FIRST NATURAL FOODS HOLDINGS LIMITED

(Provisional Liquidators Appointed)

第一天然食品有限公司*

（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)

(Stock Code: 01076)

Annual Report 2009

*　　*for identification purpose only*

Contents

Corporate Information

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

LIU Yiu Keung, Stephen
(appointed by the High Court of the HKSAR on 6 January 2009)
YEN Ching Wai, David
(appointed by the High Court of the HKSAR on 6 January 2009)

BOARD OF DIRECTORS

Executive Directors
LEE Wa Lun, Warren
YEUNG Chung Lung
(Chairman, vacated on 27 August 2009)

Independent Non-executive Directors
LEUNG King Yue, Alex
LO Wai On
TANG Chi Chung, Matthew
WONG Chi Keung
(also acted as Chairman since 9 October 2009)

PRINCIPAL REGISTRAR

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

LEGAL ADVISERS

as to Hong Kong law
P. C. Woo & Co.

as to Bermuda law
Conyers Dill & Pearman

AUDITOR

ANDA CPA Limited

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 2501, 25/F, China Online Centre
No. 333 Lockhart Road, Wanchai
Hong Kong

PRINCIPAL BANKERS (BEFORE APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS)

CITIC Ka Wah Bank Limited
China Construction Bank (Asia) Limited
DBS Bank Ltd., Guangzhou Branch
Xiamen International Bank
Taishin International Bank Co., Limited
Hong Kong Branch

WEBSITE

http://www.equitynet.com.hk/1076

STOCK CODE

01076

Report of the Directors

The board (the "Board") of directors (the "Directors") of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") herein presents its report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

BUSINESS REVIEW

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

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

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

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

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

BUSINESS REVIEW (CONTINUED)

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

(i) *Fuqing Longyu Food Development Co., Limited ("Fuqing Longyu")*

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

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

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

BUSINESS REVIEW (CONTINUED)

(iii) Ningbo Dingwei Food Development Co., Limited ("Ningbo Dingwei")

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

LIQUIDITY AND FINANCIAL RESOURCES

The net cash outflow from operating activities for the year was approximately RMB2,699,000 as compared to a net cash inflow of approximately RMB2,712,000 in the previous year. Cash and cash equivalents as at 31 December 2009 amounted to approximately RMB6,487,000 (2008: approximately RMB529,000). The Group's gearing ratio measured on the basis of the Group's bank borrowings liabilities divided by total assets as at 31 December 2009 was not applicable as the Group had net deficiency in assets (2008: not applicable).

Liabilities and payables presented in the audited financial statements and this report are prepared according to the books and records and available information to the best of our knowledge.

RISK OF FOREIGN EXCHANGE FLUCTUATION

The Group's bank borrowings, bank and cash balances, and accruals and other payables were denominated in Hong Kong dollars, US dollars and Renminbi. At such, it will be subject to reasonable exchange rate exposures. However, the Group will closely monitor this risk exposure and would take prudent measures as appropriate. The Group's borrowings bore interest at floating rates.

In April 2007, the Company entered into an interest rate swap contract (the "Swap Contract") with a notional amount of US$100,000,000 with a commercial bank. On 3 November 2008, the commercial bank served the Company with a notice of early termination and made a claim against the Company for an amount of US$15,927,075. Details are set out in note 28 to the financial statements.

EMPLOYEES AND REMUNERATION POLICIES

Other than the Directors, the Group employed 1 staff in Hong Kong as at 31 December 2009. Remuneration package is reviewed annually and determined by reference to market pay and individual performance. In addition to salary payments, the Group also provides other employment benefits such as a provident fund.

SIGNIFICANT INVESTMENTS AND ACQUISITION

On the basis of the available books and records, the Group did not have any significant investment nor did it make any material acquisition or disposal of subsidiaries and associates throughout the year ended 31 December 2009.

RESTRUCTURING OF THE GROUP

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

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

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

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

RESTRUCTURING OF THE GROUP (CONTINUED)

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

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

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

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

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

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

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

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

RESTRUCTURING OF THE GROUP (CONTINUED)

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

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

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

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

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

PROSPECTS

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

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

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

PROSPECTS (CONTINUED)

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 39 to the audited financial statements.

RESULTS AND DIVIDENDS

The loss of the Group for the year ended 31 December 2009 is set out in the financial statements on page 26 and the states of affairs of the Group and of the Company at that date are set out in the financial statements on pages 27 and 75.

No interim dividend was paid (2008: Nil) and a payment of the final dividend is not proposed for the year ended 31 December 2009 (2008: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 76. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 22 to the audited financial statements.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 29, 31, 33 and 34 to the audited financial statements.

CONTINGENT LIABILITIES

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

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

COMMITMENTS

Details of the commitments of the Group are set out in note 35 to the audited financial statements.

PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any charges on its assets (2008: Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 31 to the audited financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the audited financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2009, the Company did not have any reserves available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's two largest customers accounted for 100% of the total sales for the year and sales to the largest customer included therein amounted to 97%. Purchases from the Group's two largest suppliers accounted for around 100% of the total purchases for the year and purchasers from the largest supplier included therein amounted to 71%.

None of the Directors or any of their associates or shareholders (which, to the best knowledge of the Board, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's two largest customers and two largest suppliers.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

Lee Wa Lun, Warren	
Yeung Chung Lung	(acted as Chairman prior to his vacation on 27 August 2009)

Independent non-executive Directors:

Wong Chi Keung	(also acted as Chairman since 9 October 2009)
Leung King Yue, Alex	
Lo Wai On	
Tang Chi Chung, Matthew	

Mr. Wong Chi Keung ("Mr. Wong") has entered into a service contract with the Company for a term of three years commencing from 1 December 2007 until terminated by either party giving not less than one month's notice in writing.

Each of the remaining existing Board members has not entered into any service contract with the Company and has not been appointed for a specific term. Except for Mr. Wong, each of the Directors will hold office until the next general meeting of the Company and being eligible, will offer himself for re-election at that meeting pursuant to the Bye-laws of the Company. Their emoluments will be determined based on the prevailing market conditions and their roles and responsibilities.

Save as disclosed above, no Director eligible for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS (CONTINUED)

Vacation of the Office as Director and Re-designation of Director

Due to the fact that Mr. Yeung, the former chairman of the Board and executive Director, was absent from meetings of the Board for six consecutive months without special leave of absence from the Board, the Board meeting held on 27 August 2009 resolved that the office of Mr. Yeung as the Director has been vacated in accordance with bye-law 89(3) of the Bye-laws of the Company. Mr. Yeung's offices as the chairman and the executive Director were also vacated as a result.

