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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect about this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **FIRST NATURAL FOODS HOLDINGS LIMITED**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance and Transfer to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form(s) of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

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### INVENTIVE STAR LIMITED

*(Incorporated in the British Virgin Islands with limited liability)*



### FIRST NATURAL FOODS HOLDINGS LIMITED

第一天然食品有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

**COMPOSITE DOCUMENT RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
YU MING INVESTMENT MANAGEMENT LIMITED  
ON BEHALF OF  
INVENTIVE STAR LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
FIRST NATURAL FOODS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY  
INVENTIVE STAR LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

*Financial adviser to the Offeror*



禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

*Independent financial adviser to the Independent Board Committee of  
First Natural Foods Holdings Limited*

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

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Capitalized terms used in this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Yu Ming containing, among other things, details of the terms of the Offer is set out on pages 5 to 12 of this Composite Document.

A letter from the Board is set out on pages 13 to 17 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages 18 to 19 of this Composite Document.

A letter from Beijing Securities containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 20 to 34 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in the Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer. Form(s) of Acceptance and Transfer should be received by Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 4:00 p.m. on 14 November 2013 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

\* For identification purpose only

24 October 2013

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company:*

2013

Despatch date of this Composite Document  
and the Form(s) of Acceptance and Transfer  
and commencement date of the Offer (*Note 1*) . . . . . Thursday, 24 October

Latest time and date for acceptance  
of the Offer (*Note 2*) . . . . . 4:00 p.m. on Thursday, 14 November

Closing Date of the Offer (*Note 2*) . . . . . Thursday, 14 November

Announcement of the results of the Offer,  
posted on the website of  
the Stock Exchange (*Note 2*) . . . . . no later than 7:00 p.m. on Thursday, 14 November

Latest date for posting of remittances in respect of  
valid acceptances received under the Offer (*Note 3*) . . . . . Monday, 25 November

*Notes:*

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. The latest time and date for acceptance will be at 4:00 p.m. on Thursday, 14 November 2013 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the Stock Exchange website no later than 7:00 p.m. on Thursday, 14 November 2013 stating whether the Offer has been revised or extended or has expired. In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the consideration (after deducting the seller's ad valorem stamp duty) payable under the Offer will be despatched to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days after the date of receipt by the Registrar of a duly completed acceptance in accordance with the Takeovers Code.
4. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.

**All references to date and time contained in this Composite Document and the Form(s) of Acceptance and Transfer refer to Hong Kong dates and time.**

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following terms shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors of the Company
“Beijing Securities”	Beijing Securities Limited, a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), being appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Offer
“Business Day(s)”	a day (other than a Saturday, Sunday, public holidays and days on which a tropical cyclone warning signal no.8 or above or a black rainstorm warning signal is hosted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for business throughout their normal business hours
“Closing Date”	14 November 2013 or any subsequent closing date as may be announced jointly by the Offeror and the Company and approved by the Executive
“Company”	First Natural Foods Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares contemplated under the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document in respect of the Offer dated 24 October 2013 jointly issued by the Offeror and the Company to the Shareholders in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offer
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	consideration payable for the sale and purchase of the Sale Shares under the Sale and Purchase Agreement

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## DEFINITIONS

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“Director(s)”	director(s) of the Company from time to time
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind; or any option, equity, claim, adverse interest or other third party right of any kind; or any arrangement by which any right is subordinated to any right of such third party; or any contractual right of set-off, including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form(s) of Acceptance and Transfer”	the form(s) of acceptance and transfer in respect of the Offer accompanying the Composite Document
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Board Committee”	the independent board committee of the Board, comprising all independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew, which has been established to make recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance
“Independent Shareholder(s)”	holders of the Shares, other than the Offeror and parties acting in concert with it. For the avoidance of doubt, parties acting in concert with the Offeror include, amongst others, the Vendor and Yu Ming
“Joint Announcement”	the announcement jointly published by the Offeror and the Company dated 19 September 2013 in relation to, among other things, the Sale and Purchase Agreement and the Offer

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## DEFINITIONS

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“Last Trading Day”	12 September 2013, the last trading date before the suspension of trading in the Shares
“Latest Practicable Date”	21 October 2013, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM Board of the Stock Exchange
“Ms Cui”	Ms Cui Lijie, the sole shareholder and sole director of the Offeror
“Offer”	the mandatory unconditional cash offer for all the issued Shares (other than those already acquired by or agreed to be acquired by the Offeror and parties acting in concert with it) being made by Yu Ming on behalf of the Offeror at the Offer Price
“Offeror”	Inventive Star Limited, a company incorporated under the laws of the British Virgin Islands and the purchaser of the Sale Shares under the Sale and Purchase Agreement
“Offer Price”	HK\$1.0 per Offer Share
“Offer Share(s)”	100,064,120 Shares that is subject to the Offer
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as stated in the register of members of the Company is or are outside Hong Kong
“Registrar”	Hong Kong Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company, with its addresses at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Relevant Period”	the period commencing on 19 March 2013, being the date falling six months prior to 19 September 2013, the commencement date of the Offer period and up to the Latest Practicable Date

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## DEFINITIONS

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“Sale Share(s)”	300,182,154 Share(s) legally and beneficially owned by the Vendor pursuant to the Sale and Purchase Agreement prior to Completion, representing approximately 74.99% of the entire issued share capital of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Sale and Purchase Agreement”	the agreement dated 12 September 2013 entered into between the Offeror and the Vendor in relation to the sale and purchase of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“Vendor”	Groupwill Holdings Limited, a company incorporated under the laws of the British Virgin Islands, was the controlling shareholder holding approximately 74.99% of the entire issued share capital of the Company prior to Completion
“Yu Ming”	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM YU MING

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禹銘投資管理有限公司  
YU MING INVESTMENT MANAGEMENT LIMITED

*To the Independent Shareholders*

24 October 2013

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YU MING INVESTMENT MANAGEMENT LIMITED  
ON BEHALF OF  
INVENTIVE STAR LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
FIRST NATURAL FOODS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
BY OR AGREED TO BE ACQUIRED BY  
INVENTIVE STAR LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

On 12 September 2013, the Offeror had entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Offeror had agreed to acquire and the Vendor had agreed to sell the Sale Shares, being 300,182,154 Shares, for a total Consideration of HK\$300,182,154, equivalent to HK\$1.00 per Sale Share. Completion of the Sale and Purchase Agreement took place on 19 September 2013.

Immediately following Completion, the Offeror and parties acting in concert with it hold an aggregate of 300,182,154 Shares, representing approximately 74.99% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares which are not owned or have been agreed to be acquired by it and parties acting in concert with it.

This letter sets out, amongst other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intention regarding the Group. Further details of the terms of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.



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## LETTER FROM YU MING

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### THE OFFER

#### Principal terms of the Offer

We are making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following basis:–

**For each Offer Share . . . . . HK\$1.00 in cash**

The Offer Price of HK\$1.00 per Offer Share equals the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

As at the Latest Practicable Date, there were 400,246,274 Shares in issue and there were no options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The procedures for acceptance and further terms of the Offer are set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

#### Comparison of value

The offer price of HK\$1.00 per Offer Share represents:

- (i) a discount of approximately 72.07% to the closing price of HK\$3.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 74.29% to the average closing price of approximately HK\$3.89 per Share for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 71.59% to the average closing price of approximately HK\$3.52 per Share for the last ten trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 49.24% to the average closing price of approximately HK\$1.97 per Share for the last thirty trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 150.00% over the unaudited net asset value of approximately HK\$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK\$0.40 per Share as at 31 December 2012; and
- (vi) a discount of approximately 80.47% to the closing price of HK\$5.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM YU MING

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### **Highest and lowest prices**

During the Relevant Period, the highest closing price per Share as quoted on the Stock Exchange was HK\$5.40 on 26 September 2013 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.55 on 11 June 2013.

### **Value of the Offer**

Based on the Offer Price of HK\$1.00 per Offer Share, the entire issued share capital of the Company is valued at HK\$400,246,274. As the Offeror is interested in 300,182,154 Shares as at the Latest Practicable Date, the total number of issued Shares subject to the Offer will be 100,064,120 Shares. In the event that the Offer is accepted in full, the aggregate amount payable by the Offeror under the Offer will be HK\$100,064,120.

### **Confirmation of financial resources**

Yu Ming will underwrite all the Offer Shares tendered for acceptance under the Offer for a commission of 2.5% of the aggregate value of the Offer Shares at the Offer Price, and Yu Ming has sufficient financial resources available to satisfy full acceptance of the Offer. The Offeror does not intend that the payment of underwriting commission or the interest on, repayment of or security for any liability under the underwriting arrangement will depend to any significant extent on the business of the Group.

Yu Ming will take up all the Offer Shares tendered for acceptance under the Offer and it will make arrangement to place down the Offer Shares after the close of the Offer to independent third parties, who are not concert parties and not connected persons of the Offeror, so that Yu Ming will not become a substantial Shareholder or a connected person of the Company upon close of the Offer and public float of the Company can be maintained after the close of the Offer.

### **Effect of accepting the Offer**

By accepting the Offer, the Independent Shareholders will sell their Shares fully paid and free from all liens, charges, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document. From the date of the Joint Announcement up to the Latest Practicable Date, there was no dividend or distribution declared, paid or made by the Company.

The Offer is unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date. Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable once given and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code.

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## LETTER FROM YU MING

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### **Overseas Shareholders**

As the Offer to persons not reside in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

### **Stamp duty**

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, which will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **INFORMATION ON THE GROUP**

The Company is an investment holding company incorporated in Bermuda with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange since 2002. The Group is principally engaged in the processing and trading of food products mainly including frozen and functional food products.

### **INFORMATION ON THE OFFEROR**

The Offeror was incorporated in the British Virgin Islands with limited liability and is beneficially and wholly-owned by Ms Cui. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror are its equity interests in the Company. Prior to the date of the Sale and Purchase Agreement, the Offeror has not conducted any business since its incorporation.

Ms Cui is the sole shareholder and sole director of the Offeror. She is a jewelry collector and experienced in property investment in the People's Republic of China. She is well acquainted with people engaged in eco-tourism, entertainment and gaming industries. As at the Latest Practicable Date, she does not hold any directorships in any public or listed companies.

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## LETTER FROM YU MING

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### **INTENTIONS OF THE OFFEROR REGARDING THE GROUP**

The Offeror intends to continue the Group's existing business. Immediately after the close of the Offer, the Offeror will conduct a review of the financial position and operations of the Group with a view to developing and formulating long-term business strategy for the Group. In addition, in order to broaden its income source and to accelerate the Group's growth and future development, the Offeror plans to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment in the People's Republic of China and/or gaming business in Macau and/or worldwide. The Offeror will also explore and consider any other investment and business opportunities that may arise in the market from time to time that it considers value-enhancing to Shareholders and/or otherwise in the best interests of the Group. If any possible investment materializes, the Company will make further announcement as and when required under the Listing Rules. As at the Latest Practicable Date, the Offeror has not identified such investment or business opportunities.

Furthermore, in order to strengthen the capital base of the Group so that it is in a better position to capture any investment and business opportunities that may arise, the Offeror will, as soon as practicable after the close of the Offer, procure the directors it nominates on the Board to consider raising fund from equity or equity-related securities. Further announcement will be made once any of such fund raising proposals, is put to the Board and approved. In the event the Offeror is required to put up any equity financing, it will be at a price per Share with reference to the Offer Price of HK\$1.00 per Share. As at the Latest Practicable Date, such fund raising proposals have not been finalised.

Save as required for the implementation of the Offeror's intention regarding the Group as aforementioned, the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed nomination of new directors to the Board as detailed in the section headed "Proposed change to the Board composition of the Company" below) or to dispose of or redeploy the Group's assets which are not in the ordinary and usual course of business of the Group.

### **Proposed change to the Board composition of the Company**

The Board currently comprises seven Directors, of whom three are executive Directors, one is non-executive Director and three are independent non-executive Directors. The Offeror intends to nominate new Director(s) for appointment to the Board after the close of the Offer. Details of the change of the Board composition and the biographies of the newly appointed Director(s) will be further announced in compliance with the Takeovers Code and the Listing Rules.

### **Maintaining the listing status of the Group**

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange upon the close of the Offer. The Directors and the director of the Offeror undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

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## LETTER FROM YU MING

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The Stock Exchange has indicated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:–

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

### **PROCEDURES FOR ACCEPTANCES OF THE OFFER**

To accept the Offer, Independent Shareholders should complete the accompanying Form(s) of Acceptance and Transfer in accordance with the instructions printed thereon. The Form(s) of Acceptance and Transfer form part of the terms of the Offer.

The completed Form(s) of Acceptance and Transfer should then be forwarded, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of the Shares in respect of which you intend to tender under the Offer, by post or by hand, to the Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, in an envelope marked "First Natural Foods Offer" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the Closing Date.

No acknowledgement of receipt of any Form(s) of Acceptance and Transfer and the title documents will be given.

Your attention is drawn to the paragraph headed "General procedures for acceptance of the Offer" as set out in Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

### **Settlement of the Offer**

Provided that the accompanying Form(s) of Acceptance and Transfer, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar, in compliance with Note 1 of Rule 30.2 of the Takeovers Code, no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within seven Business Days from the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar and in accordance with Note 1 of Rule 30.2 of the Takeovers Code.

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## LETTER FROM YU MING

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Settlement to the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer set out in this Composite Document (including its appendices) and the accompanying Form(s) of Acceptance and Transfer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

### **Tax Implications**

None of the the Company, the Offeror, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Beijing Securities, the Registrar or any of their respective directors or any persons involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications. The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, the Offeror, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Beijing Securities, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

### **COMPULSORY ACQUISITION**

The Offeror does not intend to exercise any right which may be available to it under the provisions of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

### **GENERAL**

To ensure equality of treatment of all Shareholders, those Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owner of the Shares, whose investments are registered in nominee names, to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances will be sent to the Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, in case of joint holders whose name appear first in the said register of members, unless otherwise specified in the accompanying Form(s) of Acceptance and Transfer completed, returned and received by the Registrar. None of the Company, the Offeror, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Beijing Securities, the Registrar or any of their respective directors, officers, associates, agents or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

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## LETTER FROM YU MING

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### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form(s) of Acceptance and Transfer, which form part of this Composite Document. In particular, your attention is drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the independent financial adviser to the Independent Board Committee as set out in the “Letter from Beijing Securities” contained in this Composite Document.

Yours faithfully,  
For and on behalf of  
**Yu Ming Investment Management Limited**  
**Warren Lee**  
*Managing Director*

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LETTER FROM THE BOARD

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**FIRST NATURAL FOODS HOLDINGS LIMITED**

**第一天然食品有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

*Executive Directors*

Mr. Huang Kunyan  
Mr. Shum Chin Tong Peter  
Mr. Yau Dennis Wai Tak

*Registered office*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Non-Executive Director*

Mr. Lee Wa Lun Warren

*Head Office and Principal Place  
of Business*

14/F, Bangkok Bank Building  
490-492 Nathan Road  
Yaumatei, Kowloon  
Hong Kong

*Independent Non-Executive Directors*

Mr. Wong Chi Keung  
Mr. Leung King Yue Alex  
Mr. Tang Chi Chung Matthew

*To the Independent Shareholders*

24 October 2013

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YU MING INVESTMENT MANAGEMENT LIMITED  
ON BEHALF OF  
INVENTIVE STAR LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
FIRST NATURAL FOODS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
BY OR AGREED TO BE ACQUIRED BY  
INVENTIVE STAR LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement of the Offeror and the Company dated 19 September 2013 in respect of, among other things, the Offer.



