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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board (the "Board") of directors (the "Directors") of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, which have been agreed by the auditor of the Company, together with the comparative figures for the corresponding year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Notes	**2008** ***RMB'000***	2007 *RMB'000*
Turnover	*4*	**478,707**	739,484
Cost of sales		**(271,919)**	(405,269)
Gross profit		**206,788**	334,215
Other income	*5*	**6,877**	14,102
Selling expenses		**(5,625)**	(5,268)
Administrative expenses		**(23,512)**	(39,816)
Other operating expenses		**(8,796)**	(15,099)
Gain/(loss) arising from a change in fair value of a derivative financial instrument		**1,001**	(51,290)
Profit from operations		**176,733**	236,844
Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries	*7*	**(1,470,704)**	–
Other losses		**(86,756)**	–
Finance costs		**(13,614)**	(32,890)
(Loss)/profit before tax	*8*	**(1,394,341)**	203,954
Income tax expense	*9*	**(47,444)**	(72,919)
(Loss)/profit for the year attributable to equity holders of the Company	*10*	**(1,441,785)**	131,035
Dividends	*11*	**–**	43,034
(Loss)/earnings per share	*12*		
Basic (RMB cents per share)		**(126.83)**	12.60
Diluted (RMB cents per share)		**(126.83)**	11.98

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**34**	414,921
Leasehold land and rental prepayments		–	32,727
Deferred tax assets		**233**	779
		267	448,427
Current assets			
Leasehold land and rental prepayments		–	18,566
Inventories		–	33,102
Trade receivables	*13*	–	134,340
Prepayments, deposits and other receivables		**609**	32,983
Financial assets designated at fair value		–	18,652
Bank deposits with original maturities over three months		–	132,327
Bank and cash balances		**529**	724,683
		1,138	1,094,653
Current liabilities			
Trade payables	*14*	–	488
Accruals and other payables		**172,455**	24,915
Bank borrowings		**184,634**	161,585
Financial guarantee liabilities		**13,500**	–
Derivative financial instrument		–	34,686
Provision for staff welfare benefit		–	11,446
Current tax liabilities		–	13,805
		370,589	246,925
Net current (liabilities)/assets		**(369,451)**	847,728
Total assets less current liabilities		**(369,184)**	1,296,155
Non-current liabilities			
Bank borrowings		–	105,391
Derivative financial instrument		–	81,904
Deferred tax liabilities		–	1,022
Convertible notes		–	24,273
		–	212,590
NET (LIABILITIES)/ASSETS		**(369,184)**	1,083,565
Capital and reserves			
Share capital		**61,387**	58,575
Reserves		**(430,571)**	1,024,990
TOTAL EQUITY		**(369,184)**	1,083,565

NOTES

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are also investment holding.

2. BASIS OF PREPARATION

Trading in the shares of the Company (the "Shares") 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 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 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 today is as follows:

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

The Fuzhou Intermediate People's Court (福州市中級人民法院) of Fujian Province, the PRC (the "Fuzhou Court") issued a judgment letter dated 28 July 2009 (the "Judgment Letter") in the Provisional Liquidators' favour with regard to the replacements of Fuqing Longyu's legal representative and board of directors. On 2 September 2009, Mr. Yeung filed an appeal against the decisions of the Judgment Letter. The hearing for the appeal lodged by Mr. Yeung was heard on 19 November 2009 at the Higher People's Court of Fujian Province (福建省高級人民法院). On 18 January 2010, the Provisional Liquidators were informed by the PRC legal adviser that the final decision for the appeal has been handed down on 21 December 2009 which upholds the Judgment Letter. The Provisional Liquidators are taking steps to enforce the final decision.

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

On 3 September 2009, the case has been accepted by the People's Court of Pudong New District in Shanghai. 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. Since Mr. Yang had failed to attend both hearings, a default judgment is expected to be granted accordingly.

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

The Company has attempted to file a statement of claim with the Ningbo Intermediate People's Court of Zhejiang province (浙江省寧波市中級人民法院) but the filing was denied by the court.

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

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

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

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

Pursuant to the Exclusivity Agreement, the Investor shall negotiate with the Provisional Liquidators to enter into an arrangement of working capital facility of up to HK$10 million (or such higher sum the Investor may agree from time to time) for the settling of the trading and operating expenses as are required to carry on and maintain a viable business of the sale of food products during the course of the proposed restructuring. Such working capital facility will be secured by a debenture with charge(s) over certain assets of the Group.

