FIRST NATURAL FOODS HOLDINGS LIMITED

(Provisional Liquidators Appointed)

第一天然食品有限公司*

（已委任臨時清盤人）

(Incorporated in Bermuda with limited liability)

(Stock Code: 01076)

Annual Report 2010

* *for identification purpose only*

Contents

Corporate Information

JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

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

BOARD OF DIRECTORS

Executive Director
LEE Wa Lun, Warren

Independent Non-executive Directors
LEUNG King Yue, Alex
LO Wai On (resigned with effect from 31 January 2011)
TANG Chi Chung, Matthew
WONG Chi Keung (Chairman)

PRINCIPAL REGISTRAR

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

LEGAL ADVISORS

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

62/F, One Island East
18 Westlands Road
Island East
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

Report of the Directors

The board (the "Board") of directors (the "Directors") of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") herein presents its report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

BUSINESS REVIEW

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

For the year ended 31 December 2010, the Group recorded turnover and gross profit of approximately RMB144,006,000 (2009: approximately RMB2,542,000) and approximately RMB7,725,000 (2009: approximately RMB37,000) respectively. Loss for the year attributable to owners of the Company was approximately RMB4,277,000 (2009: approximately RMB14,161,000). The Group's total turnover represented an increase of approximately 5,600% as compared to the year 2009, while gross profit increased approximately 20,800%.

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

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

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

BUSINESS REVIEW (CONTINUED)

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the People's Republic of China (the "PRC"). However, without the assistance of the former Directors, Mr. Yeung and Mr. Yang Le, who were also the legal representatives of the subsidiaries in the PRC, the Provisional Liquidators would not be able to proceed the same. As such, legal actions have been taken against Mr. Yeung and Mr. Yang Le 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 advisor 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 advisor, 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.

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. The HKETO issued letters to the Fujian FTECB and the Higher People's Court of Fujian province in late August 2010.

BUSINESS REVIEW (CONTINUED)

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

Given that the Fuqing FTECB failed unjustifiably to respond to the Provisional Liquidators' request, the Provisional Liquidators sought legal advice from the PRC legal advisor and are preparing to take out a legal action against the Fuqing FTECB.

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 advisor, the Provisional Liquidators are taking appropriate steps to apply for reissuance 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. After consulting the PRC legal advisor, the Provisional Liquidators are taking appropriate steps to prepare a revised statement of claim to be filed with the Ningbo Court.

As mentioned in the section headed "Restructuring of the Group" below, with the Working Capital Facility provided by the Investor, the Group has restored its trading business operations in the second half of 2009.

To further extend the Group's geographical coverage and enlarge the scale of its operations, in April 2010, Pacific Prosper Limited ("Pacific Prosper"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Pacific Prosper agreed to acquire the entire issued share capital of Orient Legend International Limited ("Orient Legend"), which is engaged in the trading of frozen food and food processing for an aggregate cash consideration of HK$10 million (the "Acquisition"). The completion of the Acquisition took place on 4 October 2010.

BUSINESS REVIEW (CONTINUED)

In order to have better control over the raw materials quality and enhance the profitability of the Group, in April 2010, Trendy Leader Limited ("Trendy Leader"), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a leasing agreement, pursuant to which Trendy Leader leased fish ponds with a total area of approximately 7 hectares located in Jiangmen, Guangdong Province, the PRC for a period of 3 years.

To expand the Group's existing business operations, Trendy Leader entered into a processing agreement with an independent third party in April 2010, which owns processing lines located in Jiangmen, Guangdong Province, the PRC (the "Processing Agreement"). Pursuant to the Processing Agreement, Trendy Leader will, among others, provide the raw materials, supplements and packaging materials while the said independent third party will provide processing services to process the frozen fish products in accordance with the specifications and time constraint given by Trendy Leader.

To intensify and strengthen the value-added services of the Group through the processing plant in Jiangmen by taking advantage of the established trading volume already achieved by Orient Legend and Trendy Leader, on 5 October 2010, Pacific Prosper, Mr. Wong Chi Ho and Mr. Wong King Luen entered into an agreement (the "Sincere Gold Agreement"). Details of the Sincere Gold Agreement are published in the circular of the Company dated 17 December 2010. The transactions contemplated under the Sincere Gold Agreement were approved by the Shareholders at the special general meeting held on 4 January 2011.