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## LETTER FROM THE BOARD

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Immediately following Completion, the Offeror and parties acting in concert with it will hold 300,182,154 Shares, representing approximately 74.99% of the entire issued share capital of the Company. Accordingly, the Offeror is required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code for all the issued Shares which are not owned or have been agreed to be acquired by it and parties acting in concert with it.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew, has been formed to advise the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance. As Mr. Lee Wa Lun Warren, a non-executive Director, is also the managing director of Yu Ming, which in turn advises the Offeror in respect of the Offer, was excluded from the Independent Board Committee to avoid any conflict of interest as to recommendation on acceptance of the Offer by the Independent Shareholders. Beijing Securities has been appointed as the independent financial adviser to advise the Independent Board Committee on the Offer. The appointment of Beijing Securities has been approved by the Independent Board Committee.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the “Letter from the Independent Board Committee” containing its recommendation to the Independent Shareholders in respect of the Offer; and (iii) the “Letter from Beijing Securities” containing its recommendation to the Independent Board Committee in respect of the Offer.

### THE OFFER

#### Principal terms of the Offer

Yu Ming is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:–

**For each Offer Share . . . . . HK\$1.00 in cash**

The Offer Price of HK\$1.00 per Offer Share equals the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement.

Further details of the Offer, including terms and procedures for acceptance of the Offer are contained in the “Letter from Yu Ming” as set out on pages 5 to 12 of this Composite Document and Appendix I to this Composite Document and the accompanying Form(s) of Acceptance and Transfer.

### INFORMATION ON THE GROUP

The Company is an investment holding company incorporated in Bermuda with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange since 2002. The Group is principally engaged in the processing and trading of food products mainly including frozen and functional food products.

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## LETTER FROM THE BOARD

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Set out below is a summary of the audited consolidated results of the Group for each of the two financial years ended 31 December 2011 and 2012, and its unaudited consolidated results for the six months ended 30 June 2013, as extracted from the Company's 2012 annual report and the Company's interim report for the six months ended 30 June 2013, respectively.

<i>HK\$'000</i>	<b>For the six months ended 30 June 2013</b>	<b>For the financial year ended 31 December</b>	
	<i>(Unaudited)</i>	<b>2012</b> <i>(Audited)</i>	<b>2011</b> <i>(Audited)</i>
Turnover	254,171	651,562	881,291
(Loss)/Profit before tax <i>(Note)</i>	(1,895)	385,200	5,967
(Loss)/Profit attributable to owners of the Company	(1,895)	382,858	2,742

*Note:* The profit before tax of the Company for financial year ended 31 December 2012 was mainly attributable to a gain on debts discharged under the scheme of arrangement of HK\$381,258,000.

The unaudited consolidated net assets of the Group attributable to Shareholders as at 30 June 2013 were approximately HK\$158,593,000, which was equivalent to approximately HK\$0.40 per Share. The audited consolidated net assets of the Group attributable to Shareholders as at 31 December 2012 were approximately HK\$160,488,000, which was equivalent to approximately HK\$0.40 per Share and the audited consolidated net liabilities of the Group attributable to Shareholders as at 31 December 2011 were approximately HK\$437,229,000.

### **Shareholding structure of the Company**

As at the Latest Practicable Date, there were 400,246,274 Shares in issue which were fully paid-up and rank pari passu in all respects with each other, including in particular as to dividends, voting rights and capital.

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such options, warrants, derivatives or convertibles.

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## LETTER FROM THE BOARD

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The following table sets out the shareholding structure of the Company (i) immediately prior to Completion; and (ii) after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		After Completion and as at the Latest Practicable Date	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Groupwill Holdings Limited <i>(Note)</i>	300,182,154	75.00	–	–
The Offeror	–	–	300,182,154	75.00
Public Shareholders	<u>100,064,120</u>	<u>25.00</u>	<u>100,064,120</u>	<u>25.00</u>
Total	<u><u>400,246,274</u></u>	<u><u>100.00</u></u>	<u><u>400,246,274</u></u>	<u><u>100.00</u></u>

*Note:* Groupwill Holdings Limited is an investment holding company incorporated in the British Virgin Islands and its entire issue share capital is beneficially owned by Mr. Huang Kunyan.

### INFORMATION OF THE OFFEROR

Your attention is drawn to the paragraph headed “Information on the Offeror” in the “Letter from Yu Ming” as set out on pages 5 to 12 of this Composite Document.

### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Intentions of the Offeror regarding the Group” in the “Letter from Yu Ming” as set out on pages 5 to 12 of this Composite Document.

The Board has noted the intention of the Offeror in respect of the Group and its employees and is willing to render reasonable cooperation with the Offeror, which is in the interests of the Company and the Shareholders as a whole.

### Maintaining the listing status of the Group

As set out in the “Letter from Yu Ming” on pages 5 to 12 of this Composite Document, the Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange upon the close of the Offer. The Directors and director of the Offeror undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

The Stock Exchange has indicated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that:–

- (i) a false market exists or may exist in the trading of the Shares; or

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## LETTER FROM THE BOARD

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(ii) that there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

### **RECOMMENDATION**

The Independent Board Committee is established to make recommendation to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer.

We recommend Independent Shareholders to read the “Letter from the Independent Board Committee” as set out on pages 18 and 19 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Offer, and the “Letter from Beijing Securities” as set out on pages 20 to 34 of this Composite Document containing its advice to the Independent Board Committee in respect of the Offer.

Yours faithfully,  
For and on behalf of the Board  
**First Natural Foods Holdings Limited**  
**Huang Kunyan**  
*Executive Director*



**FIRST NATURAL FOODS HOLDINGS LIMITED**

**第一天然食品有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

*To the Independent Shareholders*

24 October 2013

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YU MING INVESTMENT MANAGEMENT LIMITED  
ON BEHALF OF  
INVENTIVE STAR LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES  
IN THE ISSUED SHARE CAPITAL OF  
FIRST NATURAL FOODS HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
BY OR AGREED TO BE ACQUIRED BY  
INVENTIVE STAR LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 24 October 2013 jointly issued by the Offeror and the Company of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to advise you as to (i) whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, and (ii) acceptance of the Offer, after taking into account the advice from Beijing Securities, the independent financial adviser to the Independent Board Committee.

Details of advice from Beijing Securities and the principal factors it has taken into consideration in arriving at its recommendations are set out in the “Letter from Beijing Securities” on pages 20 to 34 of this Composite Document. Details of the Offer are set out in the “Letter from Yu Ming” and Appendix I contained in the Composite Document, and the accompanying Form(s) of Acceptance and Transfer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice and recommendations of Beijing Securities and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

However, given the extensive surge of the Share price from late August 2013 onwards up to the Latest Practicable Date and that the Offer Price is at substantial discount to the current market prices of the Shares, we remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the offer period and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intention of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer.

Furthermore, Independent Shareholders are also reminded that their decisions to dispose or hold their investment in the Shares are subject to their individual circumstances and investment objectives. Independent Shareholders may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer and the “Letter from Beijing Securities” in the Composite Document.

Yours faithfully,

For and on behalf of the  
Independent Board Committee of  
**First Natural Foods Holdings Limited**

**Wong Chi Keung**  
*Independent*  
*non-executive Director*

**Leung King Yue Alex**  
*Independent*  
*non-executive Director*

**Tang Chi Chung Matthew**  
*Independent*  
*non-executive Director*

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## LETTER FROM BEIJING SECURITIES

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*The following is the text of a letter of advice from Beijing Securities to the Independent Board Committee in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

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### BEIJING SECURITIES LIMITED

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14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

24 October 2013

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
YU MING INVESTMENT MANAGEMENT LIMITED  
ON BEHALF OF  
INVENTIVE STAR LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
FIRST NATURAL FOODS HOLDINGS LIMITED  
(OTHER THAN THOSE SHARES ALREADY OWNED  
BY OR AGREED TO BE ACQUIRED BY  
INVENTIVE STAR LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offer. The details of the Offer are set out in the Composite Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

On 12 September 2013, the Offeror entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell the Sale Shares, being 300,182,154 Shares, for a total Consideration of HK\$300,182,154, equivalent to HK\$1.00 per Sale Share.

Following Completion which took place on 19 September 2013, the Offeror and parties acting in concert with it hold an aggregate of 300,182,154 Shares, representing approximately 74.99% of the entire issued share capital of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

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## LETTER FROM BEIJING SECURITIES

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Yu Ming is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:–

**For each Offer Share . . . . .HK\$1.00 in cash**

Further details of the terms of the Offer, including the procedures for acceptance and settlement of the Offer, are set out in the “Letter from Yu Ming” and Appendix I to this Composite Document.

The Board currently comprises three executive Directors, one non-executive Director, and three independent non-executive Directors. The Independent Board Committee, which has been formed to advise the Independent Shareholders regarding the Offer, is currently comprising of all the independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew. As Mr. Lee Wa Lun Warren, a non-executive Director, is also the managing director of Yu Ming, which in turn advises the Offeror in respect of the Offer, he was excluded from the Independent Board Committee to avoid any conflict of interest as to recommendation on acceptance of the Offer by the Independent Shareholders. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and such appointment has been approved by the Independent Board Committee.

Beijing Securities is not connected with the directors, chief executive or substantial shareholders of the Company or the Offeror or any of their respective associates or respective party acting, or presumed to be acting, in concert with any of them and therefore is considered suitable to give independent advice to the Independent Board Committee. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Company or the Offeror or the directors, chief executive and substantial shareholders of the Company, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them.

Our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable and whether or not the Independent Board Committee should recommend the Independent Shareholders to accept the Offer.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Company, the Offeror and their respective directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror and parties acting in concert with it and terms and conditions of the Offer) and confirm,



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## LETTER FROM BEIJING SECURITIES

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having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Group and its associates) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Group and its associates) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in this Composite Document misleading.

We have assumed that all information and representations that have been provided by the Directors and the sole director of the Offeror, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date throughout the offer period (as defined under the Takeovers Code). We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the sole director of the Offeror in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, the Offeror and their respective directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification on the information included in the Composite Document and provided to us by the Company, the Offeror and their respective directors nor have we conducted any form of in-depth investigation into the business, affairs, financial performance and positions or future prospects of the Group, the Offeror and their respective associates.

We have not considered the tax consequences on the Independent Shareholders of their acceptance or non-acceptance of the Offer since these are particular to their own individual circumstances. In particular, Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to this Offer and, if in any doubt, should consult their own professional advisers.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

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## LETTER FROM BEIJING SECURITIES

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### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Offer to the Independent Board Committee, we have considered the following principal factors and reasons:-

#### 1. Background and terms of the Offer

On 12 September 2013, the Offeror entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell the Sale Shares, being 300,182,154 Shares, for a total Consideration of HK\$300,182,154, equivalent to HK\$1.00 per Sale Share. Completion of the Sales and Purchase Agreement took place on 19 September 2013.

Following Completion which took place on 19 September 2013, the Offeror and parties acting in concert with it hold an aggregate of 300,182,154 Shares, representing approximately 74.99% of the entire issued share capital of the Company as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

Yu Ming is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:-

**For each Offer Share . . . . .HK\$1.00 in cash**

The Offer Price of HK\$1.00 per Offer Share equals the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and free from all liens, charges, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document.

Details of the Offer, including terms and procedures for acceptance of the Offer are set out in the “Letter from Yu Ming” and Appendix I to this Composite Document and the accompanying Form(s) of Acceptance.

#### 2. Financial information on the Group

The Company is an investment holding company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange since 2002. The Group is principally engaged in the processing and trading of food products comprising mainly of frozen and functional food products.

## LETTER FROM BEIJING SECURITIES

Set out below is a summary of the audited consolidated financial information of the Group for each of the two financial years ended 31 December 2011 and 2012, and its unaudited consolidated results for the six months ended 30 June 2013, as extracted from the Company's 2012 annual report (the "Annual Report") and the Company's interim results announcement for the six months ended 30 June 2013 (the "Interim Report"), respectively.

<i>HK\$'000</i>	<b>For the six months ended 30 June 2013</b>	<b>For the financial year ended 31 December</b>	
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Turnover	254,171	651,562	881,291
Gross Profit	6,634	25,504	24,657
(Loss)/Profit from operations	(1,895)	19,412	18,594
(Loss)/Profit before tax <i>(Note)</i>	(1,895)	385,200	5,967
(Loss)/Profit attributable to owners of the Company	(1,895)	382,858	2,742

*Note:* The profit before tax of the Company for financial year ended 31 December 2012 was mainly attributable to a gain on debts discharged under the scheme of arrangement of approximately HK\$381,258,000.

<i>HK\$'000</i>	<b>As at 30 June 2013</b>	<b>As at 31 December 2012</b>	<b>As at 31 December 2011</b>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Non-current assets	31,170	32,710	35,982
Current assets	149,504	151,776	96,065
Non-current liabilities	(10)	(10)	–
Current liabilities	(22,071)	(23,988)	(569,276)
Net assets	158,593	160,488	(437,229)
Current ratio (current assets over current liabilities)	6.77 times	6.33 times	0.17 times
Gearing ratio (interest bearing liabilities over total equity)	0.00%	0.00%	N/A

For the year ended 31 December 2012, the Group achieved a turnover of approximately HK\$651,562,000 which was a decreased of approximately 26.07% from approximately HK\$881,291,000 for the year ended 31 December 2011. According to the Annual Report, the turnover was mainly attributable from the business of processing and trading of food products and the decrease was mainly due to the decrease in sales to the PRC customers as there was a general decrease in demand, especially frozen meat and poultry in the PRC. In addition, in view of the risk associated with price fluctuation of frozen food products since the last quarter

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## LETTER FROM BEIJING SECURITIES

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of 2012, the Group had adopted the strategy of turning down low margin trades as the management considered that the small benefits of those low margin trades would be disproportional with the risk of and the working capital required for these trades. Therefore, the gross profit was approximately HK\$25,504,000 for the year ended 31 December 2012 which was an increase of approximately 3.44% from approximately HK\$24,657,000 for the year ended 31 December 2011. Also for the year ended 31 December 2012, the Group provided food processing services to customer by using the food processing facilities in Jiangmen, PRC and derived food processing income of approximately HK\$6,810,000 for the year ended 31 December 2012. As a result, the Group's aggregate profit from operations was approximately HK\$19,412,000 for the year ended 31 December 2012 which represented an increase of approximately 4.40% from approximately HK\$18,594,000 for the year ended 31 December 2011.