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.

Pursuant to the letter from the Stock Exchange on 18 September 2009, among other things, the Company is required to submit a viable Resumption Proposal within six months from the date of the letter (i.e. 10 business days before 17 March 2010) to the Stock Exchange, which should meet the following conditions:

1. demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules;

2. demonstrate that circumstances do not exist to suggest that there may be significant deficiencies in the Group's internal control system;

3. demonstrate the Company's compliance with Rule 3.08 of the Listing Rules regarding duties of the directors; and

4. withdrawal and/or dismissal of the Petition, and discharge of the Provisional Liquidators.

If no viable resumption proposal is submitted by 3 March 2010, the Stock Exchange may consider to proceed to place the Company into the third stage of the delisting procedures.

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

The proposed restructuring, if successfully implemented will, among others, 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 update 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.

Loss of access to books and records of the Group

The Directors have used their best endeavors to locate all the financial and business records of the Group. As the access to most of the books and records of its subsidiaries Fuqing Longyu, Ningbo Dingwei and Jia Jing (Shanghai) have been lost and most of the former accounting personnel of the Group have left. The Directors are unable to obtain sufficient information to satisfy themselves regarding the treatment of various transactions and balances of the Group for the year ended 31 December 2008.

The financial statements have been prepared based on the available books and records maintained by the Group. However, in view of the lack of evidence described above, the Directors are unable to ascertain that the opening balances and corresponding figures of the Group for the year ended 31 December 2008 have been properly reflected in the books and records and in the financial statements.

Any adjustment arising from the matters described above might have a significant consequential effect on the Group's results and financial position for the year ended 31 December 2008 and the related disclosures thereof in the financial statements.

Also, as a result of the matters described above, the corresponding figures shown in the financial statements may not be comparable with the figures for the current year.

Deconsolidation of subsidiaries

The financial statements have been prepared based on the books and records maintained by the Group. However, the Directors considered that the control over the following 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 1 July 2008:

- Fuqing Longyu
- Ningbo Dingwei
- Jia Jing (Shanghai)

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB1,441,785,000 for the year ended 31 December 2008 (2007: profit of approximately RMB131,035,000) and as at 31 December 2008 the Group had net current liabilities of approximately RMB369,451,000 (2007: net current assets of approximately RMB847,728,000) and net liabilities of approximately RMB369,184,000 (2007: net assets of approximately RMB1,083,565,000) 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:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of Financial Statements [3]
HKAS 23 (Revised)	Borrowing Costs [3]
HKAS 24 (Revised)	Related Party Disclosures [10]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation [3]
HKAS 32 (Amendment)	Classification of Rights Issues [13]
HKAS 39 (Amendment)	Eligible Hedged Items [4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [4]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters [5]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [5]
HKFRS 3 (Revised)	Business Combinations [4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments [3]
HKFRS 8	Operating Segments [3]
HKFRS 9	Financial Instruments [11]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives [6]
HK(IFRIC) – INT 13	Customer Loyalty Programmes [7]
HK(IFRIC) – INT 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [10]
HK(lFRIC) – INT 15	Agreements for the Construction of Real Estate [3]
HK(lFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation [8]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners [4]
HK(IFRIC) – INT 18	Transfer of Assets from Customers [9]
HK(IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments [12]
HK-Int 4 (Amendment)	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases [5]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2009.
[4] Effective for annual periods beginning on or after 1 July 2009.
[5] Effective for annual periods beginning on or after 1 January 2010.
[6] Effective for annual periods ending on or after 30 June 2009.
[7] Effective for annual periods beginning on or after 1 July 2008.
[8] Effective for annual periods beginning on or after 1 October 2008.
[9] Effective for transfers on or after 1 July 2009.
[10] Effective for annual periods beginning on or after 1 January 2011.
[11] Effective for annual periods beginning on or after 1 January 2013.
[12] Effective for annual periods beginning on or after 1 July 2010.
[13] Effective for annual periods beginning on or after 1 February 2010.

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

4. TURNOVER

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

	2008	2007
	RMB'000	*RMB'000*
Sales of goods	**478,707**	739,484

5. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Interest income	**5,103**	13,759
Subsidy income *(note)*	**–**	300
Sundry income	**1,774**	43
	6,877	14,102

Note:

Subsidy income represents discretionary grants received from a municipal government in mainland China in respect of the development of agricultural products carried out by a subsidiary of the Company established in mainland China. The subsidy granted is unconditional, and the Group does not need to repay it to the municipal government in mainland China.