Following the said vacation, the Board appointed Mr. Wong, an independent non-executive Director, as the chairman of the Company with effect from 9 October 2009. Mr. Wong has been a member and the chairman of both the audit committee and remuneration committee of the Company since 26 November 2007.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 21 to 22.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, save as disclosed below and other than certain nominee shares in subsidiaries held by Directors in trust for the Company, none of the Directors or chief executive of the Company had registered any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Long positions in the Shares:

	Number of ordinary shares				Approximate
Name of Director	Personal interest	Family interest	Corporate interest	Total	percentage of issued share capital
YEUNG Chung Lung	–	–	416,665,000 *(Note)*	416,665,000	35.13%

Note: Held through Regal Splendid Limited which is wholly-owned by Mr. Yeung, a former Director.

Sun Hung Kai Structured Finance Limited had obtained a charging order on 20 January 2010 against the Company's shares pledged by Mr. Yeung, a former Director, due to the default in repayment of a loan due by Regal Splendid Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES

As at 31 December 2009, the following shareholders with interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares:

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Regal Splendid Limited	(a)	Beneficial owner	416,665,000	35.13%
Dunross Investment Ltd.	(b)	Beneficial owner	83,370,000	7.03%
Dunross International AB	(c)	Corporation	83,370,000	7.03%
Dunross & Co AB	(c)	Corporation	83,370,000	7.03%
Crosby Active Opportunities Master Fund Limited	(d)	Beneficial owner	79,370,000	6.69%
Crosby Active Opportunities Feeder Fund Limited	(e)	Corporation	79,370,000	6.69%
Crosby Asset Management (Singapore) Limited	(f)	Corporation	79,370,000	6.69%
Crosby Asset Management Limited	(g)	Corporation	79,370,000	6.69%
Crosby Asset Management (Holdings) Limited	(h)	Corporation	79,370,000	6.69%
Crosby Asset Management Inc.	(i)	Corporation	79,370,000	6.69%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES (CONTINUED)

Long positions in the Shares: (Continued)

Name of shareholder	Notes	**Capacity**	**Number of ordinary shares held**	**Approximate percentage of issued share capital**
The SFP Asia Master Fund Ltd.	(j)	Beneficial owner	48,945,000	4.13%
The SFP Asia Fund Ltd.	(k)	Corporation	48,945,000	4.13%
The SFP Value Realization Co. Ltd.	(l)	Corporation	48,945,000	4.13%

Notes:

(a) Regal Splendid Limited is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. Yeung, a former Director. Sun Hung Kai Structured Finance Limited had obtained a charging order on 20 January 2010 against the Company's shares pledged by Regal Splendid Limited due to the default in repayment of a loan due by Regal Splendid Limited.

(b) Dunross Investment Ltd. is a company incorporated in Cyprus which is wholly-owned by Dunross International AB.

(c) Dunross International AB is a company incorporated in Sweden which is wholly-owned by Dunross & Co AB.

(d) Crosby Active Opportunities Master Fund Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Active Opportunities Feeder Fund Limited.

(e) Crosby Active Opportunities Feeder Fund Limited is a company incorporated in the Cayman Islands.

(f) Crosby Asset Management (Singapore) Limited is a company incorporated in Singapore which is wholly-owned by Crosby Asset Management Limited.

(g) Crosby Asset Management Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Asset Management (Holdings) Limited.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES (CONTINUED)

Notes: (Continued)

(h) Crosby Asset Management (Holdings) Limited is a company incorporated in the Cayman Islands which is wholly owned by Crosby Asset Management Inc.

(i) Crosby Asset Management Inc. is a company incorporated in the Cayman Islands.

(j) The SFP Asia Master Fund Ltd. is a company incorporated in the Cayman Islands which is owned as to 80.2% by The SFP Asia Fund Ltd.

(k) The SFP Asia Fund Ltd. is a company incorporated in the Cayman Islands which is wholly-owned by The SFP Value Realization Co. Ltd.

(l) The SFP Value Realization Co. Ltd. is a company incorporated in the Cayman Islands.

Save as disclosed above, as at 31 December 2009, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and the Chief Executive's Interests or Short Positions in Securities, Underlying Shares and Debentures" above, had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the headings "Share Option Scheme" below and "Directors' and the Chief Executive's Interests or Short Positions in Securities, Underlying Shares and Debentures" above, to the best knowledge of the Board, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

To the best knowledge of the Board, none of the Directors has a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at the date of this report, to the best knowledge of the Board, none of the Directors, the Shareholders and their respective associates had any interest in a business which causes or may cause a significant competition with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 37 to the audited financial statements.

MANAGEMENT CONTRACTS

According to the available information, the Board is not aware of any contract during the year entered into with the management and administration of the whole or any substantial part of the business of the Company.

SHARE OPTION SCHEME

Details of the share option scheme of the Company and movements in share options are set out in note 33 to the audited financial statements.

DETACHABLE WARRANTS

Details of the movements in detachable warrants are set out in note 34 to the audited financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in note 21 to the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 21 July 2006, the Company had entered into a loan agreement (the "Loan Agreement") with a syndicate of banks for a 3-year term loan facility of up to HK$195,000,000. Under the Loan Agreement, it would be an event of default if (i) Mr. Yeung, a former Director, and his family members cease to be the beneficial owner of at least 35% of the entire issued share capital and ownership interest of the Company; or (ii) Mr. Yeung ceases to be the chairman of the Company and to be the single largest shareholder of the Company or no longer actively involved in the management and business of the Group (being the Company, the guarantors and their respective subsidiaries); or (iii) the Company fails at any time to beneficially own (directly or indirectly) the entire issued share capital of any of the guarantors.

On 19 December 2008, the agent of the syndicate of banks gave notice to the Company that certain events of default have occurred and demanded immediate repayment of all outstanding monies owed by the Company.

As at 31 December 2009, the outstanding amount owed by the Company in respect of this loan facility was approximately HK$91,976,000 (approximately equivalent to RMB81,052,000) (2008: approximately HK$86,777,000 (approximately equivalent to RMB76,443,000)).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

SUSPENSION OF TRADING

Trading in the Shares on the Main Board of the Stock Exchange has been suspended since 15 December 2008, and will remain suspended until further notice.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 38 to the audited financial statements.

CORPORATE GOVERNANCE

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

Remuneration Committee

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

WONG Chi Keung	(Chairman)
LEUNG King Yue, Alex	
LO Wai On	
TANG Chi Chung, Matthew	
YEUNG Chung Lung	(vacated on 27 August 2009)

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

Audit Committee

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

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

CORPORATE GOVERNANCE (CONTINUED)

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2009.