For the year ended 31 December 2012, there were an one-off exceptional gain on debts discharged under the scheme of arrangement amounting to approximately HK\$381,258,000 and a restructuring cost incurred for the group restructuring amounting to approximately HK\$8,581,000. Details of the scheme of arrangement and restructuring pertaining to the resumption of trading of the Shares was disclosed in the announcement of the Company dated 26 March 2012. As a result, the Group's profit attributable to owners of the Company was approximately HK\$382,858,000 for the year ended 31 December 2012 as compared to HK\$2,742,000 for the year ended 31 December 2011.

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$254,171,000 and a gross profit of approximately HK\$6,634,000 which was a decreased of approximately 26.88% and 24.42% respectively as compared to the six months ended 30 June 2012. According to the Interim Report, certain major countries with markets for frozen food products continued to suffer from economic hardship and pressure on global food trades and therefore affecting the performance of the Group for the six months ended 30 June 2013. Furthermore, the continuous downward trend and the fluctuation in selling prices have been exerting pressure on the business volume and gross margin of the Group. In addition, there was also a lack of food processing income during the period ended 30 June 2013 as compared with approximately HK\$5,819,000 (included in other income) for the six months ended 30 June 2012 mainly attributable to keen competition from other food processing plants. Moreover, during the six months ended 30 June 2013, the Group incurred more market development and administrative expenses. As a result, the Group recorded a loss from operation of approximately HK\$1,895,000 for the six months ended 30 June 2013 compared to a profit from operation of approximately HK\$7,947,000 for the six months ended 30 June 2012.

The Group's loss attributable to owners of the Company for the six months ended 30 June 2013 was approximately HK\$1,895,000, being an increase in loss by approximately HK\$943,000 as compared with to the six months ended 30 June 2012.

During the year ended 31 December 2012, the Group has completed a group restructuring and debt restructuring exercises. As a result, the net assets of the Group were approximately HK\$158,593,000 and HK\$160,488,000 as at 30 June 2013 and 31 December 2012 respectively as compared to a negative net assets of approximately HK\$437,229,000 as at 31 December

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## LETTER FROM BEIJING SECURITIES

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2011. In addition, the Group's current ratios (current assets/current liabilities) were 6.77 times and 6.33 times as at 30 June 2013 and 31 December 2012 respectively as compared to 0.17 times as at 31 December 2011. As the Group did not have any interest bearing bank and other borrowings as at 30 June 2013 and 31 December 2012, the Group's gearing for such period was nil. The gearing ratio as at 31 December 2011 was not applicable as the Group had a net deficiency in total equity as at 31 December 2011.

Looking forward, as advised by the management, the Group will continue to cautiously operate its frozen food products trading business as keen competition from other food traders as well as the tightening on food safety standards will exert pressure on the performance of the Group in terms of both business volume and gross margin. Meanwhile, the Group will also focus on developing its food distribution platform to build up its sales network and will also be reviewing its operation arrangement with the food processing plant in Jiangmen, PRC in order to maintain operating efficiency for the food processing business of the Group.

### **3. Information on the Offeror**

The Offeror was incorporated in the British Virgin Islands with limited liability and is beneficially and wholly-owned by Ms Cui. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror are its equity interests in the Company. Prior to the date of the Sale and Purchase Agreement, the Offeror has not conducted any business since its incorporation.

Ms Cui is the sole shareholder and sole director of the Offeror. She is a jewelry collector and experienced in property investment in the People's Republic of China. She is well acquainted with people engaged in eco-tourism, entertainment and gaming industries. As at the Latest Practicable Date, she does not hold any directorships in any public or listed companies.

### **4. Intention of the Offeror in relation to the Group**

As set out in the "Letter from Yu Ming" to the Composite Document, the Offeror intends to continue the Group's existing business of processing and trading of food products comprising mainly of frozen and functional food products. Immediately after the close of the Offer, the Offeror intends to conduct a review of the financial position and operations of the Group with a view to developing and formulating long-term business strategy for the Group.

In addition, in order to broaden its income source and to accelerate the Group's growth and future development, the Offeror plans to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment in the People's Republic of China and/or gaming business in Macau and/or worldwide. The Offeror will also explore and consider any other investment and business opportunities that may arise in the market from time to time that it considers value-enhancing to Shareholders and/or otherwise in the best interests of the Group. As at the Latest Practicable Date, the Offeror has not identified any such investment or business opportunities.

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## LETTER FROM BEIJING SECURITIES

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Furthermore, in order to strengthen the capital base of the Group so that it is in a better position to capture any investment and business opportunities that may arise, the Offeror will, as soon as practicable after the close of the Offer, procure the directors it nominates on the Board to consider raising fund from equity or equity-related securities. As at the Latest Practicable Date, no such fund raising proposals have yet been identified and put forward to the Board.

Save as required for the implementation of the Offeror's intention regarding the Group as aforementioned, the Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed nomination of new directors to the Board as detailed in the section headed "Proposed change of board composition of the Company" below) or to dispose of or re-allocate the Group's assets which are not in the ordinary and usual course of business of the Group. Independent Shareholders may refer to the "Letter from Yu Ming" of the Composite Document for further details on the intention of the Offeror regarding the Group.

### **5. Proposed change to the Board Composition of the Company**

The Board currently comprises seven directors, of whom three are executive Directors, one is non-executive Director and three are independent non-executive Directors. The Offeror intends to nominate new Directors for appointment to the Board after the close of the Offer. Details of the change of the Board composition and the biographies of the newly appointed Director(s) will be further announced in compliance with the Takeovers Code and the Listing Rules.

### **6. Maintaining the listing status of the Company**

The Offeror has no intention to privatise the Group and intends to maintain the listing of the Shares on the Stock Exchange upon closing of the Offer. The Offeror undertakes to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the entire issued share capital of the Company will continue to be held by the public at all times.

However, as set out in the "Letter from Yu Ming" to the Composite Document, the Stock Exchange has indicated that if, upon closing of the Offer, less than 25% of the issued Shares, being the minimum prescribed percentage applicable to the Company are held by the public or if the Stock Exchange believes that:-

- (i) a false market exists or may exist in the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealing in the Shares.

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## LETTER FROM BEIJING SECURITIES

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### 7. The Offer Price

The offer price of HK\$1.00 per Offer Share represents:

- (i) a discount of approximately 72.07% to the closing price of HK\$3.58 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 74.29% to the average closing price of approximately HK\$3.89 per Share for the last five trading days immediately prior to and including the Last Trading Day;
- (iii) a discount of approximately 71.59% to the average closing price of approximately HK\$3.52 per Share for the last ten trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 49.24% to the average closing price of approximately HK\$1.97 per Share for the last thirty trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 150.00% over the unaudited net asset value of approximately HK\$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK\$0.40 per Share as at 31 December 2012; and
- (vi) a discount of approximately 80.47% to the closing price of HK\$5.12 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM BEIJING SECURITIES

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### *Historical price performance of the Shares*

The highest and lowest prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 1 September 2012 up to and including the Latest Practicable Date (the “Review Period”) are tabulated in below:

Month	Highest price <i>HK\$</i>	Lowest price <i>HK\$</i>	Average daily closing price <i>HK\$</i>	No. of trading days in each month
<b>2012</b>				
September ( <i>Note 1</i> )	1.25	0.57	0.74	17
October	0.70	0.58	0.63	20
November	0.64	0.46	0.54	22
December	0.63	0.49	0.55	19
<b>2013</b>				
January	0.62	0.56	0.59	22
February	0.61	0.55	0.58	17
March	0.65	0.55	0.58	20
April	0.78	0.56	0.63	20
May	0.67	0.52	0.60	21
June	0.93	0.53	0.74	19
July	0.86	0.72	0.79	22
August	2.07	0.74	1.23	21
September ( <i>Note 2</i> )	5.62	2.03	4.24	15
October (up to and including the Latest Practicable Date)	5.12	4.25	4.71	13

*Source: website of Stock Exchange*

*Notes:*

- Trading in the Shares was suspended from 1 September 2012 to 5 September 2012 in the month of September 2012 before completion of resumption of trading conditions were fulfilled after the Shares had been suspended since 15 December 2008.
- Trading in the Shares was suspended from 13 September 2013 to 23 September 2013 (afternoon session) in the month of September 2013 pending the announcement on the entering into the Sale and Purchase Agreement and the Offer.

With reference to the above table, the price of the Shares ranged from HK\$0.46 per Share to HK\$5.62 per Share during the Review Period. The Offer Price had been above or equal to the closing prices of the Shares on 231 trading days out of the total 268 trading days (i.e. approximately 86.19% of the total number of trading days) in the entire Review Period, and represented a significant premium of approximately 117.39% over the lowest price of the Shares of \$0.46 per Share recorded on 27 November 2012 during the Review Period. We further noted that the closing prices of the Shares surged rather significantly and had been above the Offer Price from late August 2013 onwards up to the Latest Practicable Date.



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## LETTER FROM BEIJING SECURITIES

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### *Historical trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date, during the Review Period are tabulated in below:

<b>Month</b>	<b>No. of trading days in each month</b> <i>days</i>	<b>Average daily trading Volume (the "Average Volume")</b> <i>Shares</i>	<b>% of the Average Volume to total number of issued Shares held by the public as at the Latest Practicable Date</b> <i>(Note 3)</i> %	<b>% of the Average Volume to total number of issued Shares as at the Latest Practicable Date</b> <i>(Note 4)</i> %
<b>2012</b>				
September <i>(Note 1)</i>	17	11,357,760	11.35	2.84
October	20	872,144	0.87	0.22
November	22	293,596	0.29	0.07
December	19	210,388	0.21	0.05
<b>2013</b>				
January	22	213,187	0.21	0.05
February	17	209,468	0.21	0.05
March	20	1,641,053	1.64	0.41
April	20	1,173,410	1.17	0.29
May	21	186,166	0.19	0.05
June	19	1,124,222	1.12	0.28
July	22	153,105	0.15	0.04
August	21	1,335,770	1.33	0.33
September <i>(Note 2)</i>	15	3,051,458	3.05	0.76
October (up to and including the Latest Practicable Date)	13	916,702	0.92	0.23

*Source: website of Stock Exchange*

*Notes:*

1. Trading in the Shares was suspended from 1 September 2012 to 5 September 2012 in the month of September 2012 before completion of resumption of trading conditions were fulfilled after the Shares had been suspended since 15 December 2008.
2. Trading in the Shares was suspended from 13 September 2013 to 23 September 2013 (afternoon session) in the month of September 2013 pending the announcement on the entering into the Sale and Purchase Agreement and the Offer.
3. Based on 100,064,120 Shares held by the public Shareholders as at the Latest Practicable Date.
4. Based on 400,246,274 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM BEIJING SECURITIES

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We noted from the above table that save for the month of September 2012 and September 2013, trading in the Shares had been rather thin during the Review Period, with the average daily trading volume being below 2.00% of the total number of issued Shares held by the public in the entire Review Period. We believe that the relatively higher trading volume of the Shares in September 2012 was due to the resumption of trading of the Shares after trading had been suspended since 15 December 2008. For September 2013, we also believe that the relatively higher trading volume was primarily due to the market reaction to the announcement of the potential sales in the controlling interest of the Company. If these two incidents were excluded, the trading volume of the Shares was generally thin and sustainability of the recent increase in the trading volume could be uncertain.

Given the thin historical daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares and accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. Independent Shareholders should note that the Offer Price represents a premium of approximately 150.00% over the net asset value per Share of approximately HK\$0.40 as at 30 June 2013. In our opinion, the Offer represents a guaranteed cash exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to dispose of all or part of their entire holdings at the Offer Price if they so wish.

However, if any Independent Shareholders who would like to realise their investments in the Shares are able to identify potential purchaser(s) in the market to acquire for their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares to such potential purchaser(s) (as they wish to do so and as they think fit having regard to their own circumstances) having considered that the net proceeds from the sale of their Shares to such potential purchaser(s) would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the Composite Document and this letter, in particular the financial information on the Group, the information on the Offeror and the future intention of the Offeror in relation to the Group, are optimistic about the prospect of the Group after the Offer, may, having regard to their own circumstances together with the relevant risks and uncertainties, consider retaining all or any part of their Shares.

### *Comparison with other comparable companies*

For assessing the fairness and reasonableness of the Offer Price, we have also used the price multiple analysis in comparing the Offer available to the Company with other comparable companies. As the Group's revenue for the year ended 31 December 2012 was mainly contributed by the processing and trading of food products comprising mainly of frozen and functional food products, we have identified five Hong Kong listed companies which are principally engaged in business similar to the Group (the "Comparable Companies"). We confirm that the list of Comparable Companies is an exhaustive list and a fair representation of comparable companies to the business of the Group.

## LETTER FROM BEIJING SECURITIES

Company (stock code)	Description	Approximate market capitalisation as at the Latest Practicable Date  (HK\$ million)	Issued Shares as at the Latest Practicable Date	Closing price as at the Latest Practicable Date  (HK\$)	Net asset value per share based on the latest audited published financial statements  (HK\$)	Price to earnings multiples ("P/E")  (approximate times) (Note 1)	Price to book multiples ("P/B")  (approximate times) (Note 2)	Premium/ (Discount) of the closing share price on the net asset value per share based on the latest audited published financial statements  (approximate %)
Hong Kong Food Investment Holdings Ltd (stock code: 60)	Trading of frozen meat, seafood and vegetables; manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, poultry products, ham and ham- related products; operations of restaurants.	231	259,586,000	0.89	1.56	N/A	0.57	(42.99)
Four Seas Mercantile Holdings Ltd (stock code: 374)	Manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, poultry products, ham and ham- related products, and the operations of restaurants.	1,292	387,909,640	3.33	3.11	11.66	1.07	7.22
China Kangda Food Co. Ltd (stock code: 834)	Processing, sales and distribution of chilled and frozen meat products, processed food products and other related products in the PRC.	260	432,948,000	0.60	1.95	41.93	0.31	(69.23)
China Yurun Food Group Ltd (stock code: 1068)	Slaughtering, production and sales of chilled and frozen meat and processed meat products.	10,098	1,822,755,650	5.54	8.50	N/A	0.65	(34.81)
DaChan Food (Asia) Ltd (stock code: 3999)	Manufacturing and trading of livestock feeds, poultry and chilled meat and processed food.	945	1,016,109,000	0.93	2.12	10.41	0.44	(56.13)
<b>Average</b>						21.33	0.61	(39.19)
<b>Maximum</b>						41.93	1.07	(69.23)
<b>Minimum</b>						10.41	0.31	7.22
<b>Company</b>		400	400,246,274	1.00	0.40	250.15	2.50	150.00
		(Note 3)		(being the Share Offer Price)		(Note 4) and (Note 5)		

Source: website of Stock Exchange

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## LETTER FROM BEIJING SECURITIES

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*Notes:*

1. P/E ratio of the Comparable Companies are calculated based on its closing price per share as quoted on the Stock Exchange as at the Latest Practicable Date and its basic earnings per share for the latest financial year.
2. P/B ratio of the Comparable Companies are calculated on their respective closing prices per share as quoted on the Stock Exchange as at the Latest Practicable Date and their consolidated net asset value as at the balance sheet date of their latest published audited financial statements, which is calculated by dividing the consolidated net assets by the total number of ordinary shares in issue of the respective Comparable Companies.
3. Market capitalisation of the Company is calculated based on the Offer Price multiplied by the number of issued shares of the Company as at the Latest Practicable Date.
4. The price to earnings multiples of the Company is calculated by dividing the Offer Price by the adjusted profit attributable to owners of the Company for the year ended 31 December 2012 (“2012 Adjusted Profit”) per share based on 400,246,274 Shares outstanding as at the Latest Practicable Date. The 2012 Adjusted Profit was calculated by deducting the profit arising from the debts discharged under the scheme of arrangement of approximately HK\$381,258,000 from the Profit attributable to owners of the Company for the year ended 31 December 2012 of approximately HK\$382,858,000.
5. As both Hong Kong Food Investment Holdings Ltd (stock code: 60) and China Yurun Food Group Ltd (stock code: 1068) did not make any profit in their latest financial year, the price to earnings multiples are not applicable here.