6. SEGMENT INFORMATION

Business segments

The Group comprises the following main business segments:

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

Primary reporting format – business segments

	Frozen marine food products		Frozen functional food products		Seasoned convenient products		Retail shops		Inter-segment elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***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												
Revenue from external customers	**189,004**	324,362	**265,684**	375,816	**16,571**	34,182	**7,448**	5,124	**–**	–	**478,707**	739,484
Inter-segment revenue	**3,229**	2,971	**1,856**	–	**–**	–	**–**	–	**(5,085)**	(2,971)	**–**	–
Total revenue	**192,233**	327,333	**267,540**	375,816	**16,571**	34,182	**7,448**	5,124	**(5,085)**	(2,971)	**478,707**	739,484
Segment results	**93,657**	157,946	**103,821**	159,426	**7,068**	15,024	**2,770**	1,833	**(528)**	(14)	**206,788**	334,215
Unallocated operating income and expenses											**(30,055)**	(97,371)
Profit from operations											**176,733**	236,844
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 cost											**(13,614)**	(32,890)
(Loss)/profit before tax											**(1,394,341)**	203,954
As at 31 December												
Segment assets	**–**	224,374	**–**	119,501	**–**	61,433	**–**	2,405	**–**	–	**–**	407,713
Unallocated assets											**1,405**	1,135,367
Total assets											**1,405**	1,543,080
Segment liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Unallocated liabilities											**370,589**	459,515
Total liabilities											**370,589**	459,515
Other segment information:												
Segment capital expenditure	**7,918**	80,000	**1,118**	11,300	**–**	–	**218**	2,205	**–**	–	**9,254**	93,505
Unallocated capital expenditure											**25,729**	108,418
Total capital expenditure											**34,983**	201,923

	Frozen marine food products		Frozen functional food products		Seasoned convenient products		Retail shops		Inter-segment elimination		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment depreciation	**3,827**	5,104	**1,598**	2,131	**3,002**	4,004	**97**	130	**–**	–	**8,524**	11,369
Unallocated depreciation											**13,441**	17,928
Total depreciation											**21,965**	29,297
Unallocated amortisation of leasehold land and rental prepayments											**9,783**	18,899

Secondary reporting format – geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the destination of delivery of goods.

	Mainland China		Japan		United States of America		Others		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**46,214**	39,852	**296,260**	472,012	**114,653**	205,032	**21,580**	22,588	**478,707**	739,484

No analysis of total assets and capital expenditure incurred during the year by geographical location is presented as over 90% of the Group's assets are located in the PRC (including mainland China and Hong Kong).

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

	2008	2007
	RMB'000	*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 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.

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)

8. (LOSS)/PROFIT BEFORE TAX

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

	2008	2007
	RMB'000	*RMB'000*
Directors' emoluments		
As directors	**1,010**	964
For management	**1,320**	1,140
	2,330	2,104
Auditor's remuneration		
Current year	**227**	912
Under-provision in prior year	**181**	–
	408	912
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**4,784**	10,815
Equity settled share–based payments	**–**	4,942
Retirement benefits scheme contributions	**646**	838
	5,430	16,595
Cost of inventories sold	**271,919**	405,269
Depreciation	**21,965**	29,297
Amortisation of leasehold land and rental prepayments	**9,783**	18,899
Loss on disposal of property, plant and equipment	**–**	27
Allowance for doubtful debts	**–**	389
Other operating lease charges on land and buildings	**1,728**	1,230
Exchange loss	**4,603**	11,685

9. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the year	**47,444**	72,921
Deferred tax		
Origination and reversal of temporary differences	**–**	(2)
	47,444	72,919

No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2008 (2007: 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 countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the (loss)/profit before tax is as follows:

	2008	2007
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(1,394,341)**	203,954
Notional tax (credit)/expense on (loss)/profit before tax, calculated at the rates applicable in the tax jurisdictions concerned	**(348,586)**	43,484
Tax effect of income that is not taxable	**(687)**	(2)
Tax effect of expenses that are not deductible	**390,839**	29,385
Tax effect of utilisation of tax losses not previously recognised	**–**	13
Tax effect of unused tax losses not recognised	**5,878**	39
	47,444	72,919

