



FIRST NATURAL FOODS HOLDINGS LIMITED

(Provisional Liquidators Appointed)

第一天然食品有限公司*

(已委任臨時清盤人)

(Incorporated in Bermuda with limited liability)

(Stock Code: 01076)

Interim Report 2010

* *for identification purpose only*

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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 Director

LEE Wa Lun, Warren

Independent Non-executive Directors

LEUNG King Yue, Alex

LO Wai On

TANG Chi Chung, Matthew

WONG Chi Keung

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 (now known as CITIC Bank International 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

Review of Operations

RESULTS

First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (collectively the "Group") recorded a loss of approximately RMB5,233,000 attributable to equity holders of the Company for the six months ended 30 June 2010 (2009: approximately RMB5,474,000).

The loss of the Group for the six months ended 30 June 2010 and the state of affairs of the Group at that date are set out in the unaudited condensed consolidated interim financial statements on pages 11 and 25.

The Group's interim results for the six months ended 30 June 2010 have been reviewed by the joint and several provisional liquidators of the Company (the "Provisional Liquidators") and the audit committee of the Company (the "Audit Committee"). However, as the consolidated financial statements of the Group for each of the years ended 31 December 2008 and 31 December 2009 were disclaimed by the auditors of the Group and the Group's interim results for the six months ended 30 June 2010 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010.

INTERIM DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

BUSINESS REVIEW

The Company is an investment holding company. The Company, through its subsidiaries, is principally engaged in processing and trading of food products mainly including frozen fish products. For the six months ended 30 June 2010, the Group recorded a total turnover of approximately RMB7,333,000 (2009: nil).

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"), a former executive Director and chairman, and Mr. Yang Le ("Mr. Yang"), a former executive Director, could not be confirmed. At the same time, 5 Directors resigned from the board of Directors (the "Board"), causing great difficulties for the Board to function properly. Two Directors took initiative to convene Board meetings to appoint new directors to the Board. Subsequent to the emergency appointments of new Directors, the Board found out that there were great difficulties in exercising the authority and control of the Company over some of its subsidiaries. For the benefit of the creditors and the shareholders of the Company (the "Shareholders") as a whole, the Board considered that 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.

Review of Operations (Continued)

BUSINESS REVIEW (CONTINUED)

On 6 January 2009, a winding-up petition (the "Petition") and the application for the appointment of 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.

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 of the Company 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 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 had been handed down on 21 December 2009 which upheld the Judgment Letter in the Provisional Liquidators' favour with regard to the replacements of Fuqing Longyu's legal representative and board of directors. The enforcement of the Final Decision was applied with the Fuzhou Court in early March and an enforcement notice had been issued on 12 April 2010 by the Fuzhou Court to the Administration of Industry and Commerce in Fuqing (福清市工商行政管理局) (the "Fuqing AIC"). The Provisional Liquidators were informed by the PRC legal adviser, based on his recent visit to the Fuqing AIC in May 2010 and to the Foreign Trade and Economic Cooperation Bureau in Fuqing (福清市對外貿易經濟合作局) ("Fuqing FTECB") in July 2010, that the changes of the board and the legal representative of Fuqing Longyu have not been effected despite the enforcement notices having been issued to both authorities by the Fuzhou Court.

Review of Operations (Continued)

BUSINESS REVIEW (CONTINUED)

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

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

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

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

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

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

First China Technology Limited, a subsidiary of the Company and the immediate holding company of Ningbo Dingwei, attempted to file a statement of claim with the Ningbo Intermediate People's Court of Zhejiang Province (the "Ningbo Court") (浙江省寧波市中級人民法院) but the filing was denied by the Ningbo Court. The Provisional Liquidators have been collating further evidence and are taking appropriate steps to prepare a revised Statement of Claim to be filed with the Ningbo Court.

Review of Operations (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

The net cash outflow from operating activities for the six months ended 30 June 2010 was approximately RMB3,891,000 (2009: approximately RMB355,000). Cash and cash equivalents as at 30 June 2010 amounted to approximately RMB9,046,000 (31 December 2009: approximately RMB6,487,000). At 30 June 2010, the Group had bank borrowings of approximately RMB183,874,000 (31 December 2009: approximately RMB183,822,000) which was due on demand. The Group's gearing ratio measured on the basis of the Group's interest bearings liabilities divided by total equity as at 30 June 2010 was not applicable as the Group had net deficiency in equity (31 December 2009: not applicable).