As shown in the above table, the Comparable Companies were trading at P/E ratios ranging from approximately 10.41 times to approximately 41.93 times, with an average of approximately 21.33 times. The adjusted P/E ratio of the Company (based on the Offer Price and the 2012 Adjusted Profit) of approximately 250.15 times is hence very much above the said market range of the P/E ratios of the Comparable Companies.

Also as shown in the above table, the Comparable Companies were trading at P/B ratios ranging from approximately 0.31 times to approximately 1.07 times, with an average of approximately 0.61 times. The implied P/B ratio of the Company (based on the Offer Price) of approximately 2.50 times is hence also very much above the said market range of the P/B ratios of the Comparable Companies. As such, we consider the Offer Price, with reference to the above implied adjusted P/E ratio and P/B ratio, is attractive given the current market valuation and price of shares on the other listed companies in the industry.

### RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following,

- (i) the Offer Price represents a premium of approximately 150.00% over the unaudited net asset value of approximately HK\$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK\$0.40 per Share as at 31 December 2012;
- (ii) the Offer Price is above the historical closing prices of the Shares during most of the trading days (approximately 86.19%) within the Review Period despite that the Share price rose suddenly to higher level from late August 2013 onwards up to the Latest Practicable Date;
- (iii) given the thin historical daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of the Shares;

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## LETTER FROM BEIJING SECURITIES

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- (iv) based on the Offer Price, the adjusted P/E ratio of the Company of approximately 250.15 times and P/B ratio of the Company of approximately 2.50 times are both very much above the market range of the P/E and P/B ratios of the Comparable Companies; and
- (v) the Group recorded a loss of approximately HK\$1,895,000 for the six months ended 30 June 2013 and the uncertainty in the frozen food products trading business from keen competition and the tightening of food safety standards in general,

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

**However, given the extensive surge of the Share price from late August 2013 onwards up to the Latest Practicable Date and that the Offer Price is at substantial discount to the current market prices of the Shares, we recommend the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the offer period and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.**

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intention of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. Further terms and conditions of the Offer are set out in the “Letter from Yu Ming” and Appendix I to the Composite Document.

**Furthermore, Independent Shareholders are also reminded that their decisions to dispose or hold their investment in the Shares are subject to their individual circumstances and investment objectives and we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. In addition, Independent Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the form of acceptance, if they wish to accept the Offer.**

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*

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## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

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### 1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the accompanying Form(s) of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form(s) of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand to the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, marked "First Natural Foods Offer" on the envelope.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form(s) of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form(s) of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

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## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

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- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form(s) of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form(s) of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Yu Ming and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar, and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form(s) of Acceptance and Transfer.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form(s) of Acceptance and Transfer is received by the Registrar, in compliance with Note 1 of Rule 30.2 of the Takeovers Code, no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive in accordance to the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received and in accordance with Note 1 of Rule 30.2 of the Takeovers Code, and is:
  - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

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## APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER

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- (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or
- (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form(s) of Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) Seller's ad valorem stamp duty for transfer of Shares registered on the Registrar arising in connection with acceptance of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form(s) of Acceptance and Transfer, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

### 2. ACCEPTANCE PERIOD AND REVISIONS

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form(s) of Acceptance and Transfer must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance and Transfer, and the Offer will be closed on the Closing Date.
- (b) The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer have expired or have been revised or extended.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.



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## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

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- (e) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form(s) of Acceptance and Transfer to the closing date shall, except where the context otherwise requires be deemed to refer to the closing date of the Offer so extended.

### **3. ANNOUNCEMENT**

As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer have been revised or extended or have expired.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
  - (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or its concert parties before the offer period;
  - (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror or its concert parties during the offer period;
  - (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
  - (v) the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.
- (a) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix headed "Announcement" above, the Executive may require, pursuant

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## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

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to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within seven Business Days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance and Transfer to the relevant Independent Shareholder(s).

### **5. SETTLEMENT OF THE OFFER**

Provided that the accompanying Form(s) of Acceptance and Transfer for the Shares, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller's ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within seven Business Days from the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar and in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form(s) of Acceptance and Transfer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

### **6. OVERSEAS SHAREHOLDERS**

The making of the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions). Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a representation and warranty from such person to the Offeror, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. The Overseas Shareholders are recommended to seek professional advice on deciding whether to accept the Offer.

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## **APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

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### **7. TAX IMPLICATIONS**

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Company, the Offeror, their ultimate beneficial owners and parties acting in concert with any of them, Yu Ming, Beijing Securities, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

### **8. GENERAL**

- (a) All communications, notices, Form(s) of Acceptance and Transfer, Share certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither of the Offeror nor Yu Ming accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, Encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by the Company on the posting of this Composite Document.
- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form(s) of Acceptance and Transfer the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form(s) of Acceptance and Transfer form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form(s) of Acceptance and Transfer and transfer or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form(s) of Acceptance and Transfer will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.

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**APPENDIX I FURTHER TERMS OF ACCEPTANCE OF THE OFFER**

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- (h) The Offer is made in accordance with the Takeovers Code.
  
- (i) The English text of this Composite Document and of the accompanying Form(s) of Acceptance and Transfer shall prevail over the Chinese text.

## 1. SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the audited financial results of the Group for each of three years ended 31 December 2012 as extracted from the 2010, 2011 and 2012 annual report of the Company and the unaudited financial results of the Group for the six months ended 30 June 2013 as extracted from the interim report of the Company for the six months ended 30 June 2013, respectively.

	<b>For the six months ended 30 June 2013</b>	<b>For the year ended 31 December</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i>	<i>HK\$'000</i> <i>(Audited)</i> <i>(Restated)</i>
Revenue	<u>254,171</u>	<u>651,562</u>	<u>881,291</u>	<u>165,319</u>
(Loss)/profit before tax	(1,895)	385,200	5,967	(3,625)
Income tax expense	<u>–</u>	<u>(2,342)</u>	<u>(3,225)</u>	<u>(1,285)</u>
(Loss)/profit attributable to owners of the Company	<u>(1,895)</u>	<u>382,858</u>	<u>2,742</u>	<u>(4,910)</u>
Dividend	–	–	–	–
(Loss)/profit per share:			<i>(Restated)</i>	
Basic and diluted (HK\$)	<u>(0.47) cents</u>	<u>2.73</u>	<u>0.18</u>	<u>(0.41) cents</u>

*Note:* The audited financial results of the Group for the year ended 31 December 2010 as extracted from the 2010 annual report was denominated in Renminbi. For easy reference, translations of Renminbi into HK\$ have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.148. (Exchange rate source: Bloomberg)

For the year ended 31 December 2012, there was a one-off exceptional gain on debts discharged under the scheme of arrangement amounting to approximately HK\$381,258,000. Save as disclosed above, the Group did not have any minority interest or extraordinary items or items which were exceptional because of its size, nature or incidence for the six months ended 30 June 2013 and for each of the three years ended 31 December 2012.

The auditor of the Company, Zhonghui ANDA CPA Limited (“ANDA”, formerly ANDA CPA Limited), issued (i) a disclaimer of opinion for the years ended 31 December 2010 and 2011; and (ii) a qualified opinion for the year ended 31 December 2012. The independent auditor’s reports for the three years ended 31 December 2012 are reproduced in the section headed “Independent Auditor’s Reports” in this appendix. Save for the aforesaid, ANDA did not issued any qualified opinion for the three years ended 31 December 2012.

## 2. INDEPENDENT AUDITOR'S REPORTS

The following is a reproduction of the independent auditor's report issued by ANDA, on the consolidated financial statements of the Group which are contained in the 2010, 2011 and 2012 annual report of the Company respectively. References to page number in this section refer to page number of the corresponding annual report of the Company.

- (i) In respect of the financial statements for the year ended 31 December 2012

We have audited the consolidated financial statements of First Natural Foods Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 77, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 (the "HKICPA") 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. 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 judgement, 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 qualified audit opinion.

### **Basis for Qualified Opinion**

#### ***1. Opening balances and corresponding figures***

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 (the "2011 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 30 March 2012. Accordingly, we were then unable to form an opinion as to whether the 2011 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's results and cash flows for the year then ended.

#### ***2. Deconsolidation of the subsidiaries***

Certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008 and throughout the year ended 31 December 2011 and the period from 1 January 2012 to 3 September 2012, the date immediately before the group reorganisation being completed.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2011 and for the period from 1 January 2012 to 3 September 2012 and the Group's financial positions as at 31 December 2011 and 3 September 2012.

### **3. *Gain on debts discharged under the scheme of arrangement***

As explained in note 11 to the consolidated financial statements, upon the scheme of arrangement of the Company becoming effective on 4 September 2012, the Company recognised a gain on debts discharged under the scheme of arrangement of approximately HK\$381,258,000 for the year ended 31 December 2012.

No sufficient evidence has been provided to satisfy ourselves as to certain liabilities of the Company being discharged under the scheme of arrangement. As a result, we are unable to satisfy ourselves as to the gain on debts discharged under the scheme of arrangement of approximately HK\$381,258,000 included in the consolidated profit or loss.

### **4. *Loss on group reorganisation***

As explained in note 11 to the consolidated financial statements, upon completion of the group reorganisation on 4 September 2012, the Company recognised a loss on group reorganisation of approximately HK\$260,000 for the year ended 31 December 2012.

No sufficient evidence has been provided to satisfy ourselves as to the net assets amount of the subsidiaries transferred out of the Group due to the group reorganisation. As a result, we are unable to satisfy ourselves as to the loss on group reorganisation of approximately HK\$260,000 included in the consolidated profit or loss.

Any adjustments to the matters as described from points 1 to 4 above might have a consequential effect on the Group's results for the two years ended 31 December 2011 and 2012, the Group's cash flows for the two years ended 31 December 2011 and 2012 and the financial position of the Group as at 31 December 2011, and the related disclosures thereof in the consolidated financial statements.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the results and cash flows of the Group 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.

**ANDA CPA Limited**

*Certified Public Accountants*

**Sze Lin Tang**

Practising Certificate Number P03614

Hong Kong, 28 March 2013



(ii) In respect of the financial statements for the year ended 31 December 2011

We were engaged to audit the consolidated financial statements of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 25 to 71, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 these 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

#### ***1. Opening balances and corresponding figures***

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2010 (the “2010 Financial Statements”), which forms the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 16 February 2011. Accordingly, we were then unable to form an opinion as to whether the 2010 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group’s results and cash flows for the year then ended.

**2. *Deconsolidation of the subsidiaries***

Certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008 and throughout the years ended 31 December 2010 and 2011.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2011 and the Group's financial positions as at that date.

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

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the amount due to a former director of the Company of approximately RMB55,803,000 as at 31 December 2011 as included in the accruals, other payables and deposits received of approximately RMB261,365,000 in the consolidated statement of financial position.

**4. *Financial guarantee liabilities***

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the financial guarantee liabilities of RMB13,500,000 as at 31 December 2011 in the consolidated statement of financial position.

**5. *Commitments and contingent liabilities***

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2011.

**6. *Related party transactions***

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2011 as required by Hong Kong Accounting Standard 24 (Revised) "Related Party Disclosures".

Any adjustments to the matters as described from points 1 to 6 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2010 and 2011, the Group's cash flows for the two years ended 31 December 2010 and 2011 and the financial positions of the Group as at 31 December 2010 and 2011, and the related disclosures thereof in the consolidated financial statements.

**Material Uncertainty Relating to the Going Concern Basis**

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group was submitted to The Stock Exchange of Hong Kong Limited on 6 October 2010.

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

**Disclaimer of Opinion**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**ANDA CPA Limited***Certified Public Accountants***Sze Lin Tang**

Practising Certificate Number P03614

Hong Kong, 30 March 2012

(iii) In respect of the financial statements for the year ended 31 December 2010

We were engaged to audit the consolidated financial statements of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 26 to 73, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 Financial Statements**

The Directors of the Company are responsible for the preparation of these 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, 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. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

#### ***1. Opening balances and corresponding figures***

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2009 (the “2009 Financial Statements”), which form the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 23 April 2010. Accordingly, we were then unable to form an opinion as to whether the 2009 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group’s results and cash flows for the year then ended.

**2. *Deconsolidation of the subsidiaries***

Certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008 and throughout the years ended 31 December 2009 and 2010.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2010 and the Group's financial positions as at that date.

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

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the amount due to a former director of the Company of approximately RMB57,975,000 as at 31 December 2010 as included in the accruals, other payables and deposits received of approximately RMB226,502,000 in the consolidated statement of financial position.

**4. *Financial guarantee liabilities***

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the financial guarantee liabilities of RMB13,500,000 as at 31 December 2010 in the consolidated statement of financial position.

**5. *Commitments and contingent liabilities***

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2010.

**6. *Related party transactions***

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2010 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

Any adjustments to the figures as described from points 1 to 6 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2009 and 2010, the Group's cash flows for the two years ended 31 December 2009 and 2010 and the financial positions of the Group as at 31 December 2009 and 2010, and the related disclosures thereof in the consolidated financial statements.

**Material Uncertainty Relating to the Going Concern Basis**

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") was submitted to The Stock Exchange of Hong Kong Limited on 6 October 2010.