For the year ended 31 December 2010, the Group recorded turnover and gross profit of approximately RMB144,006,000 (2009: approximately RMB2,542,000) and approximately RMB7,725,000 (2009: approximately RMB37,000) respectively. Loss for the year attributable to owners of the Company was approximately RMB4,277,000 (2009: approximately RMB14,161,000). The Group's total turnover represented an increase of approximately 5,600% as compared to the year 2009, while gross profit increased approximately 20,800%. Loss for the year attributable to owners of the Company decreased approximately 70% as compared to 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The net cash outflow from operating activities for the year was approximately RMB19,389,000 as compared to a net cash outflow of approximately RMB2,699,000 in the previous year. Cash and cash equivalents as at 31 December 2010 amounted to approximately RMB13,485,000 (2009: approximately RMB6,487,000). The Group's gearing ratio measured on the basis of the Group's bank borrowings liabilities divided by total assets as at 31 December 2010 was not applicable as the Group had net deficiency in assets (2009: not applicable).

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

RISK OF FOREIGN EXCHANGE FLUCTUATION

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

In April 2007, the Company entered into an interest rate swap contract 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 27 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

Other than the Directors, the Group employed 8 staff in Hong Kong and 3 staff in the PRC as at 31 December 2010. Details of the remuneration have been disclosed in notes 11 and 14 to the consolidated financial statements.

Remuneration package is reviewed annually by the Board and determined by reference to market scale and individual performance. In addition to salary payments, the Group also provides other employment benefits such as a provident fund.

SIGNIFICANT INVESTMENTS AND ACQUISITION

Pacific Prosper, 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 constituted 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 was approved by the Shareholders at a special general meeting of the Company held on 9 September 2010. The completion of the Acquisition took place on 4 October 2010.

The same wholly-owned subsidiary of the Company entered into an agreement to lease the rights of a processing plant for five years. The transaction constituted a major transaction for the Company under Chapter 14 of the Listing Rules and was approved by the Shareholders at a special general meeting of the Company held on 4 January 2011.

Further details of the very substantial acquisition and the major transaction are set out in the section headed "Business Review" above.

RESTRUCTURING OF THE GROUP

The Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited ("Asian Capital") as the financial advisor 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 proceeding to place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules.

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

On 30 July 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into among the Investor, Mr. Huang Kunyan, the Company and the Provisional Liquidators to grant the Investor a 12-month exclusivity period to prepare a viable resumption proposal to be submitted to the Stock Exchange with a view to resuming the trading in the Shares, and to negotiate in good faith for entering into a legally binding formal agreement for the implementation of the resumption proposal. Since the exclusivity period has expired on 29 July 2010, in view of the Investor's willingness and financial ability to pursue the restructuring and a supplemental agreement was entered into to grant an extension of the exclusivity period to the Investor to cover the remaining period before the deadline for submitting 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 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 direct 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.

RESTRUCTURING OF THE GROUP (CONTINUED)

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 with the aim to resuming the trading in the Shares.

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 was 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 auditor's qualifications and demonstrate adequate internal control system; and

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

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

1. a restructuring of the share capital of the Company through capital reduction, share consolidation, share subdivision and issue of new shares;

2. 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

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

RESTRUCTURING OF THE GROUP (CONTINUED)

On 6 October 2010, Asian Capital and the Provisional Liquidators submitted a resumption proposal to the Stock Exchange (the "Resumption Proposal"). On 5 November 2010, the Listing Committee of the Stock Exchange (the "Listing Committee") rejected the Resumption Proposal. The Listing Committee considered that the Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 of the Listing Rules. Asian Capital filed an application for review (the "Review Application") on behalf of the Company to the Listing (Review) Committee of the Stock Exchange (the "Listing (Review) Committee") on 15 November 2010. The Review Application was initially fixed by the Listing (Review) Committee to be heard on 18 January 2011 (the "Review Hearing") and the Company was required to make a submission on or before 16 December 2010. To allow more time in preparing the submission for the Review Hearing, Asian Capital applied to the Listing (Review) Committee to postpone the Review Hearing. The Review Hearing has been postponed to a date to be advised by the Stock Exchange and the Company is to make a submission on or before 21 February 2011.

The Provisional Liquidators have provided regular updates on the status of the Group to the Court and suggested for the adjournment of granting the winding-up order against the Company. On 14 January 2011, the hearing of the Petition has been further adjourned to 18 July 2011.

