連發國際股份有限公司

Ever Fortune International Holdings Limited

Stock Code : 875

Annual Report 2011

Content

Corporate Information

BOARD OF DIRECTORS

Executive directors
Mr. Shi Lanjiang
(Deputy Chairman and Chief Executive Officer)
Mr. Chu Yuet Chung
Mr. Yang Jianzun

Non-Executive directors
Mr. Wu Wai Chung, Michael *(Chairman)*
Mr. Ji Kewei

Independent non-executive directors
Mr. Cheung Yu Yan, Tommy, J.P.
Ms. Ng Yi Kum, Estella
Professor Japhet Sebastian Law

AUDIT COMMITTEE

Ms. Ng Yi Kum, Estella
Mr. Cheung Yu Yan, Tommy, J.P.
Professor Japhet Sebastian Law

REMUNERATION COMMITTEE

Professor Japhet Sebastian Law
Mr. Chueng Yu Yan, Tommy, J.P.
Ms. Ng Yi Kum, Estella

COMPANY SECRETARY

Mr. Chui Chi Yun, Robert, FCPA

AUTHORISED REPRESENTATIVES

Mr. Shi Lanjiang
Mr. Chui Chi Yun, Robert

REGISTERED OFFICE

Canon's Court
22 Victoria Street Hamilton
HM12 Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2109, China Resources Building
26 Harbour Road
Wanchai, Hong Kong

AUDITOR

Mabel Chan & Co.

LEGAL ADVISOR

Angela Ho & Associates (as to Hong Kong laws)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

STOCK CODE

875

CORPORATE WEBSITE

http://www.875.com.hk

Chairman's Statement

Dear Shareholders

I am pleased to present to you the first annual report of the Company and its subsidiaries (collectively the "Group") after the resumption of listing of the Company's shares on 28 February 2012.

The successful resumption represents an important milestone for the Company. As you are aware, the listing of the Company's shares was suspended on 28 April, 2005. Through a capital restructuring, expansion of capital base and acquisition of new businesses exercise, we successfully resumed trading of our shares on the Hong Kong Stock Exchange after a lapse of nearly seven years and I would like to take this opportunity to express my heartfelt gratitude to the architects of this exercise, in particular the efforts of Dr Herbert Hui who spearheaded this process, and the various professional parties who contributed to it.

In terms of the Company's business operations for 2011, they remained comparable with the previous year, at approximately HK$15,810,000. Taking into account operating expenses, the Group suffered a loss of approximately HK$12 million for the year ended 31 December, 2011. As the capital restructuring and expansion of capital base was effected only on 27 February, 2012, and acquisition of new businesses for the Company was only completed on 29 December, 2011, the Group's results for the year ended 31 December, 2011 did not include those of the new businesses. However, the assets of the Group have since increased substantially. The deficiency in shareholders' fund as at 31 December, 2011 will have been cleared upon completion of the capital restructuring and expansion of capital base exercise on 27 February, 2012 and the Group is now poised for growth.

Acquisition of the new businesses will enable the Company to provide one stop shop services through a sophisticated system of vegetable cultivation sites strategically located at different geographic locations across China, complemented by processing facilities located at close proximity to the production sites, and supported by a reliable and cost effective logistics system to enable us to serve a well established customer base both in China and overseas. We are now in the process of consolidating the newly acquired businesses and streamlining their operations. Once this process is completed, it will put us in a strong position to further develop and penetrate the market.

We are already looking into the possibility of acquiring more farmlands to increase and diversify our cultivation locations, appointing a technical team to improve our farming techniques and technologies, exploring additional sales venues and methods to expand our customer base and developing a state-of-the-art computer system to improve the Management team's ability to manage and monitor business operations. In the year ahead, we will continue to explore ways and means of expanding the various businesses of the Group and to strive for improvements in business growth to bring solid returns to our shareholders.

Finally, on behalf of the Board, I would like to extend our sincere gratitude to the Group's shareholders, customers and business partners for their continuous support and to our management and staff for the diligence, dedication and contribution during the past year.

Wu Wai Chung, Michael
Chairman

28 March 2012

Management Discussion and Analysis

LISTING RESUMPTION

At the request of the Company, trading of the Company's shares was suspended on 28 April 2005 (the "Suspension") as a result of a delay in the publication of the annual results and dispatch of the annual report of the Company for the year ended 31 December 2004. Subsequently, the annual results announcement and the annual report were published in January 2006. The Company was placed in the second stage of the delisting procedures pursuant to Practice Note 17 of the Listing Rules on 9 June 2006.

On 19 December 2008, Right Day Holdings Limited (the "Investor") and the Company entered into a restructuring agreement ("Original Restructuring Agreement") setting out the terms of the restructuring of the Company. Subsequently, they entered into several agreements to revise certain terms of the Original Restructuring Agreement.

In March 2009, the Group recommended its agricultural produce trading business.

The Company was placed in the third stage of the delisting procedures pursuant to Practice Note 17 of the Listing Rules with effect from 11 March 2010.

In order to expand its agricultural produce business, the Group has entered into the acquisition agreements to acquire the entire equity interest of each of Natural Farm, Polygold and Modern Excellence and their subsidiaries.

The Company had taken active steps to work on a valid resumption proposal which would enable the Company to comply with Rule 13.24 of the Listing Rules and to address the concerns raised by the Stock Exchange in relation to the Suspension. On 11 April 2011, the Company submitted a resumption proposal ("Resumption Proposal") to the Stock Exchange. On 15 April 2011, the Stock Exchange informed the Company in writing that it was allowed to proceed with the Resumption Proposal, subject to the satisfaction of certain conditions ("Resumption Conditions") within six months from 15 April 2011.

The primary objective of the Resumption Proposal was to inject working capital into the Company to expand the Group's business operations and to discharge all the debts of the Company which are owed to the Creditors. The details of the Resumption Proposal were set out in the circular of the Company dated 30 November 2011 and were approved by the shareholders of the Company at a Special General Meeting on 23 December 2011. Subsequently on 9 February 2012, a creditors' meeting was held and the creditors approved the scheme of arrangement as set out in the explanatory statement dated 17 January 2012.

The Company has applied for and the Stock Exchange has agreed to extend the deadline for meeting the above Resumption Conditions to 14 February 2012. On 14 February 2012, the deadline was further extended to 28 February 2012.

On 27 February 2012, the Company announced that the Resumption Proposal had been completed and the Resumption Conditions have been fulfilled to the satisfaction of the Stock Exchange. Trading of the Company's share resumed on the Main Board of the Stock Exchange on 28 February 2012.

FINANCIAL RESULTS AND BUSINESS REVIEW

During the year, the Group's trading activities remained steady and achieved a turnover of HK$15,810,000, which represented an increase of 4.7% over last year. Furthermore, because of increase in administrative and other operating expenses resulting mainly from professional fees, the Group reported a loss of HK$12,132,000 for the year ended 31 December 2011. As part of the Resumption Proposal involved the acquisition of subsidiaries which were completed on 29 December 2011, the operating results of the enlarged Group were not included in the consolidated financial statement for the year ended 31 December 2011. If the acquisition had been completed on 1 January 2011, total Group turnover for 2011 would have been approximately HK$285,529,000 and profit for 2011 would have been approximately HK$22,900,000.

Liquidity and financial resources

The Group financed the operations primarily from advance from major shareholders and the Investor. However, as the material acquisitions detailed below were completed on 29 December 2011, the asset and liabilities of the Group changed significantly as the newly acquired subsidiaries were consolidated at 31 December 2011. As at 31 December 2011, the Group had bank balances and cash of HK$ 42,319,000 (31 December 2010: HK$435,000).

Charges on assets

The entire issued share capital of each of the Company's wholly-owned subsidiaries: Cypress Jade Management Services Limited, Trade Day Holdings Limited, Trade Soar Limited, Trade Leader Investment Limited and First Novel Limited have been pledged to Right Day Holdings Limited to secure loan facilities granted to the Group.

Leasehold land and buildings with carrying amount of approximately HK$10,737,000 (2010: HK$Nil) have been pledged to secure banking facilities of RMB20,000,000 granted to the Group.

Gearing Ratio

As at 31 December 2011, the Group's gearing ratio was 1.28 (31 December 2010: 52.44), which was arrived at by dividing the total liabilities by total assets as at 31 December 2011.

Contingent liabilities and guarantees

As at 31 December 2011, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

Exposure to credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset as stated in the consolidated statement of financial position. The Group is exposed to credit risk from its operating activities (primarily for trade receivables). The Group performs ongoing credit evaluation of the debtors' financial condition and maintain an account for allowance for doubtful debts based upon the expected collectible of all trade receivables. The Group has a diversified portfolio of businesses and as at balance sheet date, there were no significant concentration of credit with any entity.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

Exposure to liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. In addition, the Group relies on loans from related companies and a potential investor, an independent third party, as significant sources of liquidity. As at 31 December 2011, the Group's total available facilities from the potential investor were approximately HK$72,500,000 (2010: HK$10,000,000), of which HK$59,390,000 (2010: HK$6,250,000) were utilised at the end of the reporting period.

Exposure to interest rate risk

The Group's bank and other borrowings amounted to HK$80,005,000 (2010: HK$6,300,000). Included in the above amounts, an amount of HK$18,288,000 (2010: Nil) is charged at floating interest rates. The Group's interest rate risk primarily relates to the interest bearing bank balances and borrowings. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2011 would increase/decrease by HK$111,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. No sensitivity analysis was presented for the year ended 31 December 2011 as the group had insignificant interest bearing bank balance only.

Material acquisitions ("Acquisitions")

(a) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with an independent party for the acquisition of the entire equity interest in Natural Farm Limited ("Natural Farm"), which engaged in vegetable trading business and operates a vegetable processing centre in Dongguan, at a total consideration of HK$48,750,000, now revised to HK$36,828,941. The total consideration of HK$36,828,941 will be satisfied by (i) HK$3,078,941 in cash; and (ii) HK$33,750,000 by the issue of Class B Preference Shares ("Preference Shares") of the Company at an issue price of HK$0.15 per share. The Preference Shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Natural Farm for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Natural Farm for the years ending 31 March 2011 and 2012 is less than HK$7,500,000, the shortfall will be adjusted by reducing the number of Preference Shares to be issued; and (ii) If the net asset value (plus shareholder's loan of HK$8,078,941 assigned to the Company) of Natural Farm as at the completion of the acquisition is less than HK$8,796,254.06, the shortfall will be paid by the vendor to the Company in cash.

On 29 December 2011, the Group completed the above acquisition.