AUDITOR

The financial statements for the years ended 31 December 2006 and 2007 were audited by CCIF CPA Limited.

The financial statements for the years ended 31 December 2008 and 2009 were audited by ANDA CPA Limited. A resolution for their re-appointment of ANDA CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
First Natural Foods Holdings Limited
(Provisional Liquidators Appointed)

Wong Chi Keung
Chairman

Hong Kong, 23 April 2010

Biographical Details of Directors

EXECUTIVE DIRECTOR

Mr. Lee Wa Lun, Warren, ("Mr. Lee") aged 46, joined the Group in December 2008. He is an executive Director. He is the Chairman of SHK Hong Kong Industries Limited (formerly known as Yu Ming Investments Limited), which is listed on the Main Board of the Stock Exchange, and a director and a responsible officer of Yu Ming Investment Management Limited, which is a licensed corporation regulated by the SFO to carry out activities of dealing in securities, advising on securities, advising on corporate finance and asset management. From December 2006 to May 2007, he was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, Mr. Lee was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited ("NTEEP"), and from February 2006 to April 2007, he was re-designated as a non-executive director. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited ("JIC"). Both of NTEEP and JIC were listed on the Main Board of the Stock Exchange. Mr. Lee is also a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited is listed on the Main Board of the Singapore Exchange Limited.

Mr. Lee graduated from University of East Anglia in England in 1986 and obtained a distinction in Master of Science degree from The City University Business School in London in 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung ("Mr. Wong"), aged 55, joined the Group in November 2007. He is the chairman of the Company and an independent non-executive Director. He obtained a master degree in business administration from the University of Adelaide in Australia in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants and CPA (Australia), an associate member of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants. He is a responsible officer for asset management, advising on securities and corporate finance for Sinox Fund Management Limited, Inc. (formerly known as Legend Capital Partners, Inc.) under the SFO. He is currently an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which are listed on the Stock Exchange. Mr. Wong was formerly an independent non-executive director of Great Wall Motor Company Limited and International Entertainment Corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Leung King Yue, Alex ("Mr. Leung"), aged 32, joined the Group in December 2008. He holds a bachelor degree in Commerce specialising in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. He started his career in investment banking in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited in 2003 as a portfolio manager specialising in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset management activities. He is currently a Responsible Officer of both JK Capital Management Limited and Asian Asset Management Limited. Mr. Leung was an executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited) during the period from 9th March, 2007 to 12th May 2010, and was an executive director of UBA Investments Limited during the period from 17th July, 2007 to 1st December, 2008. Both of the companies are listed on the Main Board of the Stock Exchange. He has been an executive director of Coolpoint Energy Limited (formerly known as GreaterChina Technology Group Limited) since 14th July, 2008, a company listed on the Growth Enterprises Market of the Stock Exchange.

Mr. Lo Wai On ("Mr. Lo"), aged 48, joined the Group in December 2008. He is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and has been practicing under the name of his own firm, W.O. Lo & Co., Certified Public Accountants (Practising) since 1986. He has broad experience in providing tax consulting and auditing services to companies including listed companies in Hong Kong. Mr. Lo is an independent non-executive director of COL Capital Limited, which is listed on the Main Board of the Stock Exchange.

Mr. Tang Chi Chung, Matthew ("Mr. Tang"), aged 49, joined the Group in December 2008. He has 20 years of extensive experience in fresh produce marketing. He started his career in fresh produce business as a business development manager of Polly Peck International (Hong Kong) Limited, the then shareholder of Del Monte Fresh Produce (HK) Limited. Between 1992 and 2002, Mr. Tang worked for a number of fresh produce marketing companies, including the position of general manager of Fresh Produce Department of Dah Chong Hong, Limited, and business development director of Del Monte Fresh Produce (HK) Limited. Since 2002, He worked for Linkage Holdings Limited developing fresh fruits and vegetables business in the People's Republic of China and overseas.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company still considers all of the independent non-executive Directors to be independent.

Independent Auditor's Report

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
FIRST NATURAL FOODS HOLDINGS LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") set out on pages 26 to 75, which comprise the consolidated statement of financial position as at 31 December 2009, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

BASIS FOR DISCLAIMER OF OPINION (Continued)

2. Deconsolidation of the subsidiaries

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

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

3. Accruals and other payables

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

4. Financial guarantee liabilities

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

5. Commitments and contingent liabilities

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

6. Related party transactions

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

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

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

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

DISCLAIMER OF OPINION: DISCLAIMER ON VIEW GIVEN BY THE FINANCIAL STATEMENTS

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

ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 23 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
Turnover	7	**2,542**	478,707
Cost of sales		**(2,505)**	(271,919)
Gross profit		**37**	206,788
Other income	8	**429**	6,877
Selling expenses		**–**	(5,625)
Administrative expenses		**(5,068)**	(23,512)
Other operating expenses	10	**–**	(8,796)
Gain arising from a change in fair value of a derivative financial instrument		**–**	1,001
(Loss)/profit from operations		**(4,602)**	176,733
Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries	11	**–**	(1,470,704)
Other losses	12	**–**	(86,756)
Finance costs	13	**(9,559)**	(13,614)
Loss before tax	14	**(14,161)**	(1,394,341)
Income tax expense	15	**–**	(47,444)
Loss for the year attributable to equity holders of the Company	18	**(14,161)**	(1,441,785)
Other comprehensive income for the year, net of tax			
Translation difference		**(118)**	16,107
Total comprehensive income for the year attributable to equity holders of the Company		**(14,279)**	(1,425,678)
Loss per share attributable to equity holders of the Company	20		
Basic (RMB cents per share)		**(1.19)**	(126.83)
Diluted (RMB cents per share)		**(1.19)**	(126.83)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	22	**26**	34
Deferred tax assets	23	**233**	233
		259	267
Current assets			
Inventories	24	**918**	–
Trade receivables	25	**1,422**	–
Prepayments, deposits and other receivables	26	**122**	609
Bank and cash balances	27	**6,487**	529
		8,949	1,138
Current liabilities			
Accruals and other payables	28	**195,349**	172,455
Bank borrowings	29	**183,822**	184,634
Financial guarantee liabilities	30	**13,500**	13,500
		392,671	370,589
Net current liabilities		**(383,722)**	(369,451)
NET LIABILITIES		**(383,463)**	(369,184)
Capital and reserves			
Share capital	31	**61,387**	61,387
Reserves	32	**(444,850)**	(430,571)
TOTAL EQUITY		**(383,463)**	(369,184)

Approved by:

Stephen Liu Yiu Keung
David Yen Ching Wai
Joint and Several Provisional Liquidators
who act without personal liabilities