PROSPECTS

As discussed in the section headed "Business Review" above, since entering the Exclusivity Agreement, the Group has been steadily reviving its business operations. With the financial support from the Investor, the Group has resurrected its trading business, completed the acquisition of Orient Legend and entered into the Sincere Gold Agreement. The Group is in the process of integrating and streamlining its business operations. The Company believes that the in-house processing capabilities, the storage facility and the synergy effects generated from the business integration will position the Group in a better position to capture more market opportunities with higher profit margin. It is also expected that after completion of the Sincere Gold Agreement, and with the in-house processing capabilities, more products under trading orders received by the Group will be processed by the Jiangmen processing plant, which will result in higher profit margin of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The loss of the Group for the year ended 31 December 2010 is set out in the consolidated financial statements on page 26 of this report and the states of affairs of the Group and of the Company at that date are set out in the consolidated financial statements on pages 27 and 73 of this report, respectively.

No interim dividend was paid (2009: Nil) and a payment of the final dividend is not proposed for the year ended 31 December 2010 (2009: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 74 of this report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

CAPITAL STRUCTURE

Details of the capital structure of the Company are set out in notes 28 and 30 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 34 to the consolidated financial statements.

COMMITMENTS

Details of the commitments of the Group are set out in note 33 to the consolidated financial statements.

CHARGES ON GROUP ASSETS

As disclosed under the heading "Restructuring of the Group" above and in note 27 to the consolidated financial statements, the Investor and Supreme Wit entered into the 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.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES

As at 31 December 2010, the Company did not have any reserves available for distribution. Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for 61% of the total sales for the year and sales to the largest customer included therein amounted to 20%. Purchases from the Group's 5 largest suppliers accounted for around 58% of the total purchases for the year and purchasers from the largest supplier included therein amounted to 19%.

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

DIRECTORS

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

Executive Directors

Lee Wa Lun, Warren

DIRECTORS (CONTINUED)

Independent non-executive Directors

Wong Chi Keung	(Chairman)
Leung King Yue, Alex	
Lo Wai On	(resigned with effect from 31 January 2011)
Tang Chi Chung, Matthew	

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

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

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

DIRECTORS' BIOGRAPHIES

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

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

As at 31 December 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 31 December 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%

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.

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

Notes: (Continued)

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

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

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

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

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE AND CONNECTED PARTY TRANSACTIONS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

MATERIAL RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 35 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

SHARE OPTION SCHEME

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 year under review, no options were granted, cancelled or lapsed. As at 31 December 2010, no option under the Scheme remained outstanding.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in note 18 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

To the best knowledge of the Board, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 31 December 2010, the outstanding amount owed by the Company in respect of this loan facility was approximately HK$93,534,000 (approximately equivalent to RMB79,452,000) (2009: approximately HK$91,976,000 (approximately equivalent to RMB81,052,000)).

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

SUSPENSION OF TRADING

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

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 36 to the consolidated financial statements.

CORPORATE GOVERNANCE

As at 31 December 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. Mr. Lo Wai On resigned as independent non-executive Director with effect from 31 January 2011.

Remuneration Committee

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

WONG Chi Keung	(Chairman)
LEUNG King Yue, Alex	
LO Wai On	(resigned with effect from 31 January 2011)
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.

Audit Committee

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

WONG Chi Keung	(Chairman)
LEUNG King Yue, Alex	
LO Wai On	(resigned with effect from 31 January 2011)
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 audited consolidated financial statements of the Company for the year ended 31 December 2010 have been reviewed by the audit committee of the Company.

CORPORATE GOVERNANCE (CONTINUED)

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2010.

AUDITOR

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

The financial statements for the years ended 31 December 2008, 2009 and 2010 were audited by ANDA CPA Limited. A resolution for their re-appointment of ANDA CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

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

Wong Chi Keung
Chairman

Hong Kong, 16 February 2011

Biographical Details of Directors

EXECUTIVE DIRECTOR

Mr. Lee Wa Lun, Warren, ("Mr. Lee") aged 47, joined the Group in December 2008. He is an executive Director. He is the Chairman of SHK Hong Kong Industries Limited (formerly known as Yu Ming Investments Limited), which is listed on the Main Board of the Stock Exchange, and a director and a responsible officer of Yu Ming Investment Management Limited, which is a licensed corporation regulated by the SFO to carry out activities of dealing in securities, advising on securities, advising on corporate finance and asset management. From December 2006 to May 2007, he was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, Mr. Lee was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited ("NTEEP"), and from February 2006 to April 2007, he was re-designated as a non-executive director. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited ("JIC"). Both of NTEEP and JIC were listed on the Main Board of the Stock Exchange. Mr. Lee is also a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited is listed on the Main Board of the Singapore Exchange Limited.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Leung King Yue, Alex ("Mr. Leung"), aged 33, joined the Group in December 2008. He holds a bachelor degree in Commerce specialising in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. He started his career in investment banking in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited in 2003 as a portfolio manager specialising in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset management activities. He is currently a Responsible Officer of both JK Capital Management Limited and Asian Asset Management Limited. Mr. Leung was an executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited) during the period from 9th March, 2007 to 12th May 2010, and was an executive director of UBA Investments Limited during the period from 17th July, 2007 to 1st December, 2008. Both of the companies are listed on the Main Board of the Stock Exchange. He has been an executive director of Coolpoint Energy Limited (formerly known as GreaterChina Technology Group Limited) since 14th July, 2008, a company listed on the Growth Enterprises Market of the Stock Exchange.