(b) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Polygold Food Limited ("Polygold"), which is engaged in vegetable retailing business, at a total consideration of HK$16,250,000. The total consideration of HK$16,250,000 will be satisfied by (i) HK$5,000,000 in cash; and (ii) HK$11,250,000 by the issue of Class B Preference Shares ("Preference Shares") of the Company at an issue price of HK$0.15 per share. The Preference Shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Polygold for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Polygold for the years ending 31 March 2011 and 2012 is less than HK$2,500,000, the shortfall will be adjusted by reducing the number of Preference Shares to be issued; and (ii) If the net asset value of Polygold as at the completion of the acquisition is less than HK$1,871,890.60, the shortfall will be paid by the vendors to the Company in cash.

On 29 December 2011, the Group completed the above acquisition.

(c) On 2 August 2010, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Modern Excellence Limited ("Modern Excellence"), the holding company of Congyu Group which is engaged in growing, processing and sales of agricultural produce at a total consideration of HK$143,000,000.

The total consideration of HK$143,000,000 will be satisfied by (i)HK$35,750,000 in cash; and (ii) HK$107,250,000 by the issue of Class B Preference Shares ("Preference Shares") of the Company at an issue price of HK$0.15 per share. The Preference Shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Modern Excellence for the years ending 31 December 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Modern Excellence for the years ending 31 December 2011 and 2012 is less than HK$20,000,000, the shortfall will be adjusted by reducing the number of Preference Shares to be issued; and (ii) If the net asset value of Modern Excellence as at the completion of the acquisition is less than RMB88,302,701, the shortfall will be paid by the vendors to the Company in cash.

On 29 December 2011, the Group completed the above acquisition.

Profit forecast

As disclosed in our circular date 30 November 2011, it has been stated that the forecasted consolidated profit attributable to equity holders of the Company for the year ended 31 December 2011 would not be less than approximately HK$34.2 million on the bases and assumptions stated therein.

Such forecast was made based on the main assumptions that the capital restructuring proposal would be successfully implemented and the creditors' scheme would become effective before 31 December 2011. As disclosed in the subsequent announcements, the completion of the restructuring proposal and the progress of the creditors' scheme had been delayed after the reporting period. Accordingly, a gain of HK$55,000,000 arising on the discharge of the indebtedness due to creditors will be included in the results for 2012.

Similarly, because of this delay, the three Acquisitions mentioned in the circular were completed on 29 December 2011 and as a result, projected operating profits of these Acquisitions for December 2011of HK$1,691,000 could not be included in the results of the Group in 2011. For the same reason, professional and consulting fees totaling HK$10,244,000 arising out of the restructuring will be booked in 2012, instead of 2011.

Save for the reasons mentioned above, the actual consolidated profit for the year ended 31 December 2011 was not materially different from the forecast results.

Employees and remuneration policies

As at 31 December 2011, the Group has a total of 771 (2010: 4) employees. It is the corporate policy of the Group to set the remuneration of its employees at a level consummate with their responsibilities, experience and qualification and in line with market conditions.

The Company has adopted a share option scheme in June 2002. Eligible participants under the share option scheme include, among others, the Company's directors, independent non-executive directors, other directors/employees of the Group. At 31 December 2011, there is no outstanding share option.

PROSPECTS

As disclosed in the Circular dated 30 November 2011, the business objective of the Group is to provide high quality agricultural produce to capture the growing demand for vegetables due to the trend of human dietary habit. The Group is expected to grow at a steady pace and will be complemented by future expansion plans. The Group intends to implement the following strategies:

(a) Expansion of the sales network

The Directors believe that a foundation of the sales network has already been established.

With the growth of the Group after completion of the Acquisitions as mentioned before, it will go through a period of consolidation and coordination. Through the Acquisitions, the Company has formed an enlarged Group of total expected turnover of over HK$280 million for 2012. Coverage of sales network in domestic market, export market and PRC market have been achieved by the Acquisitions.

(b) Expansion of the Group's sourcing network and vegetable processing capabilities

It is the intention of the Directors to expand the Group's vegetable sourcing network in the PRC. The expansion plan will be implemented through the investments in vegetable plantation. The Congyu Group has over 8.1 million sq. m. of leased farmland. Natural Farm and Luliang Natural Farm has over 1.3 million sq. m. of leased farmland. The Group has established altogether over 9.4 million sq. m. of leased farmland in vegetable plantation after the completion of the Acquisitions.

(c) Investment in the production base

In order to further minimize the impact of adverse local weather condition and increase the production volume to cater the expanding local and overseas vegetable markets, the Group may make further investments in the production base in Ningxia and Zengcheng.

(d) Investment in equipment and distribution centre

Pending funding support from the PRC government, the Group may invest in setting up new refrigerated storage, processing and distribution centre in Zengcheng, Guangdong, to cope with the increased output volume of vegetables export to Hong Kong, and to open up the domestic market in the Mainland, in particular, to supply vegetables for the Hong Kong fast-food chains that are actively developing the Mainland market. The Group will further invest in automated processing machines to increase production capacity for supply to other airlines in addition to Lufthansa airlines for deep-processed vegetables products for in-flight meals. Furthermore, the Group may invest in computerized bar code system to enhance the operation and planning of the processing centre of the farm, as well as the monitoring of the human resources and pesticide residue.

(e) Vertical integration model

The acquisition of the Modern Excellence has allowed the Group to vertically integrate its vegetable business. The Group promotes further processed products of Polygold to domestic market by taking advantage of value-added tax concession of the Modern Excellence for the self-produced agricultural products according to the tentative regulations on the value-added tax of the PRC.

Based on the integration of the agriculture businesses via the acquisitions of Natural Farm, Polygold and Modern Excellence, it is believed that the Group will become one of the leading players in the PRC vegetable market with vegetable processing capabilities as well as its own cultivation bases. As a result of the Acquisitions, there is an extensive processing platform which covers a wide area of different weather belts with processing methods which enables the Group to produce a wide variety of vegetable products for its customer base.

Directors and Senior Management

EXECUTIVE DIRECTORS

Shi Lanjiang *(Deputy Chairman and Chief Executive Officer)*

Mr. Shi Lanjiang, aged 48, was appointed as an executive director, the Deputy Chairman and Chief Executive Officer of the Company on 29 December 2011. He holds a Master of Science in biology and a Bachelor of Science in agriculture from the PRC. He had participated in agricultural technology and import and export trading in the Department of Agriculture and the Department of Foreign Economic Relation and Trade of Ningxia Hui Autonomous Region Government in the PRC. He was also a selected exchange scholar by the Ministry of Foreign Economic Relation and Trade of China to have training on agriculture project management in Denmark.

Mr. Shi held executive posts in various organizations, and has acted as the head of investment banking department and also head of stock markets research and service center in Zhuhai International Trust and Investment Corporation from 1992 to 1999. Mr. Shi was an executive director of Richsource International Group Limited from 2000 to 2007 and is now a director of Wanthorpe Opportunity Fund SPC and Wanthorpe Capital Limited. Mr. Shi has 20 years' experience in providing advice on securities, corporate finance, investment management, fund management and project management.

Chu Yuet Chung

Mr. Chu Yuet Chung, aged 60, was appointed as an executive director of the Company on 29 December 2011. He is a director of Polygold Food Limited. He worked as operation manager in the Vegetable Marketing Organisation for 20 years, a public body set up under the Hong Kong Ordinance Chapter 277 to provide facilities for the orderly and efficient marketing of vegetables as a means to promote the development of vegetable farming and to improve the socio-economic status of the farming community. The organization is a semi-government body. It is overseen and directed by the Agriculture, Fisheries and Conservation Department of the Hong Kong Government. It promotes vegetable farming and sales markets in Hong Kong. Mr. Chu also has over 20 years' experience in vegetables trading and processing business in Hong Kong and the PRC. Mr. Chu is also a founding member of Hong Kong Federation of Restaurants and Related Trades (HKFORT).

Yang Jianzun

Mr. Yang Jianzun, aged 47, was appointed as an executive director of the Company on 29 December 2011. He has engaged in vegetable cultivation for 18 years. He is the vice president of the association of leading enterprise of agriculture industrialization of Guangdong Province (廣東省農業產業化龍頭企業協會) and the member of Chinese People's Political Consultative Conference of Nanchang, Jiangxi Province (南昌市政協委員). He is also a member of Chinese People's Political Consultative Conference of Conghua City (從化市政協委員), the Economic Advisor of Conghua City (從化市經濟顧問) and an executive director of the Association of Private Enterprises of Conghua City (從化市民營企業協會).

NON-EXECUTIVE DIRECTORS

Wu Wai Chung, Michael *(Chairman)*

Mr. Wu Wai Chung, Michael, aged 62, was appointed as a non-executive director and chairman of the Company on 28 February 2012. He graduated from the University of Hong Kong with a bachelor's degree in laws in 1972. Upon graduation, he joined the Government of Hong Kong and served as its Trade Officer and subsequently Administrative Officer until 1989. Afterwards, Mr. Wu served in the Securities and Futures Commission ("SFC") for about 10 years.

Mr. Wu is currently an executive director and CEO of Tradelink Electronic Commerce Ltd. (listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with Stock Code: 536), an independent non-executive director of Shenzhen Investment Limited (listed on the Main Board of Stock Exchange with Stock Code: 604).

Previously, Mr. Wu was an independent non-executive director of Tradelink Electronic Commerce Ltd. (listed on the Main Board of Stock Exchange with Stock Code: 536) between 2 September 2008 to 13 July 2009, First Mobile Group Holdings Limited (listed on the Main Board of Stock Exchange with Stock Code 865) between 31 August 2000 and 2 December 2009 and SW Kingsway Capital Holdings Limited (listed on the Main Board of Stock Exchange with Stock Code 188) between 26 May 2000 and 21 November 2011.

