for each of the years ended 31 December 2008, 31 December 2009 and 31 December 2010 were disclaimed by the auditors of the Company, and the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

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 six months ended 30 June 2011.

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 of the Company 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, 31 August 2011

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