Wong Chi Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve fund RMB'000	Enterprise expansion reserve fund RMB'000	Employee share-based compensation reserve RMB'000	Equity component reserve RMB'000	Foreign currency translation reserve RMB'000	Retained profits / (accumulated losses) RMB'000	Total RMB'000
At 1 January 2008	58,575	269,847	41,421	74,352	10,081	8,152	8,878	16,699	595,560	1,083,565
Total comprehensive income for the year	–	–	–	–	–	–	–	16,107	(1,441,785)	(1,425,678)
Shares issued upon exercise of share options	736	11,857	–	–	–	(2,912)	–	–	–	9,681
Shares issued upon exercise of warrants	2,076	13,084	–	–	–	–	(3,535)	–	–	11,625
Deferred tax effect on equity component (note 23)	–	–	–	–	–	–	964	–	–	964
Redemption of convertible notes	–	–	–	–	–	–	(6,307)	–	–	(6,307)
Equity settled share-based payment	–	5,240	–	–	–	(5,240)	–	–	–	–
Dividend approved in respect of previous year (note 19)	–	–	–	–	–	–	–	–	(43,034)	(43,034)
Transfer arising from deconsolidation of subsidiaries	–	–	–	(74,352)	(10,081)	–	–	–	84,433	–
At 31 December 2008	61,387	300,028	41,421	–	–	–	–	32,806	(804,826)	(369,184)
At 1 January 2009	**61,387**	**300,028**	**41,421**	**–**	**–**	**–**	**–**	**32,806**	**(804,826)**	**(369,184)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(118)**	**(14,161)**	**(14,279)**
At 31 December 2009	**61,387**	**300,028**	**41,421**	**–**	**–**	**–**	**–**	**32,688**	**(818,987)**	**(383,463)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Loss before tax		**(14,161)**	(1,394,341)
Adjustments for:			
Depreciation	14 & 22	**8**	21,965
Amortisation of leasehold land and rental prepayments	14	**–**	9,783
Gain arising from a change in fair value of derivative financial instrument		**–**	(1,001)
Loss on deconsolidation of subsidiaries	11	**–**	860,372
Impairment on investment costs in the deconsolidated subsidiaries	11	**–**	192,967
Impairment on amounts due from the deconsolidated subsidiaries	11	**–**	417,365
Impairment on interest receivables	10	**–**	2,769
Loss on bank deposits	12	**–**	73,256
Loss on recognition of financial guarantee liabilities	12	**–**	13,500
Finance costs	13	**9,559**	13,614
Interest income	8	**(11)**	(5,103)
Operating cash flows before working capital changes		**(4,605)**	205,146
Change in inventories		**(918)**	(32,124)
Change in trade receivables		**(1,422)**	(81,965)
Change in prepayments, deposits and other receivables		**487**	(42,598)
Change in trade payables		**–**	2,304
Change in accruals and other payables		**3,759**	(1,130)
Change in provision for staff welfare benefit		**–**	(579)
Change in amounts due from deconsolidated subsidiaries		**–**	(11,659)
Cash (used in)/generated from operations		**(2,699)**	37,395
Tax paid – Mainland China Enterprise Income Tax		**–**	(34,683)
Net cash flows (used in)/generated from operating activities		**(2,699)**	2,712
Cash flows from investing activities			
Interest received		**11**	5,103
Purchase of property, plant and equipment		**–**	(19,983)
Purchase of intangible assets		**–**	(15,000)
Payment for rental prepayments		**–**	(352)
Decrease in time deposits with original maturities over three months		**–**	132,327
Receipt upon maturity of financial assets designated at fair value		**–**	18,652
Loss on bank deposits	12	**–**	(73,256)
Deconsolidation of subsidiaries	11	**–**	(701,243)
Net cash flows from/(used in) investing activities		**11**	(653,752)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Cash flows from financing activities			
Proceeds from issuance of share capital		–	21,306
Interest paid		(239)	(13,467)
Dividend paid		–	(43,034)
Repayments of borrowings		(881)	(129,001)
New bank loans raised		–	72,575
Increase in amount due to a director		940	52,021
Redemption of convertible notes		–	(26,344)
Fund from the Investor		8,812	–
Net cash flows generated from/(used in) financing activities		8,632	(65,944)
Net increase/(decrease) in cash and cash equivalents		5,944	(716,984)
Effect of foreign exchange rate changes		14	(7,170)
Cash and cash equivalents at beginning of year		529	724,683
Cash and cash equivalents at end of year		6,487	529
Analysis of cash and cash equivalents			
Bank and cash balances	27	6,487	529
		6,487	529

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is Room 2501, 25/F, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 15 December 2008.

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the food processing, manufacturing and trading industry mainly including frozen and functional food products. The principal activities of its subsidiaries are set out in note 39 to these financial statements.

2. BASIS OF PREPARATION

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB14,161,000 for the year ended 31 December 2009 (2008: loss of approximately RMB1,441,785,000) and as at 31 December 2009 the Group had net current liabilities of approximately RMB383,722,000 (2008: net current liabilities of approximately RMB369,451,000) and net liabilities of approximately RMB383,463,000 (2008: net liabilities of approximately RMB369,184,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments will have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which may arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

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

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

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

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

HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2009

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

(a) *Presentation of Financial Statements*

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

(b) *Operating Segments*

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

The segment accounting policies under HKFRS 8 are stated in note 4 to the financial statements.

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters [2]
HKFRS 1 (Amendments)	Amendment to HKFRS 1 – First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [4]
HKFRS 2 (Amendments)	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions [2]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [6]
HKAS 24 (Revised)	Related Party Disclosures [5]

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS") (CONTINUED)

HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [3]
HKAS 39 (Amendment)	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1]
HK(IFRIC)-Int 14 (Amendments)	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement [5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [4]
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling interest in a Subsidiary [1]
HK Interpretation 4 (Revised in December 2009)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases [2]

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with HKFRSs, 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, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management 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 financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these 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.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Renminbi ("RMB"), which is the Company's presentation currency. The functional currency of the Company is Hong Kong Dollars.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

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.

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:

Buildings	20 years
Machinery	7 years
Furniture and equipment	5 years
Motor vehicles	5 years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the income statement 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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 party is related to the Group if:

a) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

b) the party is an associate;

c) the party is a joint venture;

d) the party is a member of the key management personnel of the Company or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except 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 financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which depends upon the Group being able to achieve a successful restructuring and continue its business. Details are explained in note 2 to the financial statements.