Ji Kewei

Mr. Ji Kewei, aged 52, resigned as an executive director, the Deputy Chairman and Chief Executive Officer and was appointed as a non-executive director of the Company on 29 December 2011. He is a senior economist. He holds a Master of Business Administration degree and a Doctor of Philosophy degree in Economics. Mr. Ji has over 20 years of experience in banking, securities, investment and top management. Mr. Ji is the chairman of Concord Group (B.V.I.) Limited ("Concord Group") and the deputy chairman of Ever Fortune Holdings Group Limited ("Ever Fortune Holdings"). As at the date of this report, Concord Group holds 40% of Ever Fortune Holdings, which holds approximately 5.02% of the issued share capital of the Company. In addition, Concord Group directly holds 0.19% of the Company. Accordingly, Concord Group is deemed to be interested in approximately 5.21% of the issued share capital of the Company under the SFO and both Concord Group and Ever Fortune Holdings are substantial shareholders of the Company. He is a brother of Mr. Ji Da Wei who is the sole shareholder of Evertop Investment Holdings Limited, which owns 34% of the issued shares of Concord Group and is deemed to be interested in the 5.11% issued shares of the Company under the SFO. On 29 December 2011, Mr. Ji resigned as an executive director and appointed as a non-executive director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheung Yu Yan, Tommy

Mr. Cheung Yu Yan, Tommy, J.P., aged 62, was appointed as an independent non-executive director of the Company on 29 December 2011. He is currently a member of the Legislative Council (Catering Industry) of Hong Kong. He was awarded the Silver Bauhinia Star from Hong Kong. He is the Chairman of each Goldearn Consultants Limited and Syto Trading and Investment Limited. Mr. Cheung has over 35 years of experience in restaurant and food related business. Mr. Cheung is also the chairman of the Hong Kong Catering Industry Association, the honorary life president of the Association of Restaurant Managers Limited, convener of Restaurant Trade TES Concern Group, honorary chairman of Hong Kong Wine and Spirits Industry Coalition. He was a member of Eastern District Council of Hong Kong, a member of Liquor Licensing Board and a member of Vegetable Marketing Organisation Advisory Board. He holds a Bachelor Degree of Science and a Master Degree of Business Administration from Pepperdine University. Mr. Cheung was an independent non-executive director of Wah Yuen Holdings Limited until July 2009.

Ng Yi Kum, Estella

Ms. Ng Yi Kum, Estella, aged 54, was appointed as an independent non-executive director of the Company on 29 December 2011. She was appointed as the chief financial officer of Country Garden Holdings Company Limited whose shares are listed on the Main Board of the Stock Exchange in January 2008. From September 2005 to November 2007, Ms. Ng was executive director of Hang Lung Properties Limited, a company whose shares are listed on the Main Board of the Stock Exchange. Prior to her joining Hang Lung Properties in 2003, she was employed by the Stock Exchange in a number of senior positions, most recently as senior vice president of its Listing Division. Prior to that, she gained valuable auditing experience with Deloitte Touche Tohmatsu. Ms. Ng is a qualified accountant and holds a Master of Business Administration Degree from Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administration and a fellow of the Association of Chartered Certified Accountants, the HKICPA and a member of the American Institute of Certified Public Accountants. She has also contributed her time to various public services appointments including being a co-opted member of the Audit Committee of the Hospital Authority.

Currently, Ms. Ng is an independent non-executive director of Tianjin Development Holdings Limited and Hong Kong Resources Holdings Company Limited, the shares of both companies are listed on the Main Board of the Stock Exchange.

Japhet Sebastian Law

Professor Japhet Sebastian Law, aged 60, was appointed as an independent non-executive director of the Company on 29 December 2011. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986 and is currently a professor in the Department of Decision Sciences and Managerial Economics and the director of the Aviation Policy and Research Center. He was the associate dean and subsequently the dean of the Faculty of Business Administration from 1993 and 2002. Prior to returning to Hong Kong, Professor Law was the director of operations research at the Cullen College of Engineering and director of graduate studies in Industrial Engineering at the University of Houston, and was also involved with the United States Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Professor Law has consulted with various corporations in Hong Kong and overseas. He is also active in public services, having served as member of the Provisional Regional Council of the Hong Kong Government and various other government advisory committees, and is also active on the boards of for-profit, non-profit, public and charitable organizations in Hong Kong and overseas.

Professor Law is currently an independent non-executive director of the following listed companies: Beijing Capital International Airport Company Ltd. (Stock Code: 694), Tianjin Port Development Holdings Ltd. (Stock Code: 3382), Binhai Investment Company Ltd. (Stock Code: 8035), and Global Digital Creations Holdings Ltd. (Stock Code: 8271). Professor Law has also served on various committees and boards of international organizations, including AACSB, Graduate Management Admission Council, and Oxfam International.

SENIOR MANAGEMENT

Shi Lanjiang

Mr. Shi Lanjiang was appointed as an executive director, the Deputy Chairman and Chief Executive Officer of the Company on 29 December 2011. His biographical details are set out above.

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 December 2011.

The board of directors recognizes the importance of good corporate governance to the Company's healthy growth and will devote considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs in future. The Company's corporate governance practices are based on principles and code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions set out in the CG Code throughout the year ended 31 December 2011, save for the following provision:

A.4.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's bye-law 99 deviate from Code Provision A.4.2 as it provides that one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office and being eligible, offer themselves for re-election at the annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

To conform with Code Provision A4.2, the Company has amended the Company's bye-law 99 through a Special Resolution passed on 23 December 2011 to comply with the said Code Provision A.4.2. The new bye-law 99 provides at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

THE BOARD

Composition

The Board currently comprises the following directors:

Executive directors:
Mr. Shi Lanjiang *(Deputy Chairman and Chief Executive Officer)*
Mr. Chu Yuet Chung
Mr. Yang Jianzun

Non-Executive directors:
Mr. Ji Kewei
Mr. Wu Wai Chung, Michael *(Chairman)*

Independent non-executive directors:
Mr. Cheung Yu Yan, Tommy, J.P.
Ms. Ng Yi Kum, Estella
Professor Japhet Sebastian Law

The list of directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The biography of the current members of the Board is disclosed under "Directors and Senior Management" on pages 10 to 12. During the year ended 31 December 2011, the Board did not met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise because Mr. Yim Hing Wah, the independent non-executive director holding appropriate and accounting professional qualification deceased on 14 July 2009 and no new independent non-executive director had been appointed until 29 December 2011.

On 29 December 2011, Mr. Cheung Yu Yan, Tommy J.P., Ms. Ng Yi Kum, Estella and Professor Japhet Sebastian Law were appointed as independent non-executive directors of the Company.

Ms. Ng Yi Kum, Estella is an associate of the Institute of Chartered Accountants in England and Wales, The Institute of Chartered Secretaries and Administration and a fellow of the Association of Chartered Certified Accountants, the HKICPA and a member of the American Institute of Certified Public Accountants and she possesses the appropriate professional qualification required under Rule 3.10(2) of the Listing Rules.

The current independent non-executive directors of the Company are newly appointed to the Board on 29 December 2011 and they have given their confirmation on their independence pursuant to the requirements of the Listing Rules upon their appointment.

The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings

Code Provision A.1.1 stipulates that the board should meet regularly and such regular board meetings should be held at least four times a year at approximately quarterly intervals.

Code Provision A.1.3 stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

During the year ended 31 December 2011, 27 Board Meetings have been held. Details of the attendance of the directors are as follows:

		Number of Board Meetings attended/Number Of Board Meeting held
Executive directors		
Mr. Zhou Wenjun	(resigned on 29 December 2011)	2/27
Mr. Ding Jiangyong	(resigned on 29 December 2011)	6/27
Mr. Dai Jun	(resigned on 29 December 2011)	23/27
Mr. Sun Kejun	(resigned on 29 December 2011)	6/27
Mr. Hui Ho Ming, Herbert, J.P.	(appointed on 29 December 2011 and resigned on 21 February 2012)	2/27
Mr. Shi Lanjiang	(appointed on 29 December 2011)	2/27
Mr. Chu Yuet Chung	(appointed on 29 December 2011)	1/27
Mr. Yang Jianzun	(appointed on 29 December 2011)	0/27
Non-Executive directors		
Mr. Ji Kewei	(resigned as executive director and appointed as non-executive director on 29 December 2011)	25/27
Mr. Wu Wai Chung, Michael	(appointed on 28 February 2012)	0/0
Independent non-executive directors		
Mr. So Hoi Pan	(resigned on 29 December 2011)	11/27
Mr. Zhao Wen	(resigned on 29 December 2011)	5/27
Mr. Cheung Yu Yan, Tommy, J.P.	(appointed on 29 December 2011)	0/27
Ms. Ng Yi Kum, Estella	(appointed on 29 December 2011)	0/27
Professor Japhet Sebastian Law	(appointed on 29 December 2011)	0/27

Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring the board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Appointment and Succession Planning of Directors

The Board will review its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

BOARD COMMITTEES

The Board has established 2 committees, namely, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

All members of each Board committees are independent non-executive directors and the list of the members of each Board committee is set out under "Corporate Information" on page 2.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

The Remuneration Committee is established and currently comprising three independent non-executive directors, namely Mr. Cheung Yu Yan, Tommy, J.P., Ms. Ng Yi Kum, Estella and Professor Japhet Sebastian Law.

Previously, the committee members include Mr. So Hoi Pan and Mr. Zhao Wen.

The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the directors and senior management of the Group;

– to determine the remuneration packages of all executive directors and senior management of the directors and senior management of the Group; and

– to review and approve their performance-based remuneration.

The principal elements of executive remuneration package now only include basic salary. The emoluments of executive directors are based on skill, knowledge and involvement in the Company's affairs of each director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, a meeting of the Remuneration Committee was duly held and attended by all committee members for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters. The meeting was chaired by Mr. So Hoi Pan.

Audit Committee

The Audit Committee was established in April 2006 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Cheung Yu Yan, Tommy, J.P., Ms. Ng Yi Kum, Estella and Professor Japhet Sebastian Law. The chairman of the Audit Committee is Ms. Ng Yi Kum, Estella.

Previously, the committee members include Mr. So Hoi Pan and Mr. Zhao Wen.

The Audit Committee held two meetings in 2011. Details of the attendance record of the committee meetings are as follows:

Committee members		Attendance
Mr. So Hoi Pan	(resigned on 29 December 2011)	2/2
Mr. Zhao Wen	(resigned on 29 December 2011)	2/2
Mr. Cheung Yu Yan, Tommy, J.P.	(appointed on 29 December 2011)	0/2
Ms. Ng Yi Kum, Estella	(appointed on 29 December 2011)	0/2
Professor Japhet Sebastian Law	(appointed on 29 December 2011)	0/2

The Group's 2011 half-yearly report and 2011 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For 2011 annual report, the Audit Committee met on 22 March 2012 with the external auditor to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquires with all the Directors of the Company, the directors confirmed for the year ended 31 December 2011 that they have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company.

AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company in respect of audit services for the year ended 31 December 2011 amounted to HK$1,382,000.

Non-audit services rendered to the Company by its external auditor during the year under review amounted to HK$3,808,000.

INTERNAL CONTROLS

Pursuant to the Code Provision 2.1, the board of directors should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. During the year under review, the board has arranged to conduct a review of the effectiveness of the Company's internal control system and considered that it is adequate and effective.