Liabilities and payables presented in the unaudited condensed consolidated interim financial statements are prepared and presented according to the books and records and available information to the best of our knowledge.

CAPITAL STRUCTURE

For the six months ended 30 June 2010, there was no change in the capital structure and issued share capital of the Company.

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. As 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 13 to the unaudited condensed consolidated interim financial statements.

EMPLOYEES AND REMUNERATION POLICIES

Other than the Directors, the Group did not employ any staff in Hong Kong as at 30 June 2010. 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.

Review of Operations (Continued)

SIGNIFICANT INVESTMENTS AND ACQUISITION

A wholly-owned subsidiary of the Company entered into a sale and purchase agreement in April 2010 with an independent third party to acquire a food trading and processing company. The acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and is subject to the Shareholders' approval at a special general meeting of the Company. Details of the proposed acquisition are set out in the section headed "PROSPECTS" below.

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 of Hong Kong Limited (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 into 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 endeavors 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 ("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 for the implementation of the Resumption Proposal.

Review of Operations (Continued)

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.

As at 31 August 2010, the Investors 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, which will be submitted to the Stock Exchange as soon as practicable.

Review of Operations (Continued)

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 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 15 July 2010, the hearing of the Petition has been further adjourned to 17 January 2011.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 16 to the unaudited condensed consolidated interim financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in note 17 to the unaudited condensed consolidated interim financial statements.

CHARGES ON GROUP ASSETS

As disclosed under the heading "RESTRUCTURING OF THE GROUP" above and in note 13 to the unaudited condensed consolidated interim financial statements, the Investor and Supreme Wit entered into a working capital facility agreement on 12 April 2010 pursuant to which the Investor had agreed to provide the Working Capital Facility to Supreme Wit. The Working Capital Facility had been secured by a debenture by Supreme Wit on 12 April 2010 with a floating charge on all the assets issued by Supreme Wit executed in favour of the Investor.

Review of Operations (Continued)

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 has been 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 other investment opportunity and/or acquisition target which could create a synergy effect with the Group's existing business thus commercially benefit the Group.

In line with this development strategy, Pacific Prosper Limited ("Pacific Prosper"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement on 22 April 2010 with an independent third party (the "S&P Agreement"), 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 for an aggregate cash consideration of HK\$10 million (the "Proposed Acquisition"). The Company believes that upon completion of the Proposed Acquisition, the Group will be able to benefit from (i) the expansion of its customer base and product portfolio; (ii) the synergy effects resulting from economies of scale by expanding the scale of operations with the Working Capital Facility provided by the Investor; and (iii) the vertical integration of the value chain, thus further improving the financial performance of the Group.

The Proposed Acquisition constituted a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. The S&P Agreement and the transactions contemplated thereunder will be subject to the Shareholders' approval at the special general meeting of the Company scheduled to be held on 9 September 2010 by way of poll in accordance with the Listing Rules. The circular containing the details of the Proposed Acquisition was despatched to the Shareholders on 25 August 2010.

To further expand the Group's existing business operations, Trendy Leader Limited ("Trendy Leader"), an indirect wholly-owned subsidiary of the Company, and an independent third party (the "Party") entered into a processing agreement in April 2010, pursuant to which Trendy Leader will provide the raw materials, supplements and packaging materials while the Party will provide processing services to process the frozen fish products in accordance with the specifications and time limit given by Trendy Leader. Trendy Leader also contracted with the Party the utilization of a processing line located in Guangdong Province, the PRC under the processing agreement. In addition, Trendy Leader and another independent third party entered into an arrangement to lease fish ponds with a total area of approximately 7 hectares located in Jiangmen, Guangdong Province, the PRC. It is expected that the live fish from those leased fish ponds will be principally supplied to the processing facility for processing into marketable products. The Company believes that the Group will benefit from the processing agreement and the lease of fish ponds which can secure a stable and quality supply of live fish with an established facility and production line for food processing, resulting in higher productivity with enhancement in turnover as well as cost efficiency.