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

**Disclaimer of Opinion**

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**ANDA CPA Limited**

*Certified Public Accountants*

**Sze Lin Tang**

Practising Certificate Number P03614

Hong Kong, 16 February 2011

## 3. FINANCIAL INFORMATION OF THE COMPANY

(i) For the six months ended 30 June 2013

Set out below is the full text of the unaudited consolidated financial statements of the Company for the six months ended 30 June 2013 extracted from the interim report of the Company for the six months ended 30 June 2013.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>Turnover</b>	3 & 5	254,171	347,623
Cost of sales		<u>(247,537)</u>	<u>(338,846)</u>
Gross profit		6,634	8,777
Other income	4	1,831	7,177
Selling and distribution expenses		(1,721)	(1,218)
Administrative expenses		<u>(8,639)</u>	<u>(6,789)</u>
<b>(Loss)/profit from operations</b>		(1,895)	7,947
Restructuring costs	6	–	(2,763)
Finance costs	7	–	<u>(4,799)</u>
<b>(Loss)/profit before tax</b>	8	(1,895)	385
Income tax expenses	9	–	<u>(1,337)</u>
<b>Loss and total comprehensive expenses for the period attributable to owners of the Company</b>		<u>(1,895)</u>	<u>(952)</u>
		HK Cents	HK Cents
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted	11	<u>(0.47)</u>	<u>(6.42)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		197	237
Prepayments, deposits and other receivables	<i>12</i>	24,875	26,375
Goodwill		6,098	6,098
		<u>31,170</u>	<u>32,710</u>
<b>Current assets</b>			
Inventories	<i>13</i>	3,895	3,444
Trade receivables	<i>14</i>	57,306	72,318
Prepayments, deposits and other receivables	<i>12</i>	8,257	8,134
Bank and cash balances		79,118	66,952
Current tax assets		928	928
		<u>149,504</u>	<u>151,776</u>
<b>Current liabilities</b>			
Trade and bills payables	<i>15</i>	14,135	15,867
Accruals, other payables and deposits received		7,830	8,015
Current tax liabilities		106	106
		<u>22,071</u>	<u>23,988</u>
<b>Net current assets</b>		<u>127,433</u>	<u>127,788</u>
<b>Total assets less current liabilities</b>		158,603	160,498
<b>Non-current liabilities</b>			
Deferred tax liabilities		10	10
<b>NET ASSETS</b>		<u>158,593</u>	<u>160,488</u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	4,002	4,002
Reserves		154,591	156,486
<b>TOTAL EQUITY</b>		<u>158,593</u>	<u>160,488</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2012 (Audited)	59,296	299,181	38,900	(834,606)	(437,229)
Total comprehensive expenses for the period (Unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(952)</u>	<u>(952)</u>
At 30 June 2012 (Unaudited)	<u>59,296</u>	<u>299,181</u>	<u>38,900</u>	<u>(835,558)</u>	<u>(438,181)</u>
At 1 January 2013 (Audited)	4,002	211,005	—	(54,519)	160,488
Total comprehensive expense for the period (Unaudited)	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,895)</u>	<u>(1,895)</u>
At 30 June 2013 (Unaudited)	<u>4,002</u>	<u>211,005</u>	<u>—</u>	<u>(56,414)</u>	<u>158,593</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2013*

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	12,167	1,505
Net cash used in investing activities	(1)	(5,024)
Net cash used in financing activities	—	(423)
	<u>          </u>	<u>          </u>
Net increase/(decrease) in cash and cash equivalents	12,166	(3,942)
Cash and cash equivalents at beginning of period	<u>66,952</u>	<u>36,186</u>
Cash and cash equivalents at end of period	<u><u>79,118</u></u>	<u><u>32,244</u></u>
Analysis of cash and cash equivalents		
Bank and cash balances	<u><u>79,118</u></u>	<u><u>32,244</u></u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012.

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

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis.

#### Change in presentation currency

The Company and the Group changed their presentation currency from Renminbi to Hong Kong dollars at the time of preparation of the annual report for the year ended 31 December 2012 because the Directors consider that choosing Hong Kong dollars as the presentation currency best suits the needs of the shareholders and investors. Accordingly, the comparative figures of these unaudited condensed consolidated interim financial statements had been changed and presented in Hong Kong dollars.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); HKAS; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

### 3. TURNOVER

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

	Six months ended 30 June	
	2013	2012
	<i>HK\$’000</i>	<i>HK\$’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Sales of goods	254,171	347,623

## 4. OTHER INCOME

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Food processing income	–	5,819
Commission income	689	326
Storage fee income	965	455
Interest income	72	46
Net exchange gain	41	523
Sundry income	64	8
	<u>1,831</u>	<u>7,177</u>

## 5. SEGMENT INFORMATION

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

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

	Frozen and functional food products Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue from external customers	254,171	347,623
Segment (loss)/profit	<u>(1,255)</u>	<u>8,178</u>
	<b>As at 30 June 2013 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2012 HK\$'000 (Audited)</b>
Segment assets	<u>173,417</u>	<u>178,388</u>

Reconciliation of reportable segment profit or loss is as follow:

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Segment (loss)/profit	(1,255)	8,178
Unallocated amounts:		
Unallocated corporate income and expenses	(640)	(439)
Restructuring costs	–	(2,763)
Finance costs arising from bank borrowings	–	(4,591)
Consolidated (loss)/profit before tax	<u>(1,895)</u>	<u>385</u>

**6. RESTRUCTURING COSTS**

The Group did not incur any restructuring costs for the six months ended 30 June 2013. Restructuring costs for the six months ended 30 June 2012 mainly included the legal fees, fee to the financial adviser and the then provisional liquidators and other professional fees for implementing the proposed restructuring of the Group. Such expenses were financed by Groupwill Holdings Limited (the “Investor” and now the “Controlling Shareholder”) and non-recurring in nature.

**7. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Interest expenses on:		
Bank borrowings wholly repayable within 1 year or on demand	–	4,591
Other borrowing wholly repayable within 1 year	–	208
	<u>–</u>	<u>4,799</u>

**8. (LOSS)/PROFIT BEFORE TAX**

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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of inventories sold	247,537	338,846
Depreciation	41	39
Net exchange gain	(41)	(523)
Other operating lease charges on Management Rights Agreement ( <i>Note 12</i> )	1,500	1,500
Operating lease charges on land and buildings	430	441
	<u>249,467</u>	<u>339,203</u>

**9. INCOME TAX EXPENSES**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax – Hong Kong Profits Tax provided for the period	–	1,337
	<u>–</u>	<u>1,337</u>

No provision for taxation for the period has been made since the Group has incurred a loss for the period ended 30 June 2013. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2012.

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

**10. INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## 11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

**Basic loss per share**

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$1,895,000 (2012: approximately HK\$952,000) and the weighted average number of approximately 400,246,000 ordinary shares (2012: approximately 14,824,000 ordinary shares) in issue during the period.

**Diluted loss per share**

Diluted loss per share attributable to owners of the Company for both periods are the same as the respective basic loss per share as the Company did not have any dilutive potential ordinary shares during both periods.

## 12. PREPAYMENTS, DEPOSIT AND OTHER RECEIVABLES

	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>		
Prepayment and deposits for the Management Rights Agreement ( <i>Note</i> )	24,875	26,375
<b>Current assets</b>		
Prepayment and deposits for the Management Rights Agreement ( <i>Note</i> )	3,000	3,000
Advance to suppliers	4,998	4,327
Rental and other deposits	259	807
	<u>8,257</u>	<u>8,134</u>

*Note:* On 5 October 2010, Pacific Prosper Limited (“Pacific Prosper”), an indirect wholly-owned subsidiary of the Company, entered into an operating lease agreement (the “Management Rights Agreement”) with an independent third party. According to the terms of the Management Rights Agreement, the independent third party who owns a food processing plant in Jiangmen, the People’s Republic of China will provide food processing service for the Group with a total rental for a five-year period and security deposit of HK\$15,000,000 and HK\$20,000,000 respectively. In November 2010, HK\$3,500,000 was paid and the balance of HK\$31,500,000 was paid in February 2011.

The operating lease commenced since mid-February 2011 and HK\$1,500,000 was charged to profit or loss of the Group for the six months ended 30 June 2013 (HK\$1,500,000 was charged to profit or loss of the Group for the six months ended 30 June 2012). The Group had remaining balances of rental prepayment and security deposit of HK\$7,875,000 (31 December 2012: HK\$9,375,000) and HK\$20,000,000 (31 December 2012: HK\$20,000,000) as at 30 June 2013, in which HK\$3,000,000 (31 December 2012: HK\$3,000,000) of the rental prepayment was classified as a current asset and the remaining rental prepayment of HK\$4,875,000 (31 December 2012: HK\$6,375,000) and the security deposit of HK\$20,000,000 (31 December 2012: HK\$20,000,000) are classified as non-current assets at the end of the reporting period.

## 13. INVENTORIES

	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
Merchandises	<u>3,895</u>	<u>3,444</u>

**14. TRADE RECEIVABLES**

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

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

	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
Within 1 month	6,301	19,216
More than 1 month but within 3 months	10,043	23,619
More than 3 months but within 6 months	19,284	12,522
More than 6 months but within 1 year	13,530	8,594
More than 1 year	8,148	8,367
	<u>57,306</u>	<u>72,318</u>

**15. TRADE AND BILLS PAYABLES**

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

	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
Within 1 month	3,474	4,694
More than 1 month but within 3 months	5,981	8,702
More than 3 months but within 6 months	1,493	2,129
More than 6 months but within 1 year	2,846	–
More than 1 year	341	342
	<u>14,135</u>	<u>15,867</u>

**16. SHARE CAPITAL**

	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
Authorised:		
800,000,000 ordinary shares of HK\$0.01 each	<u>8,000</u>	<u>8,000</u>
Issued and fully paid:		
400,246,274 ordinary shares of HK\$0.01 each	<u>4,002</u>	<u>4,002</u>

**17. COMMITMENTS****Operating lease commitments**

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

	<b>30 June 2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>31 December 2012</b> <i>HK\$'000</i> <i>(Audited)</i>
Within 1 year	674	824
After 1 year but within 5 years	252	543
	<u>926</u>	<u>1,367</u>

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

**18. CONTINGENT LIABILITIES**

The Directors are not aware of any material contingent liabilities of the Group as at 30 June 2013 (31 December 2012: Nil).

**19. PLEDGE OF ASSETS**

The Group did not have any pledge of assets as at 30 June 2013 (31 December 2012: Nil).

**20. RELATED PARTY TRANSACTIONS**

Remuneration for key management personnel of the Group is as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b> <i>HK\$'000</i> <i>(Unaudited)</i>	<b>2012</b> <i>HK\$'000</i> <i>(Unaudited)</i>
Short-term employee benefits	2,361	754
Post-employment benefits	28	25
	<u>2,389</u>	<u>779</u>

**21. APPROVAL OF CONDENSED CONSOLIDATION INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 29 August 2013.



(ii) For the year ended 31 December 2012

Set out below is the full text of the audited consolidated financial statements of the Company for the year ended 31 December 2012 extracted from the 2012 annual report of the Company.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
<b>Turnover</b>	7 & 9	651,562	881,291
Cost of sales		<u>(626,058)</u>	<u>(856,634)</u>
Gross profit		25,504	24,657
Other income	8	13,237	9,662
Selling and distribution expenses		(6,293)	(2,106)
Administrative expenses		<u>(13,036)</u>	<u>(13,619)</u>
<b>Profit from operations</b>		19,412	18,594
Restructuring costs	10	(8,581)	(3,755)
Gain on debts discharged under the scheme of arrangement	11	381,258	–
Loss on group reorganisation	11	(260)	–
Finance costs	12	<u>(6,629)</u>	<u>(8,872)</u>
<b>Profit before tax</b>	13	385,200	5,967
Income tax expense	14	<u>(2,342)</u>	<u>(3,225)</u>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>	17	<u><u>382,858</u></u>	<u><u>2,742</u></u>
<b>Earnings per share attributable to owners of the Company</b>			(Restated)
Basic and diluted (HK\$ per share)	19	<u><u>2.73</u></u>	<u><u>0.18</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	21	237	256
Prepayments, deposits and other receivables	26	26,375	29,375
Goodwill	22	6,098	6,098
Deferred tax assets	23	–	253
		<u>32,710</u>	<u>35,982</u>
<b>Current assets</b>			
Inventories	24	3,444	4,187
Trade receivables	25	72,318	47,787
Prepayments, deposits and other receivables	26	8,134	7,905
Bank and cash balances	27	66,952	36,186
Current tax assets		928	–
		<u>151,776</u>	<u>96,065</u>
<b>Current liabilities</b>			
Trade and bills payables	28	15,867	16,811
Accruals, other payables and deposits received	29	8,015	319,664
Bank and other borrowings	30	–	215,597
Financial guarantee liabilities	31	–	15,325
Current tax liabilities		106	1,879
		<u>23,988</u>	<u>569,276</u>
<b>Net current assets/(liabilities)</b>		<u>127,788</u>	<u>(473,211)</u>
<b>Total assets less current liabilities</b>		<u>160,498</u>	<u>(437,229)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	23	10	–
		<u>10</u>	<u>–</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>160,488</u>	<u>(437,229)</u>
<b>Capital and reserves</b>			
Share capital	32	4,002	59,296
Reserves	33	156,486	(496,525)
<b>TOTAL EQUITY/(DEFICIENCY OF TOTAL EQUITY)</b>		<u>160,488</u>	<u>(437,229)</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Notes	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2011		59,296	299,181	38,900	(837,348)	(439,971)
Total comprehensive income for the year		<u>–</u>	<u>–</u>	<u>–</u>	<u>2,742</u>	<u>2,742</u>
At 31 December 2011		<u>59,296</u>	<u>299,181</u>	<u>38,900</u>	<u>(834,606)</u>	<u>(437,229)</u>
At 1 January 2012		59,296	299,181	38,900	(834,606)	(437,229)
Total comprehensive income for the year		–	–	–	382,858	382,858
Capital reduction	32 (i)	(59,148)	(299,181)	–	358,329	–
Share subscription	32 (ii)	2,668	147,344	–	–	150,012
Transaction costs related to the share subscription	32 (ii)	–	(75)	–	–	(75)
Open offer	32 (iii)	1,038	57,300	–	–	58,338
Transaction costs related to the open offer	32 (iii)	–	(1,750)	–	–	(1,750)
Issue of creditors shares	32 (iv)	148	8,186	–	–	8,334
Group reorganisation	11	–	–	(38,900)	38,900	–
At 31 December 2012		<u>4,002</u>	<u>211,005</u>	<u>–</u>	<u>(54,519)</u>	<u>160,488</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Profit before tax		385,200	5,967
Adjustments for:			
Depreciation	<i>13 &amp; 21</i>	92	86
Other operating lease charges on Sincere Gold Agreement	<i>13 &amp; 26</i>	3,000	2,625
Gain on debts discharged under the scheme of arrangement	<i>11</i>	(381,258)	–
Loss on deconsolidation of subsidiaries	<i>11</i>	260	–
Loss on property, plant and equipment written-off	<i>13</i>	5	–
Finance costs	<i>12</i>	6,629	8,872
Interest income	<i>8</i>	(84)	(39)
		<hr/>	<hr/>
Operating cash flows before working capital changes		13,844	17,511
Change in inventories		743	457
Change in trade receivables		(24,531)	(8,334)
Change in prepayments, deposits and other receivables		(229)	(32,157)
Change in trade and bills payables		(944)	(5,167)
Change in accruals, other payables and deposits received		(11,141)	5,694
		<hr/>	<hr/>
Cash used in operations		(22,258)	(21,996)
Income taxes paid		(5,044)	(2,883)
		<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>		<b>(27,302)</b>	<b>(24,879)</b>
<b>Cash flows from investing activities</b>			
Interest received		84	39
Purchase of property, plant and equipment	<i>21</i>	(78)	(296)
Net cash outflow on deconsolidation of subsidiaries	<i>11</i>	(62)	–
		<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>		<b>(56)</b>	<b>(257)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of shares		127,570	–
Interest paid	<i>12 &amp; 34</i>	(446)	(215)
Repayments of other borrowing		(7,000)	–
Other borrowing raised	<i>30</i>	–	7,000
Fund from the Investor	<i>29</i>	–	38,662
Net cash outflow on scheme of arrangement	<i>11</i>	(62,000)	–
		<hr/>	<hr/>
<b>Net cash flows generated from financing activities</b>		<b>58,124</b>	<b>45,447</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of year		30,766	20,311
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>		<b>66,952</b>	<b>36,186</b>
<b>Analysis of cash and cash equivalents</b>			
Bank and cash balances	<i>27</i>	66,952	36,186
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 December 2012*

**1. GENERAL INFORMATION**

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 14th Floor, Bangkok Bank Building, 490-492 Nathan Road, Yaumatei, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the processing and trading of food products mainly including frozen and functional food products. The principal activities of its subsidiaries are set out in note 40 to these consolidated financial statements.