Key sources of estimation uncertainty

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) Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtor's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its debtors and maintains a provision for estimated credit losses based upon its historical experience and any specific debtors collection issues that it has been identified. The Group will continue to monitor the collections from debtors and maintain an appropriate level of estimate credit losses.

b) Write-down for inventories

The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowances for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. The management estimates the net realizable value for such finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes write-downs for obsolete items.

6. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price 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 and deposits with financial institutions. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade receivables

The management 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. As at 31 December 2009, the Group has a concentration of credit risk of approximately RMB1,422,000 (2008: Nil) and approximately RMB1,422,000 (2008: Nil) of the total trade receivables which was due from the Group's largest customer and the two largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any impairment allowance. Except for a financial guarantee given by the Company as set out in note 30, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the Company's statement of financial position is disclosed in note 40.

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

(ii) Deposits with financial institutions

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

As at 31 December 2009, the Group has no concentration of credit risk (2008: Nil) of total cash and cash equivalents.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

The remaining contractual maturities as at 31 December 2008 and 31 December 2009 of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on the contractual maturity date, could not be presented because of insufficient information arising from the loss of books and records of the Group as disclosed in note 2 to the 2008 financial statements.

Currency risk

The Group is exposed to currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States dollars.

The Group ensures that the exposure on recognised assets arising from sales that are denominated in a currency other than the functional currency of the operations to which they relate is kept to an acceptable level, by buying or selling foreign currency at spot rate where necessary to address short-term imbalances.

The Group's and the Company's exposure as at 31 December 2008 and 31 December 2009 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related could not be presented because of insufficient information arising from the loss of books and records of the Group as disclosed in note 2 to the 2008 financial statements.

No analysis was presented for the estimated change in the Group's loss after tax (and accumulated losses) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure as at 31 December 2008 and 31 December 2009 because of insufficient information arising from the loss of books and records as disclosed in note 2 to the 2008 financial statements.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of reasonably possible change in foreign exchange rates until the next annual end of each reporting period.

Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits and bank borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out below.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate profile

No table of details was prepared for the interest rate profile of the Group's and the Company's net borrowings (being bank borrowings and financial guarantee liabilities less cash at bank and bank deposits) as at 31 December 2008 and 31 December 2009 because of insufficient information arising from the loss of books and records of the Group as disclosed in note 2 to the 2008 financial statements.

At 31 December 2009, if interest rates at that date had been 1% lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB1,838,000 lower/higher, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

At 31 December 2008, if interest rates at that date had been 1% lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB1,846,000 lower/higher, 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.

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

8. OTHER INCOME

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

9. OPERATING SEGMENT INFORMATION

The Group comprises the following reportable operating segments:

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

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

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

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

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

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

9. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

9. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information:

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

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

10. OTHER OPERATING EXPENSES

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

11. LOSS ON DECONSOLIDATION OF THE SUBSIDIARIES AND IMPAIRMENT ON INVESTMENT COSTS AND AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES

	2009 RMB'000	2008 RMB'000
Loss on deconsolidation of subsidiaries (note)	**–**	860,372
Impairment on investment costs in the deconsolidated subsidiaries	**–**	192,967
Impairment on amounts due from the deconsolidated subsidiaries	**–**	417,365
	–	1,470,704

Note:

Loss on deconsolidation of subsidiaries

As disclosed in note 2 to the 2008 financial statements, the Directors considered that the control over certain subsidiaries had been lost since 1 July 2008. The results, assets and liabilities and cash flows of these subsidiaries were therefore deconsolidated from the financial statements of the Group since then.

11. LOSS ON DECONSOLIDATION OF THE SUBSIDIARIES AND IMPAIRMENT ON INVESTMENT COSTS AND AMOUNTS DUE FROM DECONSOLIDATED SUBSIDIARIES (CONTINUED)

Net assets of these subsidiaries as at 1 July 2008 were as follows:

	RMB'000
Property, plant and equipment	**412,905**
Intangible assets	**15,000**
Leasehold land and rental prepayments	**41,862**
Deferred tax assets	**532**
Inventories	**65,226**
Trade receivables	**216,305**
Prepayments, deposits and other receivables	**72,203**
Bank and cash balances	**701,243**
Bank borrowings	**(13,500)**
Trade payables	**(2,792)**
Accruals and other payables	**(12,506)**
Provision for staff welfare benefit	**(10,867)**
Current tax liabilities	**(26,566)**
Due to the Group	**(405,706)**
Net assets deconsolidated	**1,053,339**
Investment costs	**(192,967)**
Loss on deconsolidation of subsidiaries	**860,372**
Net cash outflow arising on deconsolidation of subsidiaries:	
Cash and cash equivalents of subsidiaries deconsolidated	**(701,243)**

12. OTHER LOSSES

	2009 **RMB'000**	2008 RMB'000
Loss on bank deposits	**–**	73,256
Loss on recognition of financial guarantee liabilities	**–**	13,500
	–	86,756

13. FINANCE COSTS

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

14. LOSS BEFORE TAX

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

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

15. INCOME TAX EXPENSE

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

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

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

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

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

16. DIRECTORS' EMOLUMENTS

The emoluments of each Director were as follows:

	Fees RMB'000	Basic salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of executive Directors					
Yeung Chung Lung (note (a))	–	–	–	–	–
Lee Wa Lun, Warren (note (e))	–	–	–	–	–
	–	–	–	–	–
Name of independent non-executive Directors					
Leung King Yue, Alex (note (f))	52	–	–	–	52
Tang Chi Chung, Matthew (note (g))	52	–	–	–	52
Lo Wai On (note (e))	52	–	–	–	52
Wong Chi Keung (note (d))	131	–	–	–	131
	287	–	–	–	287
Total for 2009	287	–	–	–	287

16. DIRECTORS' EMOLUMENTS (Continued)

	Fees RMB'000	Basic salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of executive Directors					
Yeung Chung Lung (note (a))	–	630	–	10	640
Yang Le (note (b))	–	335	–	–	335
Lee Wa Lun, Warren (note (e))	–	–	–	–	–
Ni Chao Peng (note (b))	–	335	–	–	335
Yip Tze Wai, Albert (note (c))	765	–	–	10	775
	765	1,300	–	20	2,085
Name of independent non-executive Directors					
Lu Ze Jian (note (b))	–	–	–	–	–
Leung Chiu Shing (note (c))	109	–	–	–	109
Leung King Yue, Alex (note (f))	–	–	–	–	–
Tang Chi Chung, Matthew (note (g))	–	–	–	–	–
Lo Wai On (note (e))	–	–	–	–	–
Wong Chi Keung (note (d))	136	–	–	–	136
	245	–	–	–	245
Total for 2008	1,010	1,300	–	20	2,330

Notes:

(a) Vacated on 27 August 2009
(b) Resigned on 12 December 2008
(c) Resigned on 17 December 2008
(d) Appointed on 26 November 2007
(e) Appointed on 22 December 2008
(f) Appointed on 17 December 2008
(g) Appointed on 19 December 2008

Certain Directors were granted options to subscribe for the shares of the Company. The details of the share options granted and outstanding in respect of each Director as at 31 December 2009 and 2008 are disclosed in note 33 to the audited financial statements.