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 sufficient level of operations together with tangible assets and intangible assets of sufficient value within a reasonable period of time.

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June	
		2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Turnover	3, 5	7,333	–
Cost of sales		(7,004)	–
Gross profit		329	–
Other income	4	13	21
Administrative expenses		(1,322)	(729)
Loss from operations		(980)	(708)
Finance costs	6	(4,253)	(4,766)
Loss before tax	7	(5,233)	(5,474)
Income tax expense	8	–	–
Loss for the period attributable to equity holders of the Company		(5,233)	(5,474)
Other comprehensive income after tax:			
Translation difference		1,671	270
Total comprehensive loss for the period attributable to equity holders of the Company		(3,562)	(5,204)
Loss per share attributable to equity holders of the Company	9		
Basic and diluted (RMB cents per share)		(0.44)	(0.46)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		21	26
Deferred tax assets		232	233
		253	259
Current assets			
Inventories	11	914	918
Trade receivables	12	3,238	1,422
Prepayments, deposits and other receivables		776	122
Bank and cash balances		9,046	6,487
		13,974	8,949
Current liabilities			
Accruals and other payables	13	203,878	195,349
Bank borrowings	14	183,874	183,822
Financial guarantee liabilities		13,500	13,500
		401,252	392,671
Net current liabilities		(387,278)	(383,722)
Total assets less current liabilities		(387,025)	(383,463)
NET LIABILITIES		(387,025)	(383,463)
Capital and reserves attributable to equity holders of the Company			
Share capital	15	61,387	61,387
Reserves		(448,412)	(444,850)
TOTAL EQUITY		(387,025)	(383,463)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to equity holders of the Company					
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2009	61,387	300,028	41,421	32,806	(804,826)	(369,184)
Total comprehensive loss for the period (unaudited)	-	-	-	270	(5,474)	(5,204)
At 30 June 2009 (unaudited)	61,387	300,028	41,421	33,076	(810,300)	(374,388)
At 1 January 2010	61,387	300,028	41,421	32,688	(818,987)	(383,463)
Total comprehensive loss for the period (unaudited)	-	-	-	1,671	(5,233)	(3,562)
At 30 June 2010 (unaudited)	61,387	300,028	41,421	34,359	(824,220)	(387,025)

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Net cash used in operating activities	(3,891)	(355)
Net cash generated from investing activities	11	–
Net cash generated from financing activities	4,710	–
Net increase / (decrease) in cash and cash equivalents	830	(355)
Effect of foreign exchange rate changes	1,729	140
Cash and cash equivalents at beginning of period	6,487	529
Cash and cash equivalents at end of period	9,046	314
Analysis of cash and cash equivalents		
Bank and cash balances	9,046	314

Notes to Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA .

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

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been reviewed by the joint and several provisional liquidators (the “Provisional Liquidators”) and the audit committee of the Company (the “Audit Committee”). However, as the consolidated financial statements of the Group for the year ended 31 December 2009 were disclaimed by the auditors of the Group and the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010.

Going concern

The Group incurred a loss attributable to equity holders of the Company of approximately RMB5,233,000 for the six months ended 30 June 2010 (2009: approximately RMB5,474,000). The Group had net current liabilities and net liabilities of approximately RMB387,278,000 and approximately RMB387,025,000 as at 30 June 2010 respectively (31 December 2009: approximately RMB383,722,000 and approximately RMB383,463,000 respectively). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

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

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2009. In the current period, the Group has applied, for the first time, the following new and revised HKFRSs, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations which are effective for the Group's financial years beginning on or after 1 January 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 1(a)	Comprehensive Revision
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfer of Assets from Customers

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior period.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ 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.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

3. TURNOVER

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	7,333	–

4. OTHER INCOME

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	11	–
Sundry income	2	21
	13	21

Notes to Condensed Consolidated Interim Financial Statements (Continued)

5. SEGMENT INFORMATION

The Group comprised the following reportable 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