On behalf of the Board

Wu Wai Chung, Michael
Chairman

28 March 2012

The directors present herewith their report and audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are assets and investment holding.

The principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements.

There has been no significant change in these activities compared with the previous year.

CHANGE OF COMPANY'S NAME

The Company's name "Ever Fortune International Holdings Limited" was changed to "Cypress Jade Agricultural Holdings Limited" in Bermuda on 14 March 2012. Procedures are being arranged to change the name from "Ever Fortune International Holdings Limited" to "Cypress Jade Agricultural Holdings Limited" in Hong Kong. The formal certificate of change in name in Hong Kong has not yet been issued.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 27 to 75.

The directors do not recommend the payment of a dividend for the year.

MAJOR SUPPLIERS AND CUSTOMERS

In 2011, the Group has two major customers who accounted for 20% and 80% of turnover, respectively, while the Group sourced all of its agricultural produce from one major supplier who accounted for 89% of purchases.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 12 to the financial statements.

FIVE-YEAR SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on page 76 to the financial statements.

SHARE CAPITAL AND OPTIONS

Details of the Company's share options and share capital during the year are set out in notes 23 and 24 to the financial statements respectively.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out on page 30 and in note 25 to the financial statements respectively.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:–

Executive directors:	
Dr. Hui Ho Ming, Herbert J.P. *(Chairman)*	– appointed on 29 December 2011 and resigned on 21 February 2012
Mr. Chu Yuet Chung	– appointed on 29 December 2011
Mr. Yang Jianzun	– appointed on 29 December 2011
Mr. Shi Lanjiang *(Deputy Chairman and Chief Executive Officer)*	– appointed on 29 December 2011
Mr. Zhou Wenjun	– resigned on 29 December 2011
Mr. Ji Kewei	– resigned on 29 December 2011
Mr. Ding Jiangyong	– resigned on 29 December 2011
Mr. Dai Jun	– resigned on 29 December 2011
Mr. Sun Kejun	– resigned on 29 December 2011
Non-executive directors:	
Mr. Wu Wai Chung, Michael *(Chairman)*	– appointed on 28 February 2012
Mr. Ji Kewei	– appointed on 29 December 2011
Independent non-executive directors:	
Mr. Cheung Yu Yan, Tommy, J.P.	– appointed on 29 December 2011
Ms. Ng Yi Kum, Estella	– appointed on 29 December 2011
Professor Law Japhet Sebastian	– appointed on 29 December 2011
Mr. So Hoi Pan	– resigned on 29 December 2011
Mr. Zhao Wen	– resigned on 29 December 2011

In accordance with bye-law 102 of the bye-laws of the Company, all existing directors, except Mr. Ji Kewei will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 32 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the persons or companies (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:–

Name of shareholders	Capacity	Number of shares	Percentage of shareholding
Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited")	Beneficial owner	530,530,000	20.95%
Crowneast Worldwide Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Wonderland Group (Hong Kong) Corporation Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Jiangsu Jinhai Investment Company Limited	Interest of a controlled corporation	530,530,000 (Note 1)	20.95%
Concord Group (B.V.I.) Limited	Interest of a controlled corporation	550,530,000 (Note 1)	21.74%
Legend (Group) Investment Limited	Interest of a controlled corporation	550,530,000 (Note 1 and 2)	21.74%
China Wallink Holding Group Co., Ltd.	Interest of a controlled corporation	550,530,000 (Note 1 and 2)	21.74%
Evertop Investment Holdings Limited	Interest of a controlled corporation	550,530,000 (Note 1 and 3)	21.74%
Mr. Ji Da Wei	Interest of a controlled corporation	550,530,000 (Note 1 and 3)	21.74%
China Huaxing (HK) International Company Limited	Interest of a controlled corporation	550,530,000 (Note 1 and 4)	21.74%
China Huaxing Group Company	Interest of a controlled corporation	550,530,000 (Note 1 and 4)	21.74%
Mr. Chen Xin	Beneficial owner	430,000,000	16.98%
Mr. Chan Hung Shek	Beneficial owner	334,000,000	13.19%

Notes:

1. Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited") ("Ever Fortune Holdings") is now holding 530,530,000 shares in the Company, is owned as to 60% by Crowneast Worldwide Limited, which is 100% held by Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group") and 40% by Concord Group (B.V.I.) Limited ("Concord Group").

   Wonderland Group is wholly owned by Jiangsu Jinhai Investment Company Limited ("Jiangsu Jinhai").

   Concord Group is held by Legend (Group) Investment Limited ("Legend"), Evertop Investment Holdings Limited ("Evertop") and China Huaxing (HK) International Company Limited ("Huaxing (HK)") as to 33%, 34% and 33% respectively.

   In addition, Concord Group also directly holds 20,000,000 shares in the Company. Accordingly, Jiangsu Jinhai and Wonderland Group were deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

   Legend, Evertop and Huaxing (HK) were deemed to be interested in 550,530,000 shares held by Ever Fortune Holdings and Concord Group under the SFO.

2. Legend was 99% owned by China Wallink Holding Group Co., Ltd. Accordingly, China Wallink Holding Group Co., Ltd. was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

3. Evertop was wholly beneficially owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

4. Huaxing (HK) was 98% owned by China Huaxing Group Company. Accordingly, China Huaxing Group Company was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

As at 31 December 2011, the Company had not been notified by any persons or companies (other than the directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report.

AUDIT COMMITTEE

The members of the audit committee are Ms. Ng Yi Kum, Estella, Mr. Cheung Yu Yan, Tommy, J.P. and Professor Law Japhet Sebastian who are independent non-executive directors of the Company. The audit committee has reviewed the audited financial statements of the Company for the year ended 31 December 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors confirmation of his/her independence to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive directors and is satisfied with their independence.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmed that at least 25% of the total issued share capital of the Company was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 34 to the financial statements.

AUDITOR

A resolution for the re-appointment of Mabel Chan & Co. as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wu Wai Chung, Michael
Chairman

Hong Kong
28 March 2012

Mabel Chan & Co.
Certified Public Accountants
Suites 2208-11, 22/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel: (852) 2122 9736 Fax: (852) 2180 9163

TO THE SHAREHOLDERS OF EVER FORTUNE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ever Fortune International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 75, which comprise the consolidated and the Company's statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for our contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011, and the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mabel Chan & Co.
Certified Public Accountants
Hong Kong,
28 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	4	**15,810**	15,097
Cost of sales		**(15,398)**	(14,776)
Gross profit		**412**	321
Other income	4	**895**	9
Distribution costs		**(125)**	(291)
Administrative and other operating expenses		**(13,314)**	(9,660)
Loss before tax	5	**(12,132)**	(9,621)
Income tax expense	8	**–**	–
Loss for the year and total comprehensive expense for the year	9	**(12,132)**	(9,621)
Attributable to:			
Equity shareholders of the Company		**(12,132)**	(9,621)
Loss per share			
Basic and diluted	10	**HK$(0.48) cents**	HK$(0.38) cents

The notes on pages 32 to 75 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	12	**131,838**	15
Construction in progress	13	**32,310**	–
Goodwill	14	**31,678**	–
		195,826	15
Current assets			
Inventories	16	**4,451**	–
Biological assets	17	**4,851**	–
Trade and other receivables	18	**52,431**	941
Bank balances and cash	19	**42,319**	435
		104,052	1,376
Current liabilities			
Trade and other payables	20	**274,965**	66,614
Bank and other borrowings	21	**80,005**	6,336
Obligation under a finance lease	22	**140**	–
Current tax payable		**4,024**	–
		359,134	72,950
Net current liabilities		**(255,082)**	(71,574)
		(59,256)	(71,559)
Capital and reserves			
Share capital	24	**25,325**	25,325
Reserves	25	**(109,016)**	(96,884)
Deficiency in shareholders' funds		**(83,691)**	(71,559)
Non-current liabilities			
Government subsidy	20	**24,224**	–
Obligation under a finance lease	22	**211**	–
		24,435	–
		(59,256)	(71,559)

Approved and authorised for issue by the board of directors on 28 March 2012.

Wu Wai Chung, Michael
Chairman

Shi Lanjiang
Director

The notes on pages 32 to 75 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	12	**1**	12
Interests in subsidiaries	15	**43,872**	107
		43,873	119
Current assets			
Other receivables	18	**1,225**	323
Bank balances and cash	19	**7**	111
		1,232	434
Current liabilities			
Other payables	20	**69,771**	65,886
Other borrowings	21	**86**	86
		69,857	65,972
Net current liabilities		**(68,625)**	(65,538)
		(24,752)	(65,419)
Capital and reserves			
Share capital	24	**25,325**	25,325
Reserves	25	**(106,246)**	(95,188)
Deficiency in shareholders' funds		**(80,921)**	(69,863)
Non-current liabilities			
Amounts due to subsidiaries	20	**56,169**	4,444
		(24,752)	(65,419)

Approved and authorised for issue by the board of directors on 28 March 2012.

Wu Wai Chung, Michael
Chairman

Shi Lanjiang
Director

The notes on pages 32 to 75 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to equity shareholders of the Company				
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 January 2010	25,325	163,532	126,883	(377,678)	(61,938)
Total comprehensive expense for the year	–	–	–	(9,621)	(9,621)
Balance at 31 December 2010	25,325	163,532	126,883	(387,299)	(71,559)
Balance at 1 January 2011	**25,325**	**163,532**	**126,883**	**(387,299)**	**(71,559)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(12,132)**	**(12,132)**
Balance at 31 December 2011	**25,325**	**163,532**	**126,883**	**(399,431)**	**(83,691)**

The notes on pages 32 to 75 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before tax		**(12,132)**	(9,621)
Adjustments for:			
Depreciation of property, plant and equipment		**8**	186
Loss on disposal of property, plant and equipment		**5**	6
Allowance for impairment loss of trade receivables		**17**	658
Operating cash outflows before movements in working capital		**(12,102)**	(8,771)
Decrease in trade and other receivables		**13,203**	5,105
(Decrease)/increase in trade and other payables		**(9,673)**	1,150
Net cash used in operating activities		**(8,572)**	(2,516)
Investing activities			
Purchases of property, plant and equipment		**–**	(2)
Cash paid for acquisition of subsidiaries	26	**(2,684)**	–
Net cash used in investing activities		**(2,684)**	(2)
Financing activities			
Proceeds from other borrowings		**53,140**	2,850
Net cash generated from financing activities		**53,140**	2,850
Net increase in cash and cash equivalents		**41,884**	332
Cash and cash equivalents at the beginning of the year		**435**	103
Cash and cash equivalents at the end of the year		**42,319**	435
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**42,319**	435

The notes on pages 32 to 75 form an integral part of these financial statements.