10. (LOSS)/PROFIT 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 RMB570,557,000 (2007: approximately RMB1,685,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

Dividends attributable to the year are as follows:

	2008	2007
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of nil per ordinary share (2007: HK$0.040 (equivalent to approximately RMB0.036) per ordinary share)	**–**	43,034

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2008	2007
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year of HK\$0.040 (equivalent to approximately RMB0.036) per ordinary share (2007: HK\$0.045 (equivalent to approximately RMB0.044) per ordinary share)	**43,034**	44,144

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the year attributable to equity holders of the Company of approximately RMB1,441,785,000 (2007: profit of approximately RMB131,035,000) and the weighted average number of approximately 1,136,782,000 ordinary shares (2007: approximately 1,040,320,000 ordinary shares) in issue during the year.

Diluted (loss)/earnings per share

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, no diluted loss per share was presented in this year.

The calculation of diluted earnings per share for the year ended 31 December 2007 is based on the profit for the year attributable to equity holders of the Company of approximately RMB131,035,000 plus the after tax effect of effective interest on the liabilities component of convertible notes of approximately RMB7,669,000 and the weighted average number of approximately 1,157,914,000 ordinary shares, being the weighted average number of approximately 1,040,320,000 ordinary shares in issue during the year used in the basic earnings per share calculation plus (i) the weighted average number of approximately 8,712,000 ordinary shares assumed to be issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date; (ii) the weighted average number of approximately 35,912,000 ordinary shares assumed to be issued on the deemed exercise of the warrants outstanding at the balance sheet date; and (iii) the weighted average number of approximately 72,970,000 ordinary shares assumed to be issued on the deemed exercise of the convertible notes outstanding at the balance sheet date.

13. 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, based on the invoice date, and net of allowance, is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 1 month	–	59,189
More than 1 month but within 3 months	–	69,602
More than 3 months but within 6 months	–	5,772
More than 6 months but within 1 year	–	166
	–	134,729
Less: Allowance for doubtful debts *(note)*	–	(389)
	–	134,340

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 that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	RMB'000	*RMB'000*
Neither past due nor impaired	–	128,791
3 to 12 months past due	–	5,549
	–	134,340

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

14. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 1 month	–	420
After 1 month but within 3 months	–	47
After 3 months but within 6 months	–	–
After 6 months	–	21
	–	488

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Basis for disclaimer of opinion

1. *Opening balances and corresponding figures*

   The consolidated financial statements of the Company for the year ended 31 December 2007 which form the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of the opening balances and corresponding figures shown in the current year's consolidated financial statements.

2. *Transactions, income and expense items for the year*

   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 2008. 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 income statement for the year ended 31 December 2008 and that these items are properly disclosed in the consolidated financial statements.

3. *Loss on deconsolidation of the subsidiaries and impairment on investment costs and amounts due from deconsolidated subsidiaries*

   As explained in note 2 to the consolidated financial statements, 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. In addition, no sufficient evidence has been provided to satisfy ourselves as to the amount of net assets of the subsidiaries deconsolidated. As a result, we are unable to satisfy ourselves as to the loss on deconsolidation of the subsidiaries and the impairment on investment costs and amounts due from deconsolidated subsidiaries of approximately RMB1,470,704,000 for the year ended 31 December 2008 as disclosed in note 11 to the consolidated financial statements.

4. *Other losses*

No sufficient evidence has been received by us up to the date of this report in respect of whether the other losses of approximately RMB86,756,000 were properly accounted for in the consolidated financial statements for the year ended 31 December 2008.

5. *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 as disclosed in notes 30 to the consolidated financial statements of approximately RMB172,455,000 as at 31 December 2008.

6. *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 as disclosed in note 32 to the consolidated financial statements of RMB13,500,000 as at 31 December 2008.

7. *Commitments and contingent liabilities*

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 31 December 2008.

8. *Related party transactions and balances*

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions and balances for the year ended 31 December 2008 as required by Hong Kong Accounting Standard 24 "Related Party Disclosures".

9. *Other disclosures in the consolidated financial statements*

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the additions of the property, plant and equipment as disclosed in notes 9 and 22 to the consolidated financial statements.

Any adjustments to the figures as described from points 1 to 9 above might have a significant consequential effect on the Group's results for the two years ended 31 December 2007 and 2008, the Group's cash flows for the two years ended 31 December 2007 and 2008 and the financial positions of the Group as at 31 December 2007 and 2008, and the related disclosures thereof in the consolidated financial statements.