	Frozen marine food products		Frozen functional food products		Seasoned convenient products		Retail shops		Consolidated	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
<i>For the six months ended 30 June (unaudited)</i>										
Revenue from external customers	-	-	6,995	-	338	-	-	-	7,333	-
Segment profit	-	-	292	-	3	-	-	-	295	-
<i>As at 30 June 2010 (unaudited) / 31 December 2009 (audited)</i>										
Segment assets	-	-	5,626	1,422	1,262	918	-	-	6,888	2,340

Reconciliation of segment profit or loss:

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Total profit of reportable segments	295	-
Unallocated amounts:		
Unallocated corporate income and expenses	(1,275)	(708)
Finance costs	(4,253)	(4,766)
Consolidated loss before tax	(5,233)	(5,474)

Notes to Condensed Consolidated Interim Financial Statements (Continued)

6. FINANCE COSTS

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Interest expenses on bank borrowings	4,253	4,766

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2010 RMB'000 (unaudited)	2009 RMB'000 (unaudited)
Directors' emoluments		
As directors	145	–
For management	–	–
	145	–
Staff costs including directors' emoluments		
Salaries, bonus and allowances	218	72
Retirement benefits scheme contributions	4	4
	222	76
Cost of inventories sold	7,004	–
Depreciation	4	4
Net exchange loss	–	10
Operating lease charges on land and buildings	138	430

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 (2009: nil) as the Group did not generate any assessable profits arising in Hong Kong during the period.

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

9. 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 period attributable to equity holders of the Company of approximately RMB5,233,000 (2009: approximately RMB5,474,000) and the weighted average number of approximately 1,185,915,000 ordinary shares (2009: approximately 1,185,915,000 ordinary shares) in issue during the period.

Diluted loss per share

Diluted loss per share for the six months ended 30 June 2010 and 2009 were the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding.

10. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: nil).

11. INVENTORIES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Merchandise	914	918

12. 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:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Within 1 month	3,238	1,422

Notes to Condensed Consolidated Interim Financial Statements (Continued)

13. ACCRUALS AND OTHER PAYABLES

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Finance costs payable	15,096	10,843
Accruals and other payables	3,593	3,687
Claim arising from a derivative financial instrument (note (a))	108,706	109,555
Amount due to a former director of the Company (note (b))	58,938	60,144
Amount due to a director of the subsidiaries (note (b))	3,122	2,308
Amount due to the Investor (note (c))	14,423	8,812
	203,878	195,349

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\$15,927,075 (equivalent to approximately RMB108,706,000) (31 December 2009: US\$15,979,544 (equivalent to approximately RMB109,555,000)). The claim arose 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 the Company in reviewing the claim lodged by the 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 outstanding balance included HK\$5 million (equivalent to approximately RMB4.386 million) earnest money (the "Earnest Money") paid by Group Will Holdings Limited ("the Investor") pursuant to the exclusivity agreement dated 30 July 2009 entered into among the Company, the Provisional Liquidators, the Investor and Mr. Huang Kunyan for granting the Investor a 12-month exclusivity period (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.

Save for the Earnest Money, the amount due to the Investor carries an interest rate equivalent to the prime rate published by The Hongkong and Shanghai Banking Corporation Limited in certain event(s) of default and is secured by a debenture with a floating charge on all the assets issued by Supreme Wit Limited, a direct wholly-owned subsidiary of the Company.

- (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.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

14. BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Within 1 year or on demand	183,874	183,822

15. SHARE CAPITAL

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Authorized: 2,000,000,000 ordinary shares of HK\$0.05 each	10,600	10,600
Issued and fully paid: 1,185,914,889 ordinary shares of HK\$0.05 each	61,387	61,387

16. CONTINGENT LIABILITIES

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

The Provisional Liquidators, also acting as the directors of the subsidiaries, are not aware of any potential claim against the subsidiaries as at 30 June 2010.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

17. COMMITMENTS

Capital commitments

The Group had no material capital commitment as at 30 June 2010 (31 December 2009: nil).