1. GENERAL INFORMATION

Ever Fortune International Holdings Limited (the "Company") is a company incorporated in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda and its principal place of business is Room 2109, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Company and its subsidiaries (collectively referred to as the "Group") are engaged in assets and investment holding and growing, processing and trading of agricultural produce.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Trading of the shares of the Company had been suspended since 28 April 2005. The Company resumed its trading of shares on 28 February 2012.

The consolidated financial statements are presented in Hong Kong dollars (rounded to thousand), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Application of new and revised Hong Kong Financial Reporting Standards

In current year, the Group has applied, for the first time, a number of new and revised Standards, Amendments and Interpretations issued by the HKICPA as follows:

HKAS 24 (revised 2009)	Related Party Disclosures
HK(IFRIC) 19	Extinguishing Financial Liabilities with Equity Instruments
HK(IFRIC) 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HKFRSs (Amendments)	Improvements of HKFRSs issued in 2010

The application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements for the current or comparative periods except that the following set out information on the significant changes in accounting policies for the current and previous accounting periods reflected in the financial statements. Accordingly, no prior period adjustment has been made.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Application of new and revised Hong Kong Financial Reporting Standards (continued)

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 30 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued and pertinent to its operation but not yet effective.

		Effective for accounting periods beginning on or after
HKFRS 7	Disclosures – Transfer of financial assets	1 July 2011
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 (Amendment)	Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets	1 January 2012
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Associate and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purpose entity) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-consolidated from the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less impairment losses, if any. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discounted Operations are measured in accordance with that Standard.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Business combination (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recongised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liablilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata basis on the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

(i) Revenue from sale of goods is recognised when the goods are delivered and titles have passed.

(ii) Sundry income is recognised on an actual receipt basis.

(f) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other income" or "other expenses".

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Hong Kong dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising if any, are recognised in other comprehensive income and accumulated separately in equity (attributable to non-controlling interests as appropriate).

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year.

Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for the business combination, the tax effect is included in the accounting for the business combination.

(i) Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes and other plant and equipment, are stated in the consolidated statement of financial position at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease term and their useful lives.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Property, plant and equipment (continued)

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the relevant item, and is recognised in profit or loss.

(j) Construction in progress

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(k) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events.

– significant financial difficulty of the debtor; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of receivables (continued)

If in the subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of property, plant and equipment and construction in progress

At each reporting date, the Group reviews the carrying amounts of the items of property, plant and equipment and construction in progress to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Biological assets

Biological assets are the growing crops of the Group on the cultivation bases. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on the current market price with reference to the species, growing condition, costs incurred and expected yield of the crops.

The agricultural produce is initially measured at fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local market. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing.

The gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell is dealt with in profit or loss.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost except where the payables are interest free loans made by related parties without any fixed repayment terms or the effect of discounting would be immaterial.

(p) Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method. Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses or the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(r) Cash and cash equivalents

Cash and cash equivalents include bank balance and cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

(s) Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(t) Leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(u) Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

(u) Related parties (continued)

(2) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (1);

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment time reported in the financial statements, are identified from the financial information provided regularly to the Group's senior management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern

The Group and the Company incurred losses attributable to equity shareholders of the Company of approximately HK$12,132,000 (2010: HK$9,621,000) and HK$11,058,000 (2010: HK$6,645,000) for the year ended 31 December 2011 respectively. At 31 December 2011, the Group and the Company had net current liabilities of approximately HK$255,082,000 (2010: HK$71,574,000) and HK$68,625,000 (2010: HK$65,538,000) respectively, and deficiency in shareholders' funds were HK$83,691,000 (2010: HK$71,559,000) and HK$80,921,000 (2010: HK$69,863,000) respectively. Despite of these conditions, the Company, subsequent to the end of the reporting period, completed the Group Restructuring pursuant to the Restructuring Agreement of the Company ("Group Restructuring") on 27 February 2012. Accordingly, the Group and the Company remained to continue the business operations as a going concern. The Group Restructuring comprises the following:

(a) Capital Restructuring completed on 27 February 2012 through (i) Capital Reduction of HK$22,160,000 being transferred to Contributed surplus i.e. a reduction in the issued share capital of the Company from HK$25,325,000 divided into 2,532,543,000 shares to approximately HK$3,166,000 divided into 2,532,543,000 shares with par value of HK$0.00125 each; (ii) Share Consolidation i.e. 2,532,543,000 shares being consolidated into 316,568,000 new shares such that the issued share capital being HK$3,166,000; (iii) Reduction in share premium account i.e. the balance of share premium account of HK$163,532,000 being transferred to contributed surplus; (iv) Contributed surplus standing to the credit balance of HK$339,211,000 after taking into account the above (i) and (iii) was used to off-set against the same amount of the Company's accumulated losses.

(b) Debt Restructuring became operational on 23 February 2012 through the implementation of the Scheme of Arrangement with the Company's creditors by issuing Class A Preference Shares, the proceeds of which were used to off-set a total indebtedness of the Company of approximately HK$67,421,000.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Going concern (continued)

(c) Subscription of 1,000,000,000 new shares at a consideration of HK$0.1 each by Right Day Holdings Limited with a total consideration of HK$100,000,000 of which HK$32,500,000 has been contributed to the working capital of the Group. In addition, a new share premium balance of HK$90,000,000 was created and transferred to contributed surplus and subsequently was used to off-set against the same amount of the Company's accumulated losses.

(d) Acquisitions of Natural Farm Limited, Polygold Food Limited and Modern Excellence Limited being completed on 29 December 2011 and the details of these acquisitions are described in note 26.

With the successful implementation of the above restructuring schemes, the financial position of the Group and the Company was significantly improved and the Group attained profitable business operations. Accordingly, the conditions indicate the existence of uncertainty which may cast significant doubt on the Group's ability to continue as a going concern is no longer in existence. Therefore, in the opinion of the directors of the Company, these consolidated financial statements have been prepared on a going concern basis.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generation units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of receivables

The Group makes allowance for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgement and estimates.

Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expense in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Valuation of biological assets

The Group carries its biological assets at fair value less costs to sell. The quantities of the Group's biological assets are measured with reference to the cultivation area.

Management uses prices of recent market transactions, market prices for similar assets and sector benchmarks as a basis for measuring fair value. These prices are adjusted to reflect differences in characteristics and/or stages of growth of the assets.

4. TURNOVER AND OTHER INCOME

Turnover represents revenue arising from the trading of agricultural produce. An analysis of turnover and other income for the year is as follows:

	2011 HK$'000	2010 HK$'000
Turnover from sales of agricultural produce	**15,810**	15,097
Other income		
Sundry income	**895**	9
Total revenue	**16,705**	15,106

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2011 HK$'000	2010 HK$'000
Employee benefits expense:		
– Salaries, wages and other benefits	**1,165**	641
– Contributions to defined contribution retirement plan	**38**	21
	1,203	662
Auditors' remuneration		
– Audit fee	**1,382**	375
– Other services	**3,080**	1,405
Cost of inventories recognised as an expense	**12,292**	14,776
Depreciation of property, plant and equipment	**8**	186
Allowance for impairment of trade receivables (note 18)	**17**	658
Loss on disposal of property, plant and equipment	**5**	6
Minimum lease payments under operating leases	**144**	1,118

6. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 15 (2010: 7) directors were as follows:

2011

	Fees HK$'000	Salaries, allowances and benefits HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive directors				
Mr. Ding Jiangyong (Note 1)	79	–	–	79
Mr. Ji Kewei (Note 1)	–	80	4	84
Mr. Zhou Wenjun (Note 1)	79	–	–	79
Mr. Sun Kejun (Note 1)	–	80	4	84
Mr. Dai Jun (Note 1)	–	80	4	84
Dr. Hui Ho Ming, Herbert, J.P. (Note 3)	–	–	–	–
Mr. Chu Yuet Chung (Note 2)	–	–	–	–
Mr. Yang Jianzun (Note 2)	–	–	–	–
Mr. Shi Lanjiang (Note 2)	–	–	–	–
Non-executive director				
Mr. Ji Kewei (Note 2)	–	–	–	–
Independent non-executive directors				
Mr. So Hoi Pan (Note 1)	50	–	–	50
Mr. Zhao Wen (Note 1)	50	–	–	50
Mr. Cheung Yu Yan, Tommy, J.P. (Note 2)	–	–	–	–
Ms. Ng Yi Kum, Estella (Note 2)	–	–	–	–
Professor Law Japhet Sebastian (Note 2)	–	–	–	–
	258	240	12	510

2010

	Fees HK$'000	Salaries, allowances and benefits HK$'000	Contributions to retirement scheme HK$'000	Total HK$'000
Executive directors				
Mr. Ding Jiangyong	80	–	–	80
Mr. Ji Kewei	–	80	4	84
Mr. Zhou Wenjun	80	–	–	80
Mr. Sun Kejun	–	80	4	84
Mr. Dai Jun	–	80	4	84
Independent non-executive directors				
Mr. So Hoi Pan	50	–	–	50
Mr. Zhao Wen	50	–	–	50
	260	240	12	512

6. DIRECTORS' EMOLUMENTS (continued)

Notes:

1) Resigned on 29 December 2011.

2) Appointed on 29 December 2011.

3) Appointed on 29 December 2011 and resigned on 21 February 2012.

4) The Company did not grant any share options during the current and prior years. At the end of each reporting period, no share options were held by the directors of the Company. The details of the share options scheme are set out in note 23 to the financial statements.

7. FIVE HIGHEST-PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, 3 (2010: 3) were directors of the Company, emoluments are included in the above disclosures. The emolument of the remaining individual is disclosed below:

	2011 **HK$'000**	2010 HK$'000
Salaries, allowances and benefits in kind	**1,009**	544
Contributions to retirement benefit schemes	**33**	16
	1,042	560

Their emoluments were all within the HK$0 to HK$1,000,000 band.

During the year, no emoluments or incentive payments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2010: nil).

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong during the year.

A reconciliation between taxation and loss before tax at applicable tax rates is as follows:

	2011 **HK$'000**	2010 HK$'000
Loss before tax	**(12,132)**	(9,621)
Notional tax on loss before tax	**(2,001)**	(1,587)
Tax effect of non-deductible expenses	**1**	302
Tax effect of non-taxable income	**(147)**	(1)
Tax effect of unused tax losses/deductible temporary differences not recognised	**2,147**	1,286
Tax charge for the year	**–**	–

9. LOSS FOR THE YEAR

The consolidated loss for the year attributable to equity shareholders of the Company includes a loss of HK$11,058,000 (2010: HK$6,645,000), which has been dealt with in the financial statements of the Company.

10. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to equity shareholders of the Company of HK$12,132,000 (2010: HK$9,621,000) and the weighted average of 2,532,543,083 (2010: 2,532,543,083) ordinary shares in issue during the year.

Diluted loss per share is same as basic loss per share because there were no potential dilutive shares outstanding during the years 2010 and 2011.

11. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. The information is reported to and reviewed by the senior management for the purposes of resource allocation and performance assessment.

The senior management considers the business from the business operation nature perspective.

The Group has presented the following two reportable segments. These segments are managed separately.

a) Assets holding: Holding of assets

b) Agricultural produce: Growing, processing and trading of agricultural produce

No reportable operating segment has been aggregated.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 2(v). Segment loss represents the loss from each segment without allocation of central administration costs. This is the measure reported to the senior management for the purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to a reportable segment.

11. SEGMENT REPORTING (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

All assets and liabilities are allocated to reportable segments.

(a) Segment results, assets and liabilities

The Group operates in two principal geographical areas – Hong Kong and the PRC. Segment information by geographical segment is presented for the Group's non-current assets are principally attributable to Hong Kong and the PRC. No segment information by geographical segment is presented for the Group's revenue as it is attributable to a single geographical region, which is Hong Kong.

An analysis of the Group's reportable segments is reported below:

	Assets holding		Agricultural produce		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from						
external customers	–	–	**15,810**	15,097	**15,810**	15,097
Reporting segment						
Loss before taxation	**(11,836)**	(6,750)	**(296)**	(2,871)	**(12,132)**	(9,621)
Depreciation	**(8)**	(186)	**–**	–	**(8)**	(186)
Allowance for impairment						
of trade receivables	**–**	–	**(17)**	(658)	**(17)**	(658)
Reportable segment assets	**31,247**	528	**268,631**	863	**299,878**	1,391
Reportable segment liabilities	**173,442**	72,236	**210,127**	714	**383,569**	72,950
Additions to property,						
plant and equipment	**–**	2	**–**	–	**–**	2

11. SEGMENT REPORTING (continued)

(b) Reconciliation of reportable segment loss

	2011 HK$'000	2010 HK$'000
Reportable segment loss derived from Group's external customers	**(12,132)**	(9,621)
Loss before tax per consolidated statement of comprehensive income	**(12,132)**	(9,621)

(c) Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A	*	4,013
Customer B	*	2,666
Customer C	**3,127**	*
Customer D	**12,683**	*

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

(d) Geographical information

The Group's operation is primarily derived from external customers based in Hong Kong and assets of the operation were located in Hong Kong and the PRC.

Non-current assets other than goodwill	2011 HK$'000	2010 HK$'000
Property, plant and equipment		
– Hong Kong	**1,534**	15
– the PRC	**130,304**	–
Construction in progress		
– the PRC	**32,310**	–
	164,148	15

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	(Note 1) Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	(Note 2) Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:								
At 1 January 2010	–	–	1,046	–	–	36	273	1,355
Additions	–	–	–	–	–	–	2	2
Disposals	–	–	(1,046)	–	–	–	(11)	(1,057)
At 31 December 2010	–	–	–	–	–	36	264	300
Acquisitions through business combinations	13,147	10,737	–	778	1,928	103,534	1,712	131,836
Disposals	–	–	–	–	–	(33)	(201)	(234)
At 31 December 2011	13,147	10,737	–	778	1,928	103,537	1,775	131,902
Accumulated depreciation:								
At 1 January 2010	–	–	910	–	–	18	222	1,150
Charge for the year	–	–	136	–	–	6	44	186
Written back on disposals	–	–	(1,046)	–	–	–	(5)	(1,051)
At 31 December 2010	–	–	–	–	–	24	261	285
Charge for the year	–	–	–	–	–	6	2	8
Written back on disposals	–	–	–	–	–	(28)	(201)	(229)
At 31 December 2011	–	–	–	–	–	2	62	64
Carrying amount:								
At 31 December 2011	13,147	10,737	–	778	1,928	103,535	1,713	131,838
At 31 December 2010	–	–	–	–	–	12	3	15

Note 1: In the opinion of the directors, the lease payments cannot be allocated reliably between the land and buildings elements. Accordingly, the entire lease is treated as a finance lease and classified as property, plant and equipment.

Leasehold land and buildings with a carrying amount of approximately HK$10,737,000 (2010: HK$Nil) are held in the PRC on medium lease and have been pledged to secure banking facilities granted to the Group (note 21).

Note 2: The carrying amount of motor vehicle held under a finance lease at 31 December 2011 was HK$456,000 (2010: HK$Nil).

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Leasehold improvements HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:				
At 1 January 2010	1,046	36	259	1,341
Disposals	(1,046)	–	–	(1,046)
At 31 December 2010	–	36	259	295
Disposals	–	(33)	(201)	(234)
At 31 December 2011	–	3	58	61
Accumulated depreciation:				
At 1 January 2010	910	18	218	1,146
Charge for the year	136	6	41	183
Written back on disposals	(1,046)	–	–	(1,046)
At 31 December 2010	–	24	259	283
Charge for the year	–	6	–	6
Written back on disposals	–	(28)	(201)	(229)
At 31 December 2011	–	2	58	60
Carrying amount:				
At 31 December 2011	–	1	–	1
At 31 December 2010	–	12	–	12

13. CONSTRUCTION IN PROGRESS

	The Group HK$'000
Cost:	
At 1 January 2010 and 31 December 2010	–
Acquisitions through business combinations	32,310
At 31 December 2011	32,310

14. GOODWILL

	The Group HK$'000
Carrying amount:	
At 1 January 2010 and 31 December 2010	–
Acquisitions through business combinations (Note 26)	31,678
At 31 December 2011	31,678

In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill arising from acquisition through business combinations as stated in note 26 by reference to the cash-generating units' value-in-use and determined that such goodwill has not been impaired. The recoverable amount for the cash-generating units in relation to the acquired business was determined based on value-in-use calculations, which use cash flow projections based on financial budgets approved by the management covering 5-year operating period of business with a discount rate of 7%. The discount rate used reflects specific risks relating to the business and the growth rate of 8% is in line with the forecasts adopted by the industry.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**2**	2
Amounts due from subsidiaries (note)	**43,870**	1,283
	43,872	1,285
Impairment loss	**–**	(1,178)
	43,872	107

Note: The amounts due from subsidiaries are non-trade in nature, unsecured and interest free. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. As these amounts are in substance, a part of the Company's interest in the subsidiaries, they are stated at cost.

15. INTERESTS IN SUBSIDIARIES (continued)

As at 31 December 2011 and 2010, the Company had interests in the following subsidiaries:

Name of entities	Place of incorporation/ establishment	Place of operation	Issue and fully paid share/ registered capital	Percentage of equity interest held by the Company	Percentage of equity interest held by a subsidiary	Principal activities
Ever Growth Asia Limited	HK	HK	HK$1	100%	–	Dormant
Huge Summit Investments Limited	BVI	HK	US$100	100%	–	Investment holding
Profit Dragon Management Limited	BVI	HK	US$100	100%	–	Investment holding
Chinese Investment Limited	HK	HK	HK$10,000	–	100%	Dormant
China Merchants Investments (H.K.) Limited	HK	HK	HK$10,000	–	100%	Dormant
First Novel Limited ("First Novel")	BVI	HK	US$2	100%	–	Investment holding
Cypress Jade Management Services Limited (formerly known as "Trade Front Limited") ("Cypress Jade Management")	BVI	HK	US$2	–	100%	Dormant
Trade Day Holdings Limited ("Trade Day")	BVI	HK	US$2	–	100%	Selling vegetables
Trade Soar Limited ("Trade Soar")	BVI	HK	US$1	–	100%	Investment holding
Trade Leader Investment Limited ("Trade Leader")	HK	HK	HK$1	–	100%	Selling vegetables
Trade Rise Holdings Limited ("Trade Rise")	BVI	HK	US$1	–	100%	Investment holding
Modern Excellence Limited ("Modern Excellence")	BVI	HK	US$1	–	100%	Investment holding
Hong Kong Congyu Development Co. Limited ("HK Congyu")	HK	HK	HK$1	–	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (continued)

Name of entities	Place of incorporation/ establishment	Place of operation	Issue and fully paid share/ registered capital	Percentage of equity interest held by the Company	Percentage of equity interest held by a subsidiary	Principal activities
Jiangxi Anyi Congyu Agricultural Development Company Limited ("JX Anyi")	PRC	PRC	RMB30,000,000	–	100%	Growing, processing and selling vegetables
Guangzhou Congyu Vegetation Development Company Limited ("GZ Congyu")	PRC	PRC	RMB10,000,000	–	100%	Growing, processing and selling vegetables
Guangzhou Lvyuan Agricultural Development Company Limited ("GZ New Company")	PRC	PRC	RMB10,000,000	–	100%	Growing, processing and selling vegetables
Natural Farm Limited ("NF")	HK	HK	HK$2	–	100%	Selling vegetables
Luliang Natural Farm Food Company Limited ("Luliang NF")	PRC	PRC	US$700,000	–	100%	Growing, processing and selling vegetables
Polygold Food Limited ("PF")	HK	HK	HK$1,000,000	–	100%	Selling vegetables
Polygold (Liaocheng) Food Limited ("PG Liaocheng")	PRC	PRC	HK$3,000,000	–	100%	Processing and selling vegetables

In the opinion of the directors of the Company, the recoverable amount of the interests in subsidiaries is not less than the carrying cost reflected in the statement of financial position.

16. INVENTORIES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Agricultural materials	**2,527**	–	**–**	–
Consumables	**1,780**	–	**–**	–
Merchandise for resale	**144**	–	**–**	–
	4,451	–	**–**	–

Agricultural materials mainly include seeds, fertilizers, pesticides and processing materials not yet utilised at the end of the reporting period. All inventories at the end of each reporting date were acquired through business combinations.

17. BIOLOGICAL ASSETS

Reconciliation of carrying amount of the biological assets:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**–**	–	**–**	–
Acquisitions through business combinations	**4,851**	–	**–**	–
At 31 December	**4,851**	–	**–**	–

Biological assets were vegetables and were stated at fair value less costs to sell as at the reporting dates. The fair value was determined by the management with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of crops.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**26,261**	118	**–**	–
Less: Allowance for doubtful receivables	**(807)**	–	**–**	–
	25,454	118	**–**	–
Other receivables	**9,353**	–	**–**	–
Deposits and prepayments	**17,624**	823	**1,225**	323
	52,431	941	**1,225**	323

The average credit period on sales of goods is 60 days. The aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Current	**12,469**	–
Less than 90 days	**3,578**	–
Over 90 days	**10,214**	118
	26,261	118

The aged analysis of the trade receivables that are past due but not impaired is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Less than 60 days past due	**7,079**	–
Over 60 days past due	**6,699**	118
	13,778	118

Note: The Group does not hold any collateral on these balances and has not provided for impairment allowance.