Material uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the restructuring of the Group (the "Resumption Proposal") 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 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group recorded turnover and gross profit of approximately RMB478,707,000 (2007: approximately RMB739,484,000) and approximately RMB206,788,000 (2007: approximately RMB334,215,000) respectively. Loss attributable to the Shareholders was approximately RMB1,441,785,000 (2007: profit of approximately RMB131,035,000). The Group's total turnover represented a decrease of 35.26% as compared to 2007, while gross profit dropped by approximately 38.13%.

FINAL DIVIDEND

Payment of a final dividend is not proposed for the year ended 31 December 2008 (2007: approximately RMB43,034,000).

BUSINESS REVIEW

The main business activity of the Company is investment holding and the Company, through its subsidiaries, is principally engaged in the food manufacturing and trading industry mainly including frozen marine and functional food products.

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

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

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

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the PRC. However, without the assistance of the former directors of the Company, Mr. Yeung and Mr. Yang, who were 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 today is as follows:

(i) Fuqing Longyu

The Fuzhou Court issued the Judgment Letter in the Provisional Liquidators' favour with regard to the replacements of Fuqing Longyu's legal representative and board of directors. On 2 September 2009, Mr. Yeung filed an appeal against the decisions of the Judgment Letter. The hearing for the appeal lodged by Mr. Yeung was heard on 19 November 2009 at the Higher People's Court of Fujian Province (福建省高級人民法院). On 18 January 2010, the Provisional Liquidators were informed by the PRC legal adviser that the final decision for the appeal has been handed down on 21 December 2009 which upholds the Judgment Letter. The Provisional Liquidators are taking steps to enforce the final decision.

(ii) Jia Jing (Shanghai)

On 3 September 2009, the case has been accepted by the People's Court of Pudong New District in Shanghai. 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. Since Mr. Yang had failed to attend both hearings, a default judgment is expected to be granted accordingly.

(iii) Ningbo Dingwei

The Company has attempted to file a statement of claim with the Ningbo Intermediate People's Court of Zhejian Province (浙江省寧波市中級人民法院) but the filing was denied by the court.

RESTRUCTURING OF THE GROUP

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

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

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

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

Pursuant to the Exclusivity Agreement, the Investor shall negotiate with the Provisional Liquidators to enter into an arrangement of working capital facility of up to HK$10 million (or such higher sum the Investor may agree from time to time) for the 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.

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.

Pursuant to the letter from the Stock Exchange on 18 September 2009, among other things, the Company is required to submit a viable Resumption Proposal within six months from the date of the letter (i.e. 10 business days before 17 March 2010) to the Stock Exchange, which should meet the following conditions:

1. demonstrate that the Company has a sufficient level of operations or has assets of sufficient value as required under Rule 13.24 of the Listing Rules;

2. demonstrate that circumstances do not exist to suggest that there may be significant deficiencies in the Group's internal control system;

3. demonstrate the Company's compliance with Rule 3.08 of the Listing Rules regarding duties of the directors; and

4. withdrawal and/or dismissal of the Petition, and discharge of the Provisional Liquidators.

If no viable resumption proposal is submitted by 3 March 2010, the Stock Exchange may consider to proceed to place the Company into the third stage of the delisting procedures.

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

The proposed restructuring, if successfully implemented will, among others, 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 update 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.

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.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED 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 2008.

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 approval and the respective 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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

Mr. Wong Chi Keung ("Mr. Wong") has been an independent non-executive Director prior to his re-designation as the chairman of the Board on 9 October 2009. Mr. Wong was not involved in the management of the Company and the Group as an independent non-executive director. Except for Mr. Wong, members of the current Board were appointed in December 2008. Consequently, the current Board is unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008.

AUDIT COMMITTEE

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

WONG Chi Keung	(Chairman)
LEUNG Chiu Shing	(resigned on 17 December 2008)
LEUNG King Yue, Alex	(appointed on 17 December 2008)
LU Ze Jian	(resigned on 12 December 2008)
LO Wai On	(appointed on 22 December 2008)
TANG Chi Chung, Matthew	(appointed on 19 December 2008)

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 2008 have been reviewed by the audit committee of the Company.

GENERAL

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

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

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

Hong Kong, 22 January 2010

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

* *for identification purpose only*