During the years ended 31 December 2009 and 2008, no amounts were paid or payable to the directors as an inducement to join the Group or as a compensation for loss of office and no director waived any emoluments.

17. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 4 (2008: 4) directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 1 (2008: 1) individual are set out below:

	2009 **RMB'000**	2008 RMB'000
Basic salaries and allowances	**160**	427
Retirement benefit scheme contributions	**8**	12
	168	439

The emoluments of the 1 individual (2008: 1) are fell within the following band:

	Number of individuals **2009**	2008
HK$ Nil – HK$1,000,000 (approximately equivalent to RMB881,230) (2008: approximately RMB907,190)	**1**	1

During the years ended 31 December 2009 and 2008, 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.

18. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

19. DIVIDENDS

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

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

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

20. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Basic loss per share

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

Diluted loss per share

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

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

21. 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$20,000 (equivalent to approximately RMB17,644), contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of comprehensive income.

In the prior years, the employees of one of the Group's subsidiaries in Mainland China were members of a state-sponsored retirement plan organised by the municipal government under the regulations of the Mainland China and this subsidiary made mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the Mainland China subsidiary were based on a percentage of the eligible employees' salaries and were charged to the statement of comprehensive income as incurred. The Group discharged its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in Mainland China.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and Mainland China. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2009 in respect of the retirement benefits of its employees.

22. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2008	295,135	229,458	10,200	2,759	3,313	540,865
Additions	–	15,576	4,398	–	9	19,983
Exchange differences	–	–	(27)	–	–	(27)
Deconsolidation of subsidiaries	(295,135)	(245,034)	(13,853)	(2,759)	(3,322)	(560,103)
At 31 December 2008, 1 January 2009 and 31 December 2009	–	–	718	–	–	718
Accumulated depreciation						
At 1 January 2008	45,699	75,957	2,760	1,528	–	125,944
Charge for the year	4,886	15,653	1,308	118	–	21,965
Exchange differences	–	–	(27)	–	–	(27)
Written back on deconsolidation of subsidiaries	(50,585)	(91,610)	(3,357)	(1,646)	–	(147,198)
At 31 December 2008 and 1 January 2009	–	–	684	–	–	684
Charge for the year	–	–	8	–	–	8
At 31 December 2009	–	–	692	–	–	692
Carrying amount						
At 31 December 2009	–	–	26	–	–	26
At 31 December 2008	–	–	34	–	–	34

23. DEFERRED TAXATION

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

Deferred tax arising from:	Loss of obsolete and slow-moving inventories RMB'000	Impairment loss of bad and doubtful debts RMB'000	Other temporary differences RMB'000	Coupon bonds and convertible notes equity components RMB'000	Total RMB'000
At 1 January 2008	532	64	183	(1,022)	(243)
Exchange differences	–	(4)	(10)	58	44
Credited to reserves					
– others	–	–	–	964	964
Deconsolidation of subsidiaries	(532)	–	–	–	(532)
At 31 December 2008, 1 January 2009 and 31 December 2009	–	60	173	–	233

24. INVENTORIES

	2009 **RMB'000**	2008 RMB'000
Merchandise	**918**	–

25. TRADE RECEIVABLES

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

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

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

Note:

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

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

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

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2009 **RMB'000**	2008 RMB'000
Rental and other deposits	**122**	609

27. BANK AND CASH BALANCES

	2009 RMB'000	2008 RMB'000
Cash at bank and in hand	**6,487**	529

At 31 December 2009, the bank and cash balances of the Group denominated in Hong Kong Dollar ("HK$") amounted approximately HK$7,247,000.

28. ACCRUALS AND OTHER PAYABLES

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

Notes:

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

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

(c) The amount due to the Investor is unsecured and non-interest bearing.

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

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

29. BANK BORROWINGS

The bank borrowings were unsecured and repayable as follows:

	2009 **RMB'000**	2008 RMB'000
Within 1 year or on demand	**183,822**	184,634
Less: Amount due for settlement within 12 months (Current portion)	**(183,822)**	(184,634)
Amount due for settlement after 12 months (Non-Current portion)	**–**	–

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

	US$ **RMB'000**	**HK$** **RMB'000**	**Total** **RMB'000**
2009	**34,280**	**149,542**	**183,822**
2008	34,267	150,367	184,634

At 31 December 2009, the terms of bank borrowings were as follows:

(a) Bank borrowings of approximately HK$18,699,000 (2008: HK$18,699,000) carried interest at 2.75% (2008: 2.75%) over HIBOR per annum and are repayable within one year.

(b) Bank borrowings of approximately HK$16,667,000 (2008: HK$16,667,000) carried interest at 1.75% (2008: 1.75%) over HIBOR per annum and are repayable within one year.

(c) Bank borrowings of approximately HK$14,000,000 (2008: HK$15,000,000) carried interest at 2.5% (2008: 2.5%) over HIBOR per annum and are repayable within one year.

(d) Bank borrowings of US$5,000,000 (2008: US$5,000,000) carried interest at 1.75% (2008: 1.75%) over LIBOR per annum and are repayable within one year.

(e) Bank borrowings of approximately HK$3,553,000 (2008: HK$3,553,000) carried interest at 2% (2008: 2%) over HIBOR per annum and are repayable within one year.

(f) Bank borrowings of HK$30,000,000 (2008: HK$30,000,000) carried interest at 3.5% (2008: 3.5%) over HIBOR per annum and repayable within one year.

(g) Bank borrowings of approximately HK$86,777,000 (2008: HK$86,777,000) carried interest at 1.25% (2008: 1.25%) over HIBOR per annum and are repayable within one year.

30. FINANCIAL GUARANTEE LIABILITIES

In 2008, a bank borrowing of RMB13,500,000 maintained by Fuqing Longyu was deconsolidated from the financial statements of the Company since 1 July 2008. However, since the Company provides corporate guarantee for the bank borrowing, the Company is therefore liable to the financial guarantee liabilities of RMB13,500,000 as at 31 December 2009 (2008: RMB13,500,000).

31. 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.