The Group has provided fully for all receivables over 360 days because historical experience is that such receivables that are past due beyond 360 days are generally not recoverable.

18. TRADE AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful receivables are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Balance at 1 January	**–**	–
Increase in allowance recognised in profit or loss (note 5)	**17**	658
Amounts written off as uncollectible	**(17)**	(658)
Acquisitions through business combinations	**807**	–
Balance at 31 December	**807**	–

Included in the allowance for doubtful receivables made for the year are individually impaired trade receivables with a balance of HK$17,000 (2010: HK$658,000) which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

19. BANK BALANCES AND CASH

Bank balances carry interest at market rates based on daily bank deposit rates. All bank balances are denominated in Hong Kong dollars and Renminbi.

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Note (a) and (b))	**8,580**	644	**–**	–
Other payables and accruals (Note (b))	**158,924**	2,337	**11,187**	2,253
Amounts due to related companies (Note 32)	**54,032**	59,032	**54,032**	59,032
Amounts due to subsidiaries (Note (c))	**–**	–	**56,169**	4,444
Amounts due to directors (Note 32)	**52,253**	4,601	**4,552**	4,601
Government subsidy	**25,400**	–	**–**	–
	299,189	66,614	**125,940**	70,330

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current	**274,965**	66,614	**69,771**	65,886
Non-current	**24,224**	–	**56,169**	4,444
	299,189	66,614	**125,940**	70,330

20. TRADE AND OTHER PAYABLES (continued)

Trade payables principally comprise amounts outstanding for trade purchases and have an average term of 1 month. The aged analysis of trade payables based on the invoiced date at the end of the reporting period is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 – 60 days	**5,485**	644	**–**	–
61 – 120 days	**1,168**	–	**–**	–
Over 120 days	**1,927**	–	**–**	–
	8,580	644	**–**	–

Note:

(a) Trade payables principally comprise amounts outstanding for trade purchases. All trade payables are due within 1 month or on demand.

(b) Trade and other payables are non-interest bearing and have an average term of 1 month.

(c) Amounts due to subsidiaries are unsecured, interest free and have no fixed terms for repayment.

21. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
5-year bank loan of HK$2,000,000 – fully repayable in November 2014 (note (a))	**1,215**	–	**–**	–
1-year bank loan of RMB2,000,000 – fully repayable in March 2012 (note (b))	**2,439**	–	**–**	–
Revolving bank loan of RMB12,000,000 (note (c))	**14,634**	–	**–**	–
Other loans, unsecured (note (d))	**2,327**	86	**86**	86
Other loan, secured (note (e))	**59,390**	6,250	**–**	–
	80,005	6,336	**86**	86
Less: current portion	**(80,005)**	(6,336)	**(86)**	(86)
Non-current portion	**–**	–	**–**	–

21. BANK AND OTHER BORROWINGS (continued)

The borrowings are repayable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
On demand or within one year	**79,191**	6,336	**86**	86
More than one year, but not exceeding two years	**401**	–	**–**	–
More than two years, but not exceeding five years	**413**	–	**–**	–
	80,005	6,336	**86**	86

Notes:

(a) The bank loan was guaranteed by a director of the Company and a third party and is repayable by equal installments. The loan interest was charged at prime rate minus 1% per annum.

(b) The bank loan was secured by several properties of the Group and is repayable by equal installments. The loan interest is charged at 7.54% per annum. This loan was callable by the lender, but the management does not expect the lender to exercise its right to demand repayment in normal circumstances.

(c) The bank loan was secured by several Group's properties. The loan interest was charged at 8.53% per annum.

(d) Other loans are unsecured, interest free and have no fixed terms of repayment.

(e) Other loan is secured by the entire issued share capital of several subsidiaries. No interest is charged on the outstanding balance.

On 9 January 2009, Cypress Jade Management has entered into a loan agreement with Right Day Holdings Limited ("Right Day"), an independent potential investor. Right Day agreed to provide a loan facility of up to HK$10,000,000 for the working capital of Cypress Jade Management and Trade Day to reactivate the Group's previously discontinued agricultural produces trading business. The loan facility is secured by the entire share capital of each of Cypress Jade Management, Trade Day, Trade Soar, Trade Leader and First Novel. A supplemental agreement was entered on 28 December 2011 and Right Day agreed to increase and make available to the Group a loan facility up to HK$72,500,000.

At the end of the reporting period, total amount of HK$59,390,000 (2010: HK$6,250,000) was drawn down. This loan is interest free.

22. OBLIGATION UNDER A FINANCE LEASE

The future minimum lease payments under a finance lease together with the present value of the net minimum lease payments are as follows:

The Group	Minimum lease payment		Present value of minimum lease payment	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under a finance lease:				
Within one year	**155**	–	**140**	–
In the second to fifth year	**219**	–	**211**	–
	374	–	**351**	–
Less: Future finance charges	**(23)**	–	**–**	–
Present value of lease obligations	**351**	–	**351**	–
Less: Amount due within one year included under current liabilities			**(140)**	–
			211	–

The Group's obligation under a finance lease is secured by the charge over the leased asset.

The Group leased one motor vehicle under a finance lease. The lease term is 3 years (2010: Nil). Interest rate underlying all obligations under a finance lease is fixed at respective contract date at 2.75 % (2010: Nil) per annum.

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of recognising the contributions of eligible participants to the growth of the Group and to further motivate and encourage the eligible participants to contribute and improve their performance and efficiency. Eligible participants of the Scheme include the Company's directors, independent non-executive directors, other directors/employees of the Group or its investees, suppliers of goods or services to the Group or customers of the Group or its investees, persons/entities that provide research, development or other technological support, shareholders of any member of the Group or such other persons from time to time as determined by the directors. The Scheme was approved and adopted on 21 June 2002 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which options may be granted under the Scheme (excluding options lapsed) is not permitted to exceed 10% of the shares of the Company in issue as at the Adoption Date, without the prior approval from the Company's shareholders.

The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all of the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted on or before the close of business on the date specified in the offer document. The exercise period of the share options granted is to be determined by the directors, and will commence on the first business date from the date of the grant of the share options and end on the close of business on the last day of such period, but no later than ten years from the date of the grant of the share options.

The exercise price of the share options is to be determined by the directors, but may not be less than the higher of (i) the closing price of the Company's shares published on the daily quotations sheets of the Stock Exchange on the date of the grant of the share options; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant.

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

During the years ended 31 December 2011 and 2010, no option has been granted under the Scheme.

24. SHARE CAPITAL

	2011 **HK$'000**	2010 HK$'000
Authorised: 160,000,000,000 ordinary shares of $0.01 each at the beginning and end of the year	**1,600,000**	1,600,000
Issued and fully paid: 2,532,543,083 ordinary shares of $0.01 each at the beginning and end of the year	**25,325**	25,325

25. RESERVES – THE GROUP AND THE COMPANY

Share premium

The application of the share premium account is governed by the Company Act 1981 of Bermuda.

Contributed surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of (i) the shares of the subsidiaries acquired pursuant to the Group reorganisation completed on 5 June 1998 (the "Group Reorganisation"); (ii) the debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his wife, Ms. Lam Yuk Ang, to Corasia International (BVI) Limited, the former holding company of the Group, and assumed by the Company under the Group Reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and (iii) the credit arising from the capital reduction of approximately HK$112,950,000.

The contributed surplus of the Company arose as a result of the Group Reorganisation and represented the excess of the then combined net assets of the subsidiaries acquired, as reduced by the balance of the Debt assumed by the Company pursuant to the capital reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and the credit arising from the capital reduction of approximately HK$112,950,000.

Movements of reserves – the Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2010	163,532	153,519	(405,594)	(88,543)
Total comprehensive loss for the year	–	–	(6,645)	(6,645)
Balance at 31 December 2010	163,532	153,519	(412,239)	(95,188)
Total comprehensive loss for the year	–	–	(11,058)	(11,058)
Balance at 31 December 2011	163,532	153,519	(423,297)	(106,246)

Distributability of reserves

At the end of each reporting period, the Company has no reserve available for distribution to equity shareholders of the Company.

26. BUSINESS COMBINATIONS

Goodwill

During the year, the Group acquired Natural Farm Limited at a consideration of HK$36,828,941. The acquisition has been accounted for using the acquisition method.

The aggregate net assets and liabilities acquired by the Group are as follows:

	Fair value HK$'000
Net assets acquired:	
Property, plant and equipment	12,304
Inventories	486
Biological assets	1,040
Trade and other receivables	21,898
Cash and cash equivalents	580
Trade and other payables	(18,334)
	17,974
Goodwill (Note 14)	18,855
	36,829
Net cash outflows arising on acquisition:	
Cash consideration paid	(3,079)
Less: cash and cash equivalent acquired	580
	(2,499)

During the year, the Group acquired Polygold Food Limited at a consideration of HK$16,250,000. The acquisition has been accounted for using the acquisition method.

The aggregate net assets and liabilities acquired by the Group are as follows:

	Fair value HK$'000
Net assets acquired:	
Property, plant and equipment	5,539
Cash and cash equivalents	737
Trade and other receivables	7,113
Trade and other payables	(6,298)
Bank borrowings	(1,215)
Obligations under a finance lease	(351)
	5,525
Goodwill (Note 14)	10,725
	16,250
Net cash outflows arising on acquisition:	
Cash consideration paid	(5,000)
Less: cash and cash equivalent acquired	737
	(4,263)

26. BUSINESS COMBINATIONS (continued)

During the year, the Group acquired Modern Excellence Limited at a consideration of HK$143,000,000. The acquisition has been accounted for using the acquisition method.

The aggregate net assets and liabilities acquired by the Group are as follows:

	Fair value HK$'000
Net assets acquired:	
Property, plant and equipment and construction in progress	146,303
Inventories	3,965
Biological assets	3,811
Cash and cash equivalents	39,828
Trade and other receivables	34,339
Trade and other payables	(68,030)
Bank and other borrowings	(19,314)
	140,902
Goodwill (Note 14)	2,098
	143,000
Net cash inflows arising on acquisition:	
Cash consideration paid	(35,750)
Less: cash and cash equivalent acquired	39,828
	4,078

The acquired business did not contribute any revenue or result to the Group's for the period from the date of acquisition to 31 December 2011.