In the opinion of the directors (the "Directors") of the Company, as at the date of issue of these consolidated financial statements, Groupwill Holdings Limited (the "Investor" and now the "Controlling Shareholder"), a company incorporated in the British Virgin Islands, is the ultimate holding company and Mr. Huang Kunyan is the ultimate controlling party. The Controlling Shareholder does not produce financial statements available for public use.

**2. BASIS OF PREPARATION****Completion of the restructuring of the Group and resumption of trading in the shares of the Company**

Trading in the shares of the Company (the "Shares") was suspended on the Main Board of the Stock Exchange at the request of the Company on 15 December 2008.

On 6 January 2009, a winding-up petition (the "Petition") and the application for the appointment of the joint and several provisional liquidators of the Company (the "Provisional Liquidators") were presented to and filed with the High Court of Hong Kong Special Administrative Region (the "Hong Kong Court") by the Company. On the same day, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the Provisional Liquidators by the Hong Kong Court. The Petition was filed with the Court on 7 January 2009 to effect the appointment. The Provisional Liquidators took control and possession of the assets of the Company.

Since then, the Provisional Liquidators had commenced restructuring the Company. On 30 July 2009 and 21 September 2010, an exclusivity agreement and a supplemental exclusivity agreement respectively were entered into among the investor, Mr. Huang Kunyan, the Company and the Provisional Liquidators to grant the Investor an exclusive right to prepare and submit a resumption proposal to the Stock Exchange with the view to resume trading of the Company's shares.

Since the second half of 2009, with the working capital facility (the "Working Capital Facility") provided by the Investor, the Group has restored its trading business operation by establishing the special purpose vehicles to carry out the food trading and processing business. In October 2010, the Group completed the acquisition of the entire issued share capital of Orient Legend International Limited ("Orient Legend") for an aggregate cash consideration of HK\$10,000,000, pursuant to which the trading of food products were strengthened further. In the same month, the Group entered into an operating lease agreement (the "Sincere Gold Agreement") with an independent third party. According to the terms of the Sincere Gold Agreement, the independent third party who has a processing plant in Jiangmen, will provide the processing of food products service for the Group. Leveraging on the large customers base and trading volume of Orient Legend, the Sincere Gold Agreement further strengthens the processing of food products business of the Group.

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and Mr. Huang Kunyan as the guarantor entered into a formal restructuring agreement to implement the proposed restructuring of the Company which included, inter alia, (i) capital restructuring; (ii) open offer; (iii) subscription of new shares; (iv) issue of creditors shares; (v) implementation of the scheme of arrangement; and (vi) group reorganisation. On 4 September 2012, the proposed restructuring was completed. With effect from 4 September 2012, the Provisional Liquidators were discharged and the petition for winding-up of the Company was dismissed by the Hong Kong Court. Upon the grant from the Stock Exchange, trading in the shares of the Company was resumed on 6 September 2012.

**Change in presentation currency**

The Company and the Group changed their presentation currency from Renminbi to Hong Kong dollars during the year because the Directors consider that choosing Hong Kong dollars as the presentation currency best suits the needs of the shareholders and investors.

**3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)**

In the current year, the Group has adopted for the first time the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are or have become effective for its accounting year beginning on 1 January 2012:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years.

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

HKFRS 1 Amendments	Government Loans <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 Amendments	Amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entities and HKAS 27 Separate Financial Statements: Investment Entities <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 32 Amendments	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

In the meantime, there are Annual Improvement to HKFRSs 2009-2011 Cycle on HKFRS 1 and HKASs 1, 16, 32 and 34 for annual periods beginning on or after 1 January 2013.

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the Directors to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

##### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. Where assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRS).

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

### **Business combination and goodwill**

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy "Impairment of assets" below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

### **Foreign currency translation**

#### ***(a) Functional and presentation currency***

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"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

#### ***(b) Transactions and balances in each entity's financial statements***

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.



(c) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvement	5 years
Furniture and equipment	5 years
Computer hardware and software	3 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

**Operating leases**

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**Recognition and derecognition of financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

**Trade and other receivables**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

**Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

**Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**Financial guarantee contract liabilities**

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

**Trade and other payables**

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

**Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Food processing income is recognised when the food processing services are rendered.

Commission fee income is recognised when the handling services are rendered.

Storage fee income is recognised based on the time period of which the merchandise is stored in the Group’s leased warehouses.

Interest income is recognised on a time-proportion basis using the effective interest method.

**Employee benefits**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees’ basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Related parties**

A related party is a person or entity that is related to the Group.

(A) 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 Company or of a parent of the Company.

(B) An entity is related to the Group (reporting entity) if any of the following conditions apply:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the 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 entity.

- (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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(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).

### **Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive 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.

### **Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 expenditures 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 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 is remote.

**Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

**5. KEY ESTIMATES**

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, are discussed below:

**(a) Impairment of goodwill**

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

**(b) Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts 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 expenses 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.

**(c) Allowance for slow-moving inventories**

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

**6. FINANCIAL RISK MANAGEMENT**

The Group has exposure to credit risk, liquidity risk and market risk (including currency risk and interest rate risk) from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and the Group's credit risk is primarily attributable to the trade receivables, deposit in relation to the Sincere Gold Agreement and deposits with financial institutions. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

**(i) Trade receivables**

The Group has established a credit policy under which credit evaluations are performed on all customers requiring credit. Trade receivables are due within 3 months from the date of billing. Debtors with balances that are more than 3 months are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2012, the Group has a certain concentration of credit risk of approximately HK\$23,492,000 (2011: approximately HK\$12,121,000) and approximately HK\$44,892,000 (2011: approximately HK\$21,596,000) out of the total trade receivables of approximately HK\$72,318,000 (2011: approximately HK\$47,787,000) as at 31 December 2012, which was arising from the Group's largest debtor and the two largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 25.

*(ii) Deposit in relation to the Sincere Gold Agreement*

Regarding the Sincere Gold Agreement as disclosed in notes 2 and 26 to these consolidated financial statements, the Group places a refundable security deposit of HK\$20,000,000 as at 31 December 2012. The Group has been closely working with the recipients under the Sincere Gold Agreement and through which the Group monitors cautiously the financial situation of the recipients to assess the recoverability of the security deposit.

*(iii) Deposits with financial institutions*

The Group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating assigned by international credit-rating agencies or other criteria. Given these high credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

As at 31 December 2012, the Group has no concentration of credit risk (2011: nil) of total cash and cash equivalents.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. All financial liabilities of the Group will mature within one year.

**Currency risk**

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars ("US dollars"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure should the need arise.

**Interest rate risk**

The Group's interest rate risk arises primarily from the Group's bank deposits and bank and other borrowings. As the Group has no significant interest-bearing assets and liabilities as at 31 December 2012, the Group's operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2011, if interest rates on the bank and other borrowings at that date had been 1% lower/higher with all other variables held constant, the consolidated profit after tax for the year would have been approximately HK\$2,156,000 higher/lower, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

**Fair value**

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

**7. TURNOVER**

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Sales of goods	651,562	881,291

**8. OTHER INCOME**

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Food processing income	6,810	6,633
Commission income	840	1,603
Storage fee income	5,486	1,361
Interest income	84	39
Sundry income	17	26
	<u>13,237</u>	<u>9,662</u>

**9. SEGMENT INFORMATION**

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

The accounting policies of the operating segment are the same as those described in note 4 to the financial statements. Segment profits or losses do not include finance costs arising from bank and other borrowings, restructuring costs and unallocated corporate income and expenses. Segment liabilities do not include bank and other borrowings, financial guarantee liabilities, deferred tax liabilities and amounts due to related parties. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

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

	<b>Frozen and functional food products</b>	
	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
<b>Years ended 31 December</b>		
Revenue from external customers	621,562	881,291
Segment profit	20,892	20,006
Interest income	58	9
Finance costs arising from bank overdraft	–	5
Depreciation	87	77
Income tax expense	2,342	3,225
Additions to segment non-current assets	78	296
	<u>                    </u>	<u>                    </u>
<b>As at 31 December</b>		
Segment assets	178,388	117,082
Segment liabilities	23,538	99,398
	<u>                    </u>	<u>                    </u>



Reconciliations of reportable segment profit or losses, assets and liabilities:

	Year ended 31 December	
	2012 HK\$'000	2011 HK\$'000
<b>Profit or losses</b>		
Profit of reportable segment	20,892	20,006
Unallocated amounts:		
Unallocated corporate income and expenses	(1,480)	(1,417)
Gain on debts discharged under the scheme of arrangement	381,258	–
Loss on group reorganisation	(260)	–
Restructuring costs	(8,581)	(3,755)
Finance costs arising from bank and other borrowings excluding bank overdraft	(6,629)	(8,867)
Consolidated profit before tax	<u>385,200</u>	<u>5,967</u>
	As at 31 December	
	2012 HK\$'000	2011 HK\$'000
<b>Assets</b>		
Total assets of reportable segment	178,388	117,082
Unallocated amounts:		
Deferred tax assets	–	264
Goodwill	6,098	6,098
Unallocated corporate assets	–	8,603
Consolidated total assets	<u>184,486</u>	<u>132,047</u>
<b>Liabilities</b>		
Total liabilities of reportable segment	23,538	99,398
Unallocated amounts:		
Deferred tax liabilities	10	11
Bank borrowings	–	208,597
Financial guarantee liabilities	–	15,325
Unallocated corporate liabilities	450	245,945
Consolidated total liabilities	<u>23,998</u>	<u>569,276</u>

**Geographical information:**

	Turnover		Non-current assets	
	Year ended 31 December		As at 31 December	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Canada	37,321	38,316	–	–
Mainland China	542,058	775,516	–	–
Hong Kong	72,183	54,856	32,710	35,729
Others	–	12,603	–	–
Consolidated total	<u>651,562</u>	<u>881,291</u>	<u>32,710</u>	<u>35,729</u>

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

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	<b>2012</b>
	<i>HK\$'000</i>
Customer A	120,517
Customer B	101,779
Customer C	70,809
	<u>          </u>
	<u>          </u>
	<b>2011</b>
	<i>HK\$'000</i>
Customer A	283,886
Customer B	146,368
Customer C	105,620
	<u>          </u>
	<u>          </u>

#### 10. RESTRUCTURING COSTS

Restructuring costs of approximately HK\$8,581,000 (2011: approximately HK\$3,755,000) mainly included the legal fees, fee to the financial adviser and the Provisional Liquidators and other professional fees for implementing the proposed restructuring of the Company. Such expenses were financed by the Investor and non-recurring in nature.

#### 11. THE SCHEME OF ARRANGEMENT AND GROUP REORGANISATION

##### Gain on debts discharged under the scheme of arrangement

On 26 April 2012, the majority of the scheme creditors approved a scheme of arrangement under which all indebtedness owed by the Company to the scheme creditors on the date for determination of entitlement of the scheme creditors were released, discharged and fully settled on 4 September 2012.

The scheme of arrangement was sanctioned by the Hong Kong Court and the Supreme Court of Bermuda on 16 May 2012 and 18 May 2012 respectively. The total indebtedness admitted by the scheme administrator under the scheme of arrangement was discharged in full and settled by way of a combination of the cash payment of HK\$62,000,000 and issuance of 14,823,936 creditors shares credited as fully paid. As a result, a gain on debts discharged under the scheme of arrangement of approximately HK\$381,258,000 (2011: Nil) was recognised during the year ended 31 December 2012, being calculated as follows:

	<i>HK\$'000</i>
Debts discharged:	
Bank borrowings	208,597
Financial guarantee liabilities	15,325
Accruals, other payables and deposit received	227,670
	<u>          </u>
	451,592
Satisfied by:	
Cash consideration	(62,000)
Issue of creditors shares (at fair value)	(8,334)
	<u>          </u>
	(70,334)
	<u>          </u>
Gain on debts discharged under the scheme of arrangement	<u>          </u>
	<u>          </u>
	381,258

**Loss on group reorganisation**

On 4 September 2012, the Group completed the restructuring agreement where Smart Dragon International Trading Limited, First China Technology Limited and First China Technology (Hong Kong) Limited, which are the former immediate subsidiaries of the Company, (the “Former Immediate Subsidiaries”), and Fuqing Longyu Food Development Company Limited, Jiajing Commercial (Shanghai) Company Limited and Ningbo Dingwei Food Development Company Limited, which are the subsidiaries of the Smart Dragon International Trading Limited or First China Technology Limited and had been deconsolidated from the Group since 1 July 2008 (details of the deconsolidation were disclosed in note 2 and 10 to the consolidated financial statements of the Company’s 2008 annual report dated 22 January 2010), were transferred out of the Group to the nominee of the administrators of the aforesaid scheme of arrangement.

	<i>HK\$’000</i>
Net assets of the Former Immediate Subsidiaries at the date of disposal of were as follows:	
Deferred tax assets	264
Bank and cash balances	62
Accruals, other payables and deposits received	(66)
	260
Loss on group reorganisation	(260)
	–
Total consideration satisfied by cash	–
	–
Net cash outflow arising on group reorganisation:	
Cash and cash equivalents of the subsidiaries disposal of	(62)
	(62)

As the result of the group reorganisation, the merger reserve of approximately HK\$38,900,000 included in the consolidated statement of changes in equity was transferred to the accumulated losses of the Group during the year.