	Note	**2009** Number of shares '000	**2009** Amount RMB'000	2008 Number of shares '000	2008 Amount RMB'000
Authorized:					
Ordinary shares of HK$0.05 each		**2,000,000**	**10,600**	2,000,000	10,600
Issued and fully paid:					
Ordinary shares of HK$0.05 each					
At 1 January		**1,185,915**	**61,387**	1,122,082	58,575
Exercise of share options		**–**	**–**	16,700	736
Exercise of warrants	(i)	**–**	**–**	47,133	2,076
At 31 December		**1,185,915**	**61,387**	1,185,915	61,387

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.

Note:

(i) In 2008, 339 detachable warrants were exercised to subscribe for 47,133,263 ordinary shares in the Company at an exercise price of HK$0.28 (equivalent to approximately RMB0.26) per ordinary share.

32. RESERVES

a) *Group*

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

b) *Company*

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Equity component reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	269,847	8,152	8,878	(26,670)	(79,639)	180,568
Total comprehensive income for the year	–	–	–	(11,059)	(570,557)	(581,616)
Shares issued upon exercise of share options	11,857	(2,912)	–	–	–	8,945
Shares issued upon exercise of warrants	13,084	–	(3,535)	–	–	9,549
Deferred tax effect on equity component (note 23)	–	–	964	–	–	964
Redemption of convertible notes	–	–	(6,307)	–	–	(6,307)
Equity settled share-based payment	5,240	(5,240)	–	–	–	–
Dividend paid (note 19)	–	–	–	–	(43,034)	(43,034)
At 31 December 2008	300,028	–	–	(37,729)	(693,230)	(430,931)
At 1 January 2009	300,028	–	–	(37,729)	(693,230)	(430,931)
Total comprehensive income for the year	–	–	–	(88)	(14,056)	(14,144)
At 31 December 2009	300,028	–	–	(37,817)	(707,286)	(445,075)

32. RESERVES (Continued)

c) *Nature and purpose of reserves of the Group*

(i) Share premium

In accordance with Section 40 of the Bermuda Companies Act 1981, the share premium account of the Company is distributable to the shareholders of the Company in the form of fully paid bonus shares.

(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 of Hong Kong Limited over the nominal value of the share capital of the Company issued in exchange therefore.

(iii) Statutory reserve fund

According to the relevant rules and regulations in Mainland China, Fuqing Longyu Food Development Co., Limited is required to transfer approximately 10% of after-tax profit (after offsetting prior years losses), based on its Mainland China statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in Mainland China, to a statutory reserve fund until the balance of the fund reaches 50% of its registered capital. Thereafter, any further transfer can be made at the directors discretion. The statutory reserve fund can be utilized to offset prior years losses, or be converted into paid-up capital on condition that the statutory reserve fund should be maintained at a minimum of 25% of the registered capital of this subsidiary after conversion.

(iv) Enterprise expansion reserve fund

According to the relevant rules and regulations in Mainland China, Fuqing Longyu may also appropriate a portion of its after-tax profit (after offsetting prior years' losses), based on its Mainland China statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in Mainland China, to an enterprise expansion reserve fund at the discretion of its board of directors. The enterprise expansion reserve fund can be utilised for conversion into paid-up capital.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4 to the financial statements.

33. SHARE-BASED PAYMENTS

The Company has adopted a share option scheme (the"2002 Scheme") pursuant to a resolution passed on 17 January 2002 for the primary purpose of providing incentives to directors and eligible persons, and which will expire on 16 January 2012. Under the 2002 Scheme, the Company may grant options to any person who is a director or employee (whether full-time or part-time) of the Group or any other groups or classes of suppliers, customers, sub-contractors or agents of the Group or any other persons from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group to subscribe for shares in the Company. No options have ever been granted under the 2002 Scheme since its adoption.

Pursuant to a resolution passed at a special general meeting of the shareholders held on 4 June 2004, the Company terminated the 2002 Scheme and adopted a new share option scheme (the "2004 Scheme") which will expire on 3 June 2014.

The purpose of the 2004 Scheme is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to the employees, officers and directors of the Group; and to promote the long-term financial success of the Company by aligning the interests of option holder to shareholders. Under the terms of the 2004 Scheme, the Board of the Company may, in its absolute discretion, grant options to any person employed by the Company or any subsidiary and any person who is an officer as a director of the Company or any subsidiary within the definition prescribed in the 2004 Scheme, to subscribe for shares in the Company.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Scheme and any other schemes must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the 2004 Scheme. The total number of shares issued and to be issued upon exercise of the options, whether exercised or outstanding, in any 12-month period granted to each eligible person must not exceed 1% of the shares of the Company in issue. Any further grant to options in excess of the individual limit must be subject to shareholders approval.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1.00 on acceptance of the offer of options. The period within which the shares of the Company must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The subscription price is determined by the Board in its absolute discretion which, in any event, shall not be less than the highest of (a) the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant of that option, which must be a business day; (b) the average closing prices of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of that option; and (c) the nominal value for the time being of each share of the Company.

33. SHARE-BASED PAYMENTS (Continued)

Movements in share options are as follows:

	Number of options 2009	2008
At 1 January	–	38,402,000
Exercised during the year	–	(16,700,000)
Lapsed during the year	–	(21,702,000)
At 31 December	–	–
Options vested at 31 December	**N/A**	N/A

Details of share options by category of participant for the years ended 31 December 2009 and 2008 are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise price HK$	Balance at 1/1/2008	Exercised during the year	Lapsed during the year	Balance at 31/12/2008, 1/1/2009 and 31/12/2009
Years 2008 and 2009							
Directors:							
Yang Le	23/7/2004	23/7/2004 to 22/7/2014	0.489	2,000,000	(2,000,000)	–	–
	28/4/2006	28/4/2006 to 27/4/2016	0.690	5,000,000	(5,000,000)	–	–
Ni Chao Peng	28/4/2006	28/4/2006 to 27/4/2016	0.690	5,000,000	(5,000,000)	–	–
Yip Tze Wai, Albert	23/7/2004	23/7/2004 to 22/7/2014	0.489	202,000	–	(202,000)	–
	28/4/2006	28/4/2006 to 27/4/2016	0.690	1,000,000	–	(1,000,000)	–
Leung Chiu Shing	28/4/2006	28/4/2006 to 27/4/2016	0.690	500,000	–	(500,000)	–
Employees:							
In aggregate	27/4/2006	27/4/2006 to 26/4/2016	0.662	4,700,000	(4,700,000)	–	–
	9/10/2007	9/10/2007 to 8/10/2017	1.050	20,000,000	–	(20,000,000)	–
				38,402,000	(16,700,000)	(21,702,000)	–
Weighted average exercise price (HK$)				0.863	0.658	1.020	N/A

33. SHARE-BASED PAYMENTS (Continued)

In 2008, options were exercised to subscribe for 16,700,000 ordinary shares in the Company at a total consideration of approximately RMB9,681,000 of which approximately RMB736,000 was credited to share capital and the balance of approximately RMB8,945,000 was credited to the share premium account. Approximately RMB2,912,000 has been transferred from the employee share-based compensation reserve to the share premium account.