If the acquisitions had been completed on 1 January 2011, total Group's turnover for the year would have been approximately HK$285,529,000, and profit for the year would have been approximately HK$22,900,000.

27. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2011 HK$'000	2010 HK$'000
Within one year	**8,488**	919
In the second to fifth years inclusive	**29,598**	4
Over five years	**73,679**	–
	111,765	923

Operating lease payments represent rental payable by the Group for office premises and farmland. Leases are negotiated with rental fixed for terms of 2 to 26 years.

28. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments for acquisition of property, plant and equipment:

	The Group	
	2011	2010
	HK$'000	HK$'000
Capital expenditure contracted for but not provided for	**9,719**	–

29. FINANCIAL INSTRUMENTS BY CATEGORY

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables				
– Amounts due from subsidiaries	**–**	–	**43,870**	1,283
– Trade and other receivables	**35,892**	118	**710**	20
– Bank balances and cash	**42,319**	435	**7**	111
Financial liabilities				
At amortised cost				
– Amounts due to subsidiaries	**–**	–	**56,169**	4,444
– Trade and other payables	**273,789**	66,614	**69,771**	65,886
– Bank and other borrowings	**80,005**	6,336	**86**	86
– Obligation under a finance lease	**351**	–	**–**	–

30. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES

(a) Financial risk management

The Group's business activities expose it to a variety of financial risks, which include credit risk, liquidity risk and interest rate risk arising in the normal course of its business and financial instruments. Details of the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has not been any change to the Company's and Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

30. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

(a) Financial risk management (continued)

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables). The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful debts based upon the expected collectible of all trade receivables. The Group has a diversified portfolio of businesses and as at reporting date, there were no significant concentration of credit risk with any entity.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. In addition, the Group relies on loans from related companies and a potential investor, an independent third party, as significant sources of liquidity. As at 31 December 2011, the Group's total available facilities from the potential investor were approximately HK$72,500,000 (2010: HK$10,000,000), of which HK$59,390,000 (2010: HK$6,250,000) were utilised at the end of the reporting period.

The following tables detail the Group's and the Company's contractual maturity for their non-derivative financial liabilities date. The tables have been drawn based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group and the Company can be required to pay.

30. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

(a) Financial risk management (continued)

Liquidity risk (continued)

The Group

	2011				
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**2 to 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying value HK$'000**
Trade and other payables	**273,789**	**–**	**–**	**273,789**	**273,789**
Bank and other borrowings	**80,686**	**442**	**405**	**81,533**	**80,005**
Obligation under a finance lease	**155**	**155**	**65**	**375**	**351**
	354,630	**597**	**470**	**355,697**	**354,145**

	2010				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying value HK$'000
Trade and other payables	66,614	–	–	66,614	66,614
Bank and other borrowings	6,336	–	–	6,336	6,336
	72,950	–	–	72,950	72,950

30. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

(a) Financial risk management (continued)

Liquidity risk (continued)

The Company

	2011				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying value HK$'000
Amounts due to subsidiaries	–	56,169	–	56,169	56,169
Other payables	69,771	–	–	69,771	69,771
Other borrowings	86	–	–	86	86
	69,857	56,169	–	126,026	126,026

	2010				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying value HK$'000
Amounts due to subsidiaries	–	4,444	–	4,444	4,444
Other payables	65,886	–	–	65,886	65,886
Other borrowings	86	–	–	86	86
	65,972	4,444	–	70,416	70,416

Interest rate risk

The Group's bank and other borrowings amounted to HK$80,005,000 (2010: HK$6,300,000). Included in the above amounts, an amount of HK$18,288,000 (2010: Nil) is charged at floating interest rates as disclosed in note 21. The Group's interest rate risk primarily relates to the interest bearing bank balances and borrowings. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate but may enter into interest rate hedging instruments in the future to hedge any significant interest rate exposure should the need arise.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2011 would increase/decrease by HK$111,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. No sensitivity analysis was presented for the year ended 31 December 2010 as the group had insignificant interest bearing bank balance only.

30. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

(b) Estimation of fair values

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- The estimate of fair values of biological assets is disclosed in note 3.

- The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements with a maturity of less than one year are assumed to approximate their fair values.

- The fair value of balances with related parties has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of their close relationship.

(c) Business risk

The Group is exposed to financial risks arising from changes in prices of agricultural produce which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include weather conditions. The Group has little or no control over these conditions and factors.

31. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group reviews the capital structure on a regular basis. As a part of this review, the Group monitors capital on the basis of net debt to adjusted equity ratio, the ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "adjusted equity", as shown in the consolidated statement of financial position, plus net debt. The Group considers the cost of capital and the risks associated with issued share capital and may adjust the ratio through dividend payments, issuing new shares, raising new debt financing or selling assets to reduce existing debts upon successful resumption of trading of shares.

The net debt to equity ratio did not apply as at 31 December 2011 and 2010 as the Group had total deficit for both years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

32. MATERIAL RELATED PARTY TRANSACTION

(a) Amounts due to related companies (note 20)

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Concord Group (B.V.I.) Limited (Note i)	**10,032**	10,032
Wonderland Group (HK) Corporation Limited (Note i)	**44,000**	44,000
Luck Healthy Group Limited (Note i and ii)	**–**	5,000
	54,032	59,032

i. The amounts are unsecured, interest free and repayable within one year.

ii. The common director, Mr. Ding Jiangyong of Luck Healthy resigned on 29 December 2011 and therefore the amount is reclassified as other payables.

iii. The above amounts have been settled under the Debt Restructuring as stated in Note 34(a).

(b) The amounts due to directors (note 20) are unsecured, interest free and have no fixed terms for repayment. The amount of approximately HK$4,552,000 has been settled under the Debt Restructuring as stated in Note 34 (a).

(c) Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**1,267**	875
Contribution to defined contribution retirement scheme plan	**33**	20
	1,300	895

33. PLEDGE OF ASSETS

The entire share capital of each of Cypress Jade Management, Trade Day, Trade Leader, Trade Soar and First Novel have been pledged to Right Day to secure the loan facilities granted to the Group. Details are stated in Note 21(e) to the financial statements.

34. EVENTS AFTER THE REPORTING DATE

Subsequent to the end of the reporting period, the following events occurred:

(a) Restructuring of the Company

The proposed restructuring of the Company involved (1) capital restructuring; (2) debt restructuring; (3) subscription for new shares; (4) issue of preference shares and consideration shares; (5) very substantial acquisitions; (6) connected transactions; (7) application for whitewash wavier and special deals consent; and (8) amendments to bye-laws (the "Proposed Restructuring"). Details of the Proposed Restructuring were set out in the circular of the Company issued on 30 November 2011, and were approved by the shareholders of the Company at a special general meeting on 23 December 2011 (the "Restructuring").

On 27 February 2012, the (1) capital restructuring; (2) debt restructuring; (3) subscription for new shares; and part of (4) issue of preference shares and consideration shares under the Restructuring were completed with details as follows:

Capital Restructuring

The capital restructuring under the Restructuring which involving (i) capital reduction (ii) share consolidation (iii) capital change (iv) reduction in share premium account (the "Capital Restructuring") was completed.

The estimated financial effect of the Capital Restructuring comprises of a decrease of approximately HK$22,160,000 in issued share capital; a decrease of approximately HK$163,532,000 in share premium; a decrease of approximately HK$136,547,000 in contributed surplus; and a decrease in approximately HK$412,239,000 in accumulated losses.

Debt Restructuring

The debt restructuring under the Restructuring, details of which were set out in the scheme documents of the Company dated 17 January 2012 (the "Scheme"), became operational on 23 February 2012 and the Company issued and allotted a total of 1,380,000,000 Class A preference shares to the scheme administrators of the Scheme on the same date.

The estimated financial effect of the debt restructuring comprises of a decrease of approximately HK$67,421,000 in the Group's indebtedness, an increase in Class A preference shares of HK$13,800,000 and a gain of restructuring approximately HK$53,621,000.

34. EVENTS AFTER THE REPORTING DATE (continued)

(a) Restructuring of the Company (continued)

Subscription for new shares

The Company allotted to Right Day Holdings Limited a total of 1,000,000,000 ordinary shares at the price of HK$0.10 each, for a total consideration of HK$100,000,000.

The estimated financial effect of the subscription for new shares comprises of an increase of HK$10,000,000 in issued share capital; an increase of HK$90,000,000 in share premium and net cash proceeds of approximately HK$87,800,000.

Issue of consideration shares

The Company issued 4,000,000 ordinary shares to Quam Capital Limited, being settlement of its services fee as the financial advisor to the Company with regard to the Restructuring.

The estimated financial effect of the issue of new ordinary shares comprises of an increase of HK$40,000 in issued share capital; an increase of HK$360,000 in share premium; and a decrease of approximately HK$400,000 in other payables.

(b) Connected Transaction

On 23 February 2012, the Company entered into a Consultancy Agreement with Dr. Hui Ho Ming, Herbert ("Dr. Hui"), a former executive director of the Company, whereby Dr. Hui was engaged as an independent consultant of the Company for a term of one year commencing from the date on which the Company resumes of its shares trading on the main board of the Stock Exchange of Hong Kong Limited.

Pursuant to the Consultancy Agreement, Dr. Hui is entitled to a monthly consultancy fee of HK$200,000. Under the Listing Rules, this transaction is considered as a connected transaction subject to independent Shareholders' approval in additional to relevant reporting and announcement requirements. The Consultancy Agreement shall have no effect until independent Shareholders' approval is obtained.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on 28 March 2012.

Five Year Summary

Year ended 31 December 2011

A summary of the published results and assets and liabilities of the Group for the latest five years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Turnover					
Continuing operations	**15,810**	15,097	36,659	–	–
Discontinuing operations	**–**	–	–	–	1,876
(Loss)/profit for the year					
Continuing operations	**(12,132)**	(9,621)	(7,117)	(12,855)	(13,775)
Discontinuing operations	**–**	–	–	878	10,902
	(12,132)	(9,621)	(7,117)	(11,977)	(2,873)
Attributable to:					
Equity shareholders of the Company	**(12,132)**	(9,621)	(7,117)	(11,977)	(2,873)
Total assets	**299,878**	1,391	7,012	4,964	16,838
Total liabilities	**(383,569)**	(72,950)	(68,950)	(59,785)	(58,785)
Net liabilities	**(83,691)**	(71,559)	(61,938)	(54,821)	(41,947)