**12. FINANCE COSTS**

	<b>2012</b>	<b>2011</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest expenses on:		
Bank borrowings wholly repayable within 1 year or on demand	6,183	8,657
Other borrowing wholly repayable within 1 year	446	210
Bank overdraft interest	–	5
	6,629	8,872
	6,629	8,872

**13. PROFIT BEFORE TAX**

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Directors' emoluments		
As directors	270	275
For management	147	–
	<u>417</u>	<u>275</u>
Auditor's remuneration		
Current year	450	504
	<u>450</u>	<u>504</u>
Staff costs including directors' emoluments		
Salaries, bonus and allowances	2,748	3,700
Retirement benefits scheme contributions	149	123
	<u>2,897</u>	<u>3,823</u>
Acquisition-related costs (included in restructuring expenses)	–	52
Cost of inventories sold	626,058	856,634
Depreciation	92	86
Loss on property, plant and equipment written-off	5	–
Net exchange (gain)/losses	(401)	306
Other operating lease charges on		
Sincere Gold Agreement ( <i>note 26(a)</i> )	3,000	2,625
Operating lease charges on land and buildings	899	833
	<u>899</u>	<u>833</u>

**14. INCOME TAX EXPENSE**

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
Provision for the year	2,372	3,211
Under-provision in prior years	–	3
Over-provision in prior years	(29)	–
	<u>2,343</u>	<u>3,214</u>
Deferred tax ( <i>note 23</i> )	(1)	11
	<u>2,342</u>	<u>3,225</u>

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

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

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Profit before tax	385,200	5,967
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	63,558	985
Tax effect of income not taxable and expenses not deductible	(61,246)	9
Tax effect of tax losses not recognised	59	2,228
Under-provision in prior years	–	3
Over-provision in prior years	(29)	–
	<u>2,342</u>	<u>3,225</u>

## 15. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments of each Director and the Chief Executive Officer were as follows:

Name of		Fees HK\$'000	Basic salaries, allowances and benefits in-kind HK\$'000	Share-based payments HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>executive directors/ chief executive officer</b>						
Huang Kunyan	(note (a))	-	3	-	-	3
Shum Chin Tong Peter	(note (a))	-	80	-	-	80
Yau Wai Tak Dennis	(note (a))	-	64	-	-	64
Mak Tat Ho Louis	(note (d))	-	240	-	12	252
		-	387	-	12	399
<b>Name of non-executive directors</b>						
Lee Wa Lun Warren	(note (b))	-	-	-	-	-
		-	-	-	-	-
<b>Name of independent non-executive directors</b>						
Leung King Yue Alex		60	-	-	-	60
Tang Chi Chung Matthew		60	-	-	-	60
Wong Chi Keung		150	-	-	-	150
		270	-	-	-	270
Total for 2012		270	387	-	12	669
<b>Name of</b>						
<b>executive directors/ chief executive officer</b>						
Lee Wa Lun Warren	(note (b))	-	-	-	-	-
Mak Tat Ho Louis	(note (d))	-	134	-	7	141
		-	134	-	7	141
<b>Name of independent non-executive directors</b>						
Leung King Yue Alex	(note (c))	60	-	-	-	60
Tang Chi Chung Matthew		60	-	-	-	60
Lo Wai On		5	-	-	-	5
Wong Chi Keung		150	-	-	-	150
		275	-	-	-	275
Total for 2011		275	134	-	7	416

Notes:

- Appointed with effect from 4 September 2012
- Re-designated with effect from 4 September 2012
- Resigned with effect from 31 January 2011
- Mr. Mak Tat Ho, Louis is the Chief Executive Officer of the Group but not a Director of the Company. The amounts disclosed above included those for services rendered by him as the Chief Executive Officer.

**16. INDIVIDUALS WITH HIGHEST EMOLUMENTS**

The five highest paid individuals in the Group during the year included 1 (2011: nil) Director and the Chief Executive Officer (2011: nil), details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2011: 5) individual are set out below:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Basic salaries and allowances	918	2,655
Retirement benefit scheme contributions	38	115
	<u>956</u>	<u>2,770</u>

The emoluments of the 3 individuals (2011: 5) fall within the following band:

	<b>Number of individuals</b>	
	<b>2012</b>	<b>2011</b>
HK\$ Nil – HK\$1,000,000	<u>3</u>	<u>5</u>

During the years ended 31 December 2012 and 2011, no emoluments were paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

**17. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The consolidated profit attributable to owners of the Company includes a profit of approximately HK\$371,446,000 (2011: loss of approximately HK\$13,123,000) which has been dealt with in the financial statements of the Company.

**18. DIVIDENDS**

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

**19. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY****Basic earnings per share**

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$382,858,000 (2011: approximately HK\$2,742,000) and the weighted average number of approximately 140,139,000 ordinary shares (2011: approximately 14,824,000 ordinary shares) in issue during the year which has been adjusted resulting from the share consolidation, the subscription of new shares and the open offer.

**Diluted earnings per share**

Diluted earnings per share for the years ended 31 December 2012 and 2011 is the same as the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the years.

**20. RETIREMENT BENEFIT SCHEMES**

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$25,000 from June 2012, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of comprehensive income.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2012 in respect of the retirement benefits of its employees.

**21. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvement</b> <i>HK\$'000</i>	<b>Furniture and equipment</b> <i>HK\$'000</i>	<b>Computer hardware and software</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>				
At 1 January 2011	–	827	–	827
Additions	130	86	80	296
At 31 December 2011 and 1 January 2012	130	913	80	1,123
Additions	–	49	29	78
Written off	–	(800)	–	(800)
At 31 December 2012	130	162	109	401
<b>Accumulated depreciation</b>				
At 1 January 2011	–	781	–	781
Charge for the year	22	40	24	86
At 31 December 2011 and 1 January 2012	22	821	24	867
Charge for the year	26	33	33	92
Written off	–	(795)	–	(795)
At 31 December 2012	48	59	57	164
Carrying amount				
At 31 December 2012	82	103	52	237
At 31 December 2011	108	92	56	256

## 22. GOODWILL

	<i>HK\$'000</i>
<b>Cost</b>	
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	6,098
<b>Accumulated impairment losses</b>	
Recognised for the years ended 31 December 2011 and 2012 and balance as at 31 December 2012	–
<b>Carrying amount</b>	
At 31 December 2012	6,098
At 31 December 2011	6,098

During the year ended 31 December 2010, the Group acquired the entire issued share capital of Orient Legend for an aggregate cash consideration of HK\$10 million. Details of which had been disclosed in the 2010 annual report of the Company.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (“CGUs”) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of approximately HK\$6,068,000 (2011: approximately HK\$6,098,000) had been allocated to sales of food products contributed by Orient Legend.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.7%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group’s sales of food products is 15%.



**23. DEFERRED TAX**

The components of deferred tax assets and liabilities recognized in the consolidated statement of financial position and the movements during the current year are as follows:

	<b>Impairment loss of bad and doubtful debts</b> <i>HK\$'000</i>	<b>Other temporary differences</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2011, 31 December 2011 and 1 January 2012	68	196	264
Transferred out arising on group reorganisation (note 11)	(68)	(196)	(264)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2012	<u>          </u> –	<u>          </u> –	<u>          </u> –
<b>Deferred tax liabilities</b>		<b>Other temporary differences</b> <i>HK\$'000</i>	
Charged to profit or loss for the year ended 31 December 2011		<u>          </u> 11	
At 31 December 2011 and 1 January 2012		11	
Credited to profit or loss for the year ended 31 December 2012		<u>          </u> (1)	
At 31 December 2012		<u>          </u> 10	

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Deferred tax assets	–	264
Deferred tax liabilities	<u>          </u> (10)	<u>          </u> (11)
	<u>          </u> (10)	<u>          </u> 253

**24. INVENTORIES**

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Merchandise	<u>          </u> 3,444	<u>          </u> 4,187

**25. TRADE RECEIVABLES**

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

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Within 1 month	19,216	5,594
More than 1 month but within 3 months	23,619	27,320
More than 3 months but within 6 months	12,522	12,057
More than 6 months but within 1 year	8,594	2,640
More than 1 year	8,367	176
	<u>72,318</u>	<u>47,787</u>

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Not past due	42,835	32,914
More than 3 months but within 6 months	12,522	12,057
More than 6 months but within 1 year	8,594	2,640
More than 1 year	8,367	176
	<u>72,318</u>	<u>47,787</u>

Receivables that were past due but not impaired relate to a number of independent customers for whom there was no recent history of default.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Hong Kong dollars	18,020	4,324
US dollars	54,298	41,754
Canadian dollars	–	1,709
	<u>72,318</u>	<u>47,787</u>

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>		
Prepayment and deposit for Sincere Gold Agreement ( <i>note (a)</i> )	26,375	29,375
<b>Current assets</b>		
Prepayment and deposit for Sincere Gold Agreement ( <i>note (a)</i> )	3,000	3,000
Deposit for the S&P Agreement ( <i>note (b)</i> )	–	500
Advances to suppliers	4,327	3,756
Rental and other deposits	807	649
	<u>8,134</u>	<u>7,905</u>

*Notes:*

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

The operating lease commenced since mid-February 2011 and HK\$3,000,000 (2011: HK\$2,625,000) was charged to profit or loss of the Group for the year ended 31 December 2012. As a result, the Group had remaining balances of rental prepayment and security deposit of HK\$9,375,000 and HK\$20,000,000 as at 31 December 2012, in which HK\$3,000,000 of the rental prepayment is classified as a current asset and the remaining rental prepayment of HK\$6,375,000 and the security deposit of HK\$20,000,000 are classified as non-current assets at the end of the reporting period.

- (b) On 10 June 2011, Pacific Prosper and Mr. Chu Yin Tat and Ms. Tam Wai Chun (the “Vendors”) entered into the sale and purchase agreement (the “S&P Agreement”) pursuant to which Pacific Prosper conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of the New Profit Global Limited at the consideration of HK\$4.5 million in cash. In June 2011, HK\$500,000 was paid. On 4 January 2012, the Group announced that the S&P Agreement lapsed pursuant to its terms. Accordingly, the deposit for the S&P Agreement was refunded.

## 27. BANK AND CASH BALANCES

	2012 HK\$'000	2011 HK\$'000
Cash at bank and in hand	66,952	36,186

As at 31 December 2012 and 2011, the bank and cash balances of the Group were denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollars	57,001	16,309
US dollars	3,782	8,619
Renminbi	4,975	4,913
Euro	1,194	6,339
Others	–	6
	<u>66,952</u>	<u>36,186</u>

**28 TRADE AND BILLS PAYABLES**

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Within 1 month	4,694	5,062
More than 1 month but within 3 months	8,702	10,905
More than 3 months but within 6 months	2,129	8
More than 6 months but within 1 year	–	813
More than 1 year	342	23
	<u>15,867</u>	<u>16,811</u>

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Hong Kong dollars	3,878	2,435
US dollars	11,989	14,068
Euro	–	308
	<u>15,867</u>	<u>16,811</u>

**29. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED**

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Finance costs payable	–	27,983
Accruals and other payables	3,770	12,196
Deposits received	3,427	2,386
Claim arising from derivative financial instrument ( <i>note (a)</i> )	–	124,321
Amount due to a former director of the Company ( <i>note (b)</i> )	–	68,250
Amount due to a director of the subsidiaries ( <i>note (b)</i> )	683	5,530
Amount due to the Investor ( <i>note (c)</i> )	135	78,998
	<u>8,015</u>	<u>319,664</u>

*Notes:*

- (a) Included in the accruals, other payables and deposits received of the Group as at 31 December 2011 is a claim arising from the derivative financial instrument with a carrying amount of US\$15,979,544 (equivalent to approximately HK\$124,320,851). The claim is arising from a notice of early termination of a US\$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. These liabilities of the Company had been discharged under the scheme of arrangement of the Company which became effective on 4 September 2012.
- (b) The amount due to a former director of the Company had been discharged under the scheme of arrangement of the Company which became effective on 4 September 2012. The amount due to a director of the subsidiaries is unsecured, non-interest bearing and has no fixed terms of repayment.
- (c) The amount due to the Investor as at 31 December 2012 is unsecured, non-interest bearing and has no fixed repayment terms.

The outstanding balance as at 31 December 2011 included an advancement (the “Advancement”) and an earnest money (the “Earnest Money”) paid by the Investor pursuant to the Exclusivity Agreement. The Advancement was used for payment of the restructuring fees and other professional fees during the restructuring process. In addition, there was a loan (the “Loan”) from the Investor pursuant to the Working Capital Facility and for the use of operation of Supreme Wit Limited (“Supreme Wit”), a direct wholly-owned subsidiary of the Company, and its operating subsidiaries. The Loan was secured by the floating charge on all the assets of Supreme Wit and had no fixed terms of repayment.

Upon the completion of the restructuring on 4 September 2012, the Earnest Money, the Advancement and the Loan formed part of the subscription proceeds paid by the Investor.

### 30. BANK AND OTHER BORROWINGS

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Within 1 year or on demand		
Bank borrowings	–	208,597
Other borrowing	–	7,000
	<u>–</u>	<u>215,597</u>
	<u>–</u>	<u>215,597</u>

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Hong Kong dollars	–	176,697
US dollars	–	38,900
	<u>–</u>	<u>215,597</u>
	<u>–</u>	<u>215,597</u>

Upon the Scheme of arrangement being effective on 4 September 2012, the bank borrowings of approximately HK\$208,597,000 had been discharged.

### 31. FINANCIAL GUARANTEE LIABILITIES

In 2008, a bank borrowing of equivalent to approximately HK\$15,325,000 was maintained by Fuqing Longyu Food Development Company Limited which was deconsolidated from the consolidated financial statements of the Company since 1 July 2008. Since the Company provided a corporate guarantee for this bank borrowing, the Company was therefore liable to the financial guarantee liabilities of HK\$15,325,000 (2011: HK\$15,325,000). This liability had been discharged under the scheme of arrangement of the Company which became effective on 4 September 2012.

## 32. SHARE CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

	2012 HK\$'000	2011 HK\$'000
<b>Authorised:</b>		
800,000,000 ordinary shares of HK\$0.01 each (2011: 2,000,000,000 ordinary shares of HK\$0.05 each) ( <i>Note (i)</i> )	8,000	100,000
<b>Issued and fully paid:</b>		
400,246,274 ordinary shares of HK\$0.01 each (2011: 1,185,914,889 ordinary shares of HK\$0.05 each)	4,002	59,296

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Movement of the number of shares issued and the share capital during the current year is as follows:

	Number of shares issued '000	Share Capital HK\$'000
At 1 January 2011, 31 December 2011 and 1 January 2012	1,185,915	59,296
Capital restructuring ( <i>Note (i)</i> )	(1,171,091)	(59,148)
	14,824	148
Share subscription ( <i>Note (ii)</i> )	266,831	2,668
Open offer ( <i>Note (iii)</i> )	103,767	1,038
Issue of creditors shares ( <i>Note (iv)</i> )	14,824	148
At 31 December 2012	400,246	4,002

Notes:

- (i) The capital restructuring of the Company became effective on 7 August 2012 which comprised the following:

**Capital reduction**

The capital reduction involved a reduction of the par value of each share from HK\$0.05 each to HK\$0.000125 each which gave rise to a credit of approximately HK\$59,148,000 on the basis of 1,185,914,889 shares in issue. Such credit was permitted by the Companies Act 1981 of Bermuda to set off part of the accumulated losses of the Company.

**Capital cancellation**

Immediately following the capital reduction, the remaining authorised but unissued share capital of the Company of 814,085,111 unissued shares of par value of HK\$0.05 each amounting to an aggregate of approximately HK\$40,704,000 was cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to approximately HK\$148,000, divided into 1,185,914,889 shares of par value of HK\$0.000125 each.

**Share consolidation**

The share consolidation was implemented to consolidate every 80 issued shares of par value of HK\$0.000125 each into one share of par value of HK\$0.01 each. As a result, 1,185,914,889 issued shares of the Company were consolidated into 14,823,936 shares of HK\$0.01 each.

**Share premium cancellation**

The entire amount of approximately HK\$299,181,000 standing to the credit of the share premium account of the Company as at 31 December 2011 was cancelled and applied to set off part of the accumulated losses of the Company as at 31 December 2011 permitted by the Companies Act 1981 of Bermuda.