34. WARRANTS

The Company issued 2.5% coupon bonds (the "Bonds"), with detachable warrants attached, on 10 April 2003, and all of the Bonds were redeemed by the Company on 31 July 2006. The holders of the warrants (the "Warrantholders") may exercise the subscription rights attached to the warrants, in whole or in part, at any time from 10 April 2003 to 9 April 2008 (both days inclusive) to subscribe for the shares of the Company ("Subscription Shares") by either (i) delivering the bonds, so long as the bonds are not redeemed or (ii) paying the amount for the subscription, at an exercise price subject to adjustment ("Subscription Price").

The number of Subscription Shares to which a Warrantholder will be entitled for each warrant will be calculated by dividing the nominal amount of US$5,000 per warrant by the Subscription Price of HK$0.28 per share.

Movements in warrants are as follows:

	Number of warrants	
	2009	2008
At 1 January	**–**	339
Exercised during the year	**–**	(339)
At 31 December	**–**	–

35. COMMITMENTS

Capital commitments

The Group had no material capital commitment as at 31 December 2009 and 31 December 2008.

Operating lease commitments

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

	2009	2008
	RMB'000	RMB'000
Within 1 year	**45**	–
After 1 year but within 5 years	**–**	–
After 5 years	**–**	–
	45	–

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

36. CONTINGENT LIABILITIES

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

The Provisional Liquidators, also acting as the directors of the subsidiaries, are not aware of any potential claim against the subsidiaries as at 31 December 2009 and 31 December 2008.

37. MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 16 and all of the highest paid employees as disclosed in note 17, is as follows:

	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**447**	2,737
Post-employment benefits	**8**	32
	455	2,769

38. EVENTS AFTER THE REPORTING PERIOD

Status of court cases in relation to the preservation of the Group's assets

(i) Fuqing Longyu

On 18 January 2010, the Provisional Liquidators were informed by the PRC legal adviser that the Final Decision was handed down on 21 December 2009 which upheld the Judgment Letter in the Provisional Liquidators' favour with regard to the replacement of Fuqing Longyu's legal representative and board of directors. The enforcement of the Final Decision was applied with the Fuzhou Court in early March and an enforcement notice has been issued on 12 April 2010 by the Fuzhou Court to the Administration of Industry and Commerce in Fuqing (福清市工商行政管理局).

(ii) Jia Jing (Shanghai)

On 26 February 2010, the Pudong Court ruled that the request for the return of the business licenses, certificates, common seal, contract seal and authorized representative's personal seal of Jia Jing (Shanghai) which were allegedly possessed by Mr. Yang, was not supported. After consulting the PRC legal advisers, the Provisional Liquidators decided not to appeal against the Pudong Court's decision but to apply for re-issuance of company chops and statutory certificates.

Restructuring of the Group

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

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

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

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

Adjournment of the hearing of the Petition

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

38. EVENTS AFTER THE REPORTING PERIOD (Continued)

Charging order against the Company's shares pledged by Former Director

Sun Hung Kai Structured Finance Limited has obtained a charging order absolute on 20 January 2010 against the Company's shares pledged by Mr. Yeung, a former Director, due to the default in repayment of a loan due by Regal Splendid Limited.

Others

With the sanction from the Court, the Investor and Supreme Wit, a wholly owned subsidiary of the Company which was set up after the appointment of the Provisional Liquidators for the purpose of restructuring, on 12 April 2010 entered into a working capital facility agreement pursuant to which the Investor had agreed to provide a facility of up to HK$50 million (or such higher sum as the Investor may agree from time to time) to Supreme Wit, and the Working Capital Facility had been secured by a debenture executed on 12 April 2010 by Supreme Wit in favour of the Investor.

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

39. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation/ registration	Issued and paid-up capital/ registered capital	Percentage of ownership interest/ voting power / profit sharing		Principal activities
			2009	2008	
First China Technology Limited	British Virgin Islands	1,000 ordinary shares of US$1	**100%**	100%	Investment holding
Smart Dragon International Trading Limited	Hong Kong	100 ordinary shares of HK$1	**100%**	100%	Investment holding
First China Technology (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1	**100%**	100%	Inactive
Supreme Wit Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	–	Investment holding
Trendy Leader Limited	Hong Kong	1 ordinary share of HK$1	**100%***	–	Trading of food products
Highest Rich Limited	Hong Kong	1 ordinary share of HK$1	**100%***	–	Trading of food products
Pacific Prosper Limited	Hong Kong	1 ordinary share of HK$1	**100%***	–	Inactive

* These subsidiaries were indirectly held by the Company.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**26**	34
Investment in subsidiaries		**–**	–
		26	34
Current assets			
Prepayments, deposits and other receivables		**122**	575
Amount due from a subsidiary*		**31**	–
Cash and cash equivalents		**6,432**	436
		6,585	1,011
Current liabilities			
Accruals and other payables		**192,977**	172,455
Bank borrowings		**183,822**	184,634
Financial guarantee liabilities		**13,500**	13,500
		390,299	370,589
Net current liabilities		**(383,714)**	(369,578)
NET LIABILITIES		**(383,688)**	(369,544)
Capital and reserves			
Share capital	31	**61,387**	61,387
Reserves	32	**(445,075)**	(430,931)
TOTAL EQUITY		**(383,688)**	(369,544)

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

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 23 April 2010.

Five Year Financial Summary

The following table summarises the results, and the assets and liabilities of the Group for each of five years ended 31 December :

RESULTS

	For the year ended 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Turnover	432,652	545,739	739,484	478,707	**2,542**
Profit/(loss) before tax	155,772	192,253	203,954	(1,394,341)	**(14,161)**
Income tax expense	(42,311)	(54,247)	(72,919)	(47,444)	**–**
Profit/(loss) for the year attributable to the equity holders of the Company	113,461	138,006	131,035	(1,441,785)	**(14,161)**

ASSETS AND LIABILITIES

	As at 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Total assets	870,566	1,349,022	1,543,080	1,405	**9,208**
Total liabilities	(153,498)	(458,089)	(459,515)	(370,589)	**(392,671)**
Net assets/(liabilities)	717,068	890,933	1,083,565	(369,184)	**(383,463)**