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:

	30 June 2010 RMB'000 (unaudited)	31 December 2009 RMB'000 (audited)
Within 1 year	22	45

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

Notes to Condensed Consolidated Interim Financial Statements (Continued)

18. EVENTS AFTER THE END OF THE REPORTING PERIOD

Since the appointment on 6 January 2009, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, 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 of the Company 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 the date of this report is as follows:

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

The Provisional Liquidators were informed by the PRC legal adviser, based on his recent visit to the Administration of Industry and Commerce in Fuqing (福清市工商行政管理局) (the "Fuqing AIC") in May 2010 and to the Foreign Trade and Economic Cooperation Bureau in Fuqing (福清市對外貿易經濟合作局) ("Fuqing FTECB") in July 2010, that the changes of the board and the legal representative of Fuqing Longyu have not been effected despite the enforcement notices having been issued to both authorities by the Fuzhou Intermediate People's Court (福州市中級人民法院) of Fujian Province, the PRC.

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

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

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

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

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

First China Technology Limited, a subsidiary of the Company and the immediate holding company of Ningbo Dingwei, attempted to file a statement of claim with the Ningbo Intermediate People's Court of Zhejiang Province (the "Ningbo Court") (浙江省寧波市中級人民法院) but the filing was denied by the Ningbo Court. The Provisional Liquidators have been collating further evidence and are taking appropriate steps to prepare a revised statement of claim to be filed with the Ningbo Court.

Notes to Condensed Consolidated Interim Financial Statements (Continued)

18. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

The Provisional Liquidators have provided regular update on the status of the Group to the High Court of Hong Kong Special Administrative Region and suggested for the adjournment of granting the winding-up order against the Company. On 15 July 2010, the hearing of the Petition has been further adjourned to 17 January 2011.

Other Information

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, saved as disclosed below and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company, none of the Directors 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 (the "Model Code").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES

As at 30 June 2010, the following 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)	Interest of controlled corporation	83,370,000	7.03%
Dunross & Co AB	(c)	Interest of controlled 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)	Interest of controlled corporation	79,370,000	6.69%

Other Information (Continued)

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
Crosby Asset Management (Singapore) Limited	(f)	Interest of controlled corporation	79,370,000	6.69%
Crosby Asset Management Limited	(g)	Interest of controlled corporation	79,370,000	6.69%
Crosby Asset Management (Holdings) Limited	(h)	Interest of controlled corporation	79,370,000	6.69%
Crosby Asset Management Inc.	(i)	Interest of controlled corporation	79,370,000	6.69%

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 Regal Splendid Limited, which pledged the Shares of the Company and defaulted the loan.
- (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.

Other Information (Continued)

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

Notes: (Continued)

- (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.
- (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.

Save as disclosed above, as at 30 June 2010, no person, other than the Directors, whose interests are set out in the section "Directors' 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' Interests or Short Positions in Securities, Underlying Shares and Debentures" above, to the best knowledge of the Board, at no time during the period 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.

Other Information (Continued)

SHARE OPTION SCHEME

On 4 June 2004, a share option scheme (the "Scheme") has been adopted by the Company, the principal terms of which were set out in the Company's Annual Report 2009.

During the period under review, no options were granted, cancelled or lapsed. As at 30 June 2010, no option under the Scheme remained outstanding.

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 six months ended 30 June 2010.

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 30 June 2010, the outstanding amount owed by the Company in respect of this loan facility was approximately HK\$93,534,000 (equivalent to approximately RMB82,055,000 (31 December 2009: approximately HK\$91,976,000 (equivalent to approximately RMB81,052,000))).

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.

Other Information (Continued)

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.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 18 to the unaudited condensed consolidated interim financial statements.

CORPORATE GOVERNANCE

As at 30 June 2010, 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 six months ended 30 June 2010 and up to the date of this report were:

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

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

Other Information (Continued)

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The members of the Audit Committee of the Company during the six months ended 30 June 2010 and up to the date of this report were:

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

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters with the management. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010 have been reviewed by the Provisional Liquidators and the Audit Committee. However, as the consolidated financial statements of the Group for each of the years ended 31 December 2008 and 31 December 2009 were disclaimed by the auditors of the Company, and the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2010.

On 6 January 2009, the Provisional Liquidators were appointed by the Court to, among others, take control and possession of the assets of the Group, accordingly, the current Board is unable to comment as to whether the Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010 .

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.

Other Information (Continued)

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 six months ended 30 June 2010.

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

Wong Chi Keung
Chairman

31 August 2010