**Increase in authorised share capital**

The authorised share capital of the Company was increased from HK\$148,000 to approximately HK\$8,000,000 by the creation of approximately 785,200,000 new shares of HK\$0.01 each.

**(ii) Share subscription**

Completion of the share subscription took place on 4 September 2012 pursuant to which 266,830,850 subscription shares were issued to Groupwill Holdings Limited (now the Controlling Shareholder of the Company) at the subscription price of HK\$0.5622 per subscription share with the par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$2,668,000 and its share premium account was increased by approximately HK\$147,344,000. The transaction costs related to the share subscription was approximately HK\$75,000.

**(iii) Open offer**

Completion of the open offer took place with 103,767,552 offer shares issued under the open offer on the basis of seven offer shares for every one share held by the qualifying shareholders after completion of the capital restructuring at the subscription price of HK\$0.5622 per offer share with the par value of HK\$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK\$1,038,000 and its share premium account was increased by approximately HK\$57,300,000. The transaction costs related to the open offer was approximately HK\$1,750,000. The offer shares were issued on 4 September 2012.

**(iv) Issue of creditors shares**

The scheme of arrangement with the Company's creditors became effective on 4 September 2012 upon the sanction by the Hong Kong Court and the Supreme Court of Bermuda held on 16 May 2012 and 18 May 2012 respectively, pursuant to which approximately 14,824,000 creditors shares were issued to the nominee of scheme administrators of the aforesaid scheme of arrangement at the issue price of HK\$0.5622 per creditors share with the par value of HK\$0.01 each. Accordingly, the Company's share capital was increased by approximately HK\$148,000 and its share premium amounts was increased by approximately HK\$8,186,000.

**33. RESERVES****a) Group**

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

**b) Company**

	<i>Notes</i>	<b>Share premium HK\$'000</b>	<b>Accumulated losses HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2011		299,181	(804,927)	(505,746)
Total comprehensive loss for the year		–	(13,123)	(13,123)
At 31 December 2011		<u>299,181</u>	<u>(818,050)</u>	<u>(518,869)</u>
At 1 January 2012		299,181	(818,050)	(518,869)
Total comprehensive income for the year		–	371,446	371,446
Capital reduction	<i>32(i)</i>	(299,181)	358,329	59,148
Share subscription	<i>32(ii)</i>	147,344	–	147,344
Transaction costs related to the share subscription	<i>32(ii)</i>	(75)	–	(75)
Open offer	<i>32(iii)</i>	57,300	–	57,300
Transaction costs related to the open offer	<i>32(iii)</i>	(1,750)	–	(1,750)
Issue of creditors shares	<i>32(iv)</i>	8,186	–	8,186
At 31 December 2012		<u>211,005</u>	<u>(88,275)</u>	<u>122,730</u>

**(c) Nature and purpose of reserves of the Group****(i) Share premium**

According to the Bermuda Companies Act 1981, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

**(ii) Merger reserve**

Merger reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on the Stock Exchange over the nominal value of the share capital of the Company issued in exchange therefore. Upon completion of the restructuring agreement on 4 September 2012, the whole amount of the merger reserve of approximately HK\$38,900,000 was transferred to accumulated losses of the Group.

**34. MAJOR NON-CASH TRANSACTION**

During the year, change in the amount of accruals, other payables and deposits received as shown in the operating activities of the consolidated statement of cash flows included an amount of approximately HK\$6,183,000 (2011: approximately HK\$8,657,000) relating to the finance costs of bank borrowings. The amount due to investor as at 31 December 2011 as included in note 29 to the consolidated financial statements was applied to form part of the share subscription by the Investor totally 266,830,850 subscription shares at subscription price of HK\$0.5622 per subscription share.



**35. COMMITMENTS**

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
<i>Capital commitments</i>		
The consideration in relation to the S&P Agreement ( <i>note 26(b)</i> )	–	4,000

*Operating lease commitments*

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

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Within 1 year	824	869
After 1 year but within 5 years	543	360
	<u>1,367</u>	<u>1,229</u>

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

**36. CONTINGENT LIABILITIES**

As at 31 December 2012, the Group did not have any significant contingent liabilities (2011: nil)

**37. PLEDGE OF ASSETS**

As at 31 December 2012, the Group did not have any pledge of assets. As at 31 December 2011, all the assets of Supreme Wit, a direct wholly-owned subsidiary of the Company, were pledged to the Investor by way of floating charge to secure the Working Capital Facility and the additional working capital facility granted by the Investor to the Group. The floating charge had been released on 4 September 2012.

**38. RELATED PARTY TRANSACTIONS**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the Chief Executive officers as disclosed in note 15 and all of the highest paid employees as disclosed in note 16, is as follows:

	<b>2012</b> <i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
Short-term employee benefits	1,575	2,930
Post-employment benefits	50	115
	<u>1,625</u>	<u>3,045</u>

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

**39. EVENTS AFTER THE REPORTING PERIOD**

There were no material events after the reporting period.

## 40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2012 were as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital/ registration capital	Percentage of ownership interest/ voting power/profit sharing		Principal activities
			2012	2011	
Supreme Wit Limited	British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Investment holding
Trendy Leader Limited	Hong Kong	1 ordinary share of HK\$1 each	100%*	100%*	Trading and processing of food products
Highest Rich Limited	Hong Kong	1 ordinary share of HK\$1 each	100%*	100%*	Inactive
Pacific Prosper Limited	Hong Kong	1 ordinary share of HK\$1 each	100%*	100%*	Investment holding
Orient Legend International Limited	Hong Kong	10 ordinary share of HK\$1 each	100%*	100%*	Trading of food products

\* These subsidiaries were indirectly held by the Company.

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	Notes	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		–	11
Investment in subsidiaries	40	–	–
		–	11
<b>Current assets</b>			
Prepayments, deposits and other receivables		–	241
Amount due from a subsidiary*		127,182	1,687
Cash and cash equivalents		–	8,300
		127,182	10,228
<b>Current liabilities</b>			
Accruals, other payables and deposits received		450	121,570
Bank and other borrowings		–	332,917
Financial guarantee liabilities	31	–	15,325
		450	469,812
<b>Net current liabilities</b>		126,732	(459,584)
<b>NET LIABILITIES</b>		126,732	(459,573)
<b>Capital and reserves</b>			
Share capital	32	4,002	59,296
Reserves	33	122,730	(518,869)
<b>TOTAL EQUITY</b>		126,732	(459,573)

\* The amount due from a subsidiary was unsecured, interest-free and had no fixed terms of repayment.

**42 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2013.

**4. INDEBTEDNESS**

As at the close of business on 31 August 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, apart from intra-group liabilities, normal trade and other payables, the Group did not have any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities as at the close of business on 31 August 2013. The Directors confirmed that there had been no material change in the indebtedness of the Group since 31 August 2013 up to the Latest Practicable Date.

**5. MATERIAL CHANGE**

The Directors confirmed that there were no material change in the financial and trading position or outlook of the Group since 31 December 2012 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

The information contained herein relating to the Offeror, the terms of the Offer and intentions of the Offeror in respect of the Group has been supplied by the sole director of the Offeror, who accepts full responsibility for the accuracy of the information contained in this Composite Document relating to the Offeror, the terms and conditions of the Offer and the future intentions of the Offeror in respect of the Group and confirm, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Group and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

The information contained herein other than information relating to the Offeror, the terms of the Offer and intentions of the Offeror in respect of the Group has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.01 each as at the Latest Practicable Date were as follows:

<i>Authorised Shares</i>	<i>HK\$</i>
800,000,000	8,000,000.00
 <i>Issued Shares</i>	
<u>400,246,274</u>	<u>4,002,462.74</u>

Save for the Shares, the Company has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2012, the date to which the latest audited financial statements of the Company were made up.

### 3. DISCLOSURE OF INTEREST

#### Substantial Shareholders

As at the Latest Practicable Date, details of interests in the shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it are as follows:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate % of interest
The Offeror	Beneficial owner	300,182,154	74.99%
Ms Cui	Interest of controlled corporation ( <i>Note</i> )	300,182,154	74.99%

*Note:* As at the Latest Practicable Date, Ms Cui is the sole director of the Offeror and the sole ultimate beneficial owner holding the entire interest of the Offeror.

Yu Ming will underwrite all the Offer Shares tendered for acceptance under the Offer. Save for the Offer Shares to be underwritten by Yu Ming, as at the Latest Practicable Date, there is no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

Yu Ming will take up all the Offer Shares tendered for acceptance under the Offer and it will make arrangement to place down the Offer Shares after the close of the Offer to independent third parties, who are not concert parties and not connected persons of the Offeror, so that Yu Ming will not become a substantial Shareholder or a connected person of the Company after the close of the Offer.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

### 4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) Save for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement, none of the Offeror, Ms Cui (being the sole director and sole ultimate beneficial owner of the Offeror) or any persons acting in concert with any of them owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and save for the entering into of the Sale and Purchase Agreement (which was completed on 19 September 2013), none of the Offeror, Ms Cui or any persons acting in concert with any of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period. The entire issued share capital of the Offeror is owned by Ms Cui.

- (b) As at the Latest Practicable Date, no person had, prior to posting of this Composite Document, irrevocably committed himself to accept or reject the Offer.
- (c) As at the Latest Practicable Date, none of the Offeror, Ms. Cui (being the sole director and sole ultimate beneficial owner of the Offeror) or any of the parties acting in concert with any of them, had entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.
- (d) As at the Latest Practicable Date, none of the Offeror, Ms. Cui (being the sole director and sole ultimate beneficial owner of the Offeror) or any of the parties acting in concert with any of them, had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.
- (e) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) exists between the Offeror, Ms. Cui (being the sole director and sole ultimate beneficial owner of the Offeror) or any person acting in concert with any of them and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.
- (f) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.
- (g) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror, Ms. Cui (being the sole director and sole ultimate beneficial owner of the Offeror) or any person acting in concert with them or the Offeror's associate, and any other person.
- (h) As at the Latest Practicable Date, the Company did not have any beneficial interest in the shares, convertible securities, warrants, options and derivatives of the Offeror, and the Company had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.
- (i) As at the Latest Practicable Date, none of the Directors had any interests in any Shares, convertible securities, warrants, options or other derivatives of the Company, and save for the entering into of the Sale and Purchase Agreement (which was completed on 19 September 2013) and the Sale Shares interested by Mr. Huang Kunyan (being the sole director and sole ultimate beneficial owner of the Vendor), an executive Director, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.
- (j) As at the Latest Practicable Date, none of the Directors had any interests in any shares, convertible securities, warrants, options or other derivatives of the Offeror, and none of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Offeror during the Relevant Period.

- (k) None of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (l) Save for Mr. Huang Kunyan (being the sole director and sole ultimate beneficial owner of the Vendor), an executive Director, as at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (m) No Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company as at the Latest Practicable Date, and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (n) As at the Latest Practicable Date, no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had been borrowed or lent by any of the Directors or by the Company.
- (o) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (p) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (q) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

## 5. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Date; and (iii) the Latest Practicable Date:

Date	Closing price (HK\$)
28 March 2013	0.57
30 April 2013	0.58
31 May 2013	0.56
28 June 2013	0.83
31 July 2013	0.76
30 August 2013	2.01
Last Trading Day	3.58
30 September 2013	5.10
Latest Practicable Date	5.12

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$5.40 per Share on 26 September 2013 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.55 per Share on 11 June 2013.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within the two years preceding the date of the Joint Announcement and ending on the Latest Practicable Date and are or maybe material in relation to the business of the Company as a whole:

- (a) a restructuring agreement dated 5 January 2012 (supplemented by two side letters dated 1 June 2012 and 9 July 2012 respectively) entered into between the Company, the Vendor, Mr. Huang Kunyan and the provisional liquidators of the company, namely Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, in relation to the proposed restructuring of the Company; and
- (b) an underwriting agreement dated 9 July 2012 and supplemented on 6 August 2012 entered into between the Company and Asian Capital (Corporate Finance) Limited in relation to the open offer of 103,767,552 open offer shares on the basis of seven for one offer share at HK\$0.5622 per offer share to raise gross proceeds of approximately HK\$58,338,000.



Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on by the Group) had been entered into by any member of the Group within the two years before the date of the Joint Announcement and ending on the Latest Practicable Date and are or may be material.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Yu Ming	a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
Beijing Securities	a licensed corporation permitted to carry out Types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO

Each of Yu Ming and Beijing Securities has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report, recommendation or opinion, and/or the reference to its name in the form and context in which they are included herein.

As at the Latest Practicable Date, none of Yu Ming and Beijing Securities had any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Yu Ming and Beijing Securities had any direct or indirect interest in any assets which have been, since 31 December 2012 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. DIRECTORS' SERVICE CONTRACT

Mr. Shum Chin Tong Peter ("Mr. Shum"), an executive Director, has entered into a contract of employment on 28 December 2012 with the Company, with no fixed term of service and subject to retirement by rotation and re-election pursuant to the Bye-laws and memorandum of association of the Company. Mr. Shum was entitled to a remuneration of HK\$20,000 per month and an annual double-pay equivalent to one month remuneration. No variable remuneration is payable under the contract of employment of Mr. Shum. The remuneration of Mr. Shum was amended on 29 August 2013 to HK\$30,000 per month.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

#### 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (<http://www.equitynet.com.hk/1076>); (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and; (iii) at the principal office and place of business of the Company at 14/F, Bangkok Bank Building, 490-492 Nathan Road, Yaumatei, Kowloon, Hong Kong from the date of this Composite Document up to and including the Closing Date or the date on which the Offer lapses or is withdrawn (whichever is earlier):

- (a) the memorandum and bye-laws of the Company;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of the Company for the year ended 31 December 2010, 31 December 2011 and 31 December 2012 and the interim report of the Company for the six months ended 30 June 2013;
- (d) the letter from Yu Ming, the text of which is set out on pages 5 to 12 of this Composite Document;
- (e) the letter from the Board, the text of which is set out on pages 13 to 17 of this Composite Document;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 18 to 19 of this Composite Document;
- (g) the letter from Beijing Securities to the Independent Board Committee, the text of which is set out on pages 20 to 34 of this Composite Document;
- (h) the written consents referred to under the paragraph headed “Experts and consents” in this Appendix III;
- (i) the material contracts referred to under the paragraph headed “Material contracts” in this Appendix III; and
- (j) the contract of employment of Mr. Shum dated 28 December 2012 (as amended on 29 August 2013) referred to under the paragraph headed “Director’s service contract” in this Appendix III.

**11. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is 14/F, Bangkok Bank Building, 490-492 Nathan Road, Yaumatei, Kowloon, Hong Kong.
- (b) The registered address of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and the correspondence address of the Offeror is c/o 20/F., Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong.
- (c) As at the Latest Practicable Date, Ms Cui is the sole shareholder and sole director of the Offeror, whose correspondence address is c/o 20/F., Tung Hip Commercial Building, 244-248 Des Voeux Road Central, Hong Kong.
- (d) The branch share registrar and transfer agent of the Company in Hong Kong is Hong Kong Registrars Limited, which is situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The registered office of Yu Ming is situated at Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.
- (f) The English text of this Composite Document and the accompanying Form(s) of Acceptance and Transfer shall prevail over their respective Chinese text in case of inconsistency.