Mr. Tang Chi Chung, Matthew ("Mr. Tang"), aged 50, joined the Group in December 2008. He has 20 years of extensive experience in fresh produce marketing. He started his career in fresh produce business as a business development manager of Polly Peck International (Hong Kong) Limited, the then shareholder of Del Monte Fresh Produce (HK) Limited. Between 1992 and 2002, Mr. Tang worked for a number of fresh produce marketing companies, including the position of general manager of Fresh Produce Department of Dah Chong Hong, Limited, and business development director of Del Monte Fresh Produce (HK) Limited. Since 2002, He worked for Linkage Holdings Limited developing fresh fruits and vegetables business in the People's Republic of China and overseas.

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

ANDA
CPA Limited
安達會計師事務所有限公司

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

We were engaged to audit the consolidated financial statements of First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the "Company") and its subsidiaries (together, the "Group") set out on pages 26 to 73, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters as described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

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

BASIS FOR DISCLAIMER OF OPINION (Continued)

2. Deconsolidation of the subsidiaries

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

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

3. Accruals, other payables and deposits received

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

4. Financial guarantee liabilities

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

5. Commitments and contingent liabilities

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

6. Related party transactions

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

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

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

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

DISCLAIMER OF OPINION

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

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

Hong Kong, 16 February 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Turnover	7	**144,006**	2,542
Cost of sales		**(136,281)**	(2,505)
Gross profit		**7,725**	37
Other income	8	**1,212**	429
Selling expenses		**(523)**	–
Administrative expenses		**(5,959)**	(5,068)
Profit/(loss) from operations		**2,455**	(4,602)
Finance costs	10	**(5,613)**	(9,559)
Loss before tax	11	**(3,158)**	(14,161)
Income tax expense	12	**(1,119)**	–
Loss for the year attributable to owners of the Company	15	**(4,277)**	(14,161)
Other comprehensive income for the year, net of tax:			
Exchange differences on translating foreign operations		**13,529**	(118)
Total comprehensive income for the year attributable to owners of the Company		**9,252**	(14,279)
Loss per share attributable to owners of the Company	17		
Basic (RMB cents per share)		**(0.36)**	(1.19)
Diluted (RMB cents per share)		**(0.36)**	(1.19)

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	19	**40**	26
Goodwill	20	**5,180**	–
Deferred tax assets	21	**224**	233
		5,444	259
Current assets			
Inventories	22	**3,944**	918
Trade receivables	23	**33,514**	1,422
Prepayments, deposits and other receivables	24	**6,581**	122
Bank and cash balances	25	**13,485**	6,487
		57,524	8,949
Current liabilities			
Trade payables	26	**18,670**	–
Accruals, other payables and deposits received	27	**226,502**	195,349
Bank borrowings	28	**177,192**	183,822
Financial guarantee liabilities	29	**13,500**	13,500
Current tax liabilities		**1,315**	–
		437,179	392,671
Net current liabilities		**(379,655)**	(383,722)
NET LIABILITIES		**(374,211)**	(383,463)
Capital and reserves			
Share capital	30	**61,387**	61,387
Reserves	31	**(435,598)**	(444,850)
TOTAL EQUITY		**(374,211)**	(383,463)

Approved by:

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

Wong Chi Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	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 income for the year	–	–	–	(118)	(14,161)	(14,279)
At 31 December 2009	61,387	300,028	41,421	32,688	(818,987)	(383,463)
At 1 January 2010	**61,387**	**300,028**	**41,421**	**32,688**	**(818,987)**	**(383,463)**
Total comprehensive income for the year	**–**	**–**	**–**	**13,529**	**(4,277)**	**9,252**
At 31 December 2010	**61,387**	**300,028**	**41,421**	**46,217**	**(823,264)**	**(374,211)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from operating activities			
Loss before tax		**(3,158)**	(14,161)
Adjustments for:			
Depreciation	11 & 19	**8**	8
Finance costs	10	**5,613**	9,559
Interest income	8	**(24)**	(11)
Operating cash flows before working capital changes		**2,439**	(4,605)
Change in inventories		**(3,026)**	(918)
Change in trade receivables		**(26,290)**	(1,422)
Change in prepayments, deposits and other receivables		**(6,098)**	487
Change in trade payables		**13,918**	–
Change in accruals, other payables and deposits received		**(332)**	3,759
Net cash flows used in operating activities		**(19,389)**	(2,699)
Cash flows from investing activities			
Interest received		**24**	11
Acquisition of a subsidiary	32	**177**	–
Purchase of property, plant and equipment	19	**(4)**	–
Net cash flows generated from investing activities		**197**	11
Cash flows from financing activities			
Interest paid		**–**	(239)
Repayments of borrowings		**–**	(881)
Increase in amount due to a director		**–**	940
Fund from the Investor		**25,451**	8,812
Net cash flows generated from financing activities		**25,451**	8,632
Net increase in cash and cash equivalents		**6,259**	5,944
Effect of foreign exchange rate changes		**739**	14
Cash and cash equivalents at beginning of year		**6,487**	529
Cash and cash equivalents at end of year		**13,485**	6,487
Analysis of cash and cash equivalents			
Bank and cash balances	25	**13,485**	6,487

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 62th Floor, One Island East, 18 Westlands Road, Island East, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 15 December 2008.

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the processing and trading of food products mainly including frozen and functional food products. The principal activities of its subsidiaries are set out in note 37 to these financial statements.

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

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

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the People's Republic of China (the "PRC"). However, without the assistance of the former Directors, Mr. Yeung and Mr. Yang Le, 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 Le, 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:

2. BASIS OF PREPARATION (CONTINUED)

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

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

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. The HKETO issued letters to the Fujian FTECB and the Higher People's Court of Fujian province in late August 2010.

Given that the Fuqing FTECB failed unjustifiably to respond to the Provisional Liquidators' request, the Provisional Liquidators sought legal advice from the PRC legal advisor and are preparing to take out a legal action against the Fuqing FTECB.

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

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

As mentioned in the section headed "Restructuring of the Group" below, with the working capital facility provided by the Investor, the Group has restored its trading business operations in the second half of 2009.

To further extend the Group's geographical coverage and enlarge the scale of its operations, in April 2010, Pacific Prosper Limited ("Pacific Prosper"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, pursuant to which Pacific Prosper agreed to acquire the entire issued share capital of Orient Legend International Limited ("Orient Legend"), which is engaged in the trading of frozen food and food processing for an aggregate cash consideration of HK$10 million (the "Acquisition"). The completion of the Acquisition took place on 4 October 2010.

In order to have better control over the raw materials quality and enhance the profitability of the Group, in April 2010, Trendy Leader Limited ("Trendy Leader"), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a leasing agreement, pursuant to which Trendy Leader leased fish ponds with a total area of approximately 7 hectares located in Jiangmen, Guangdong Province, the PRC for a period of 3 years.

To expand the Group's existing business operations, Trendy Leader entered into a processing agreement with an independent third party in April 2010, which owns processing lines located in Jiangmen, Guangdong Province, the PRC (the "Processing Agreement"). Pursuant to the Processing Agreement, Trendy Leader will, among others, provide the raw materials, supplements and packaging materials while the said independent third party will provide processing services to process the frozen fish products in accordance with the specifications and time constraint given by Trendy Leader.

To intensify and strengthen the value-added services of the Group through the processing plant in Jiangmen by taking advantage of the established trading volume already achieved by Orient Legend and Trendy Leader, on 5 October 2010, Pacific Prosper, Mr. Wong Chi Ho and Mr. Wong King Luen entered into an agreement (the "Sincere Gold Agreement"). Details of the Sincere Gold Agreement are published in the circular of the Company dated 17 December 2010. The transactions contemplated under the Sincere Gold Agreement were approved by the Shareholders at the special general meeting held on 4 January 2011.

2. BASIS OF PREPARATION (CONTINUED)

Restructuring of the Group

The Provisional Liquidators appointed Asian Capital (Corporate Finance) Limited ("Asian Capital") as the financial advisor 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 proceeding to place the Company in the second stage of the delisting procedures pursuant to Practice Note 17 to the Listing Rules.

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

On 30 July 2009, an exclusivity agreement (the "Exclusivity Agreement") was entered into among the Investor, Mr. Huang Kunyan ("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, and to negotiate in good faith for entering into a legally binding formal agreement (the "Formal Agreement") for the implementation of the resumption proposal. Since the exclusivity period has expired on 29 July 2010, in view of the Investor's willingness and financial ability to pursue the restructuring and a supplemental agreement was entered into to grant an extension of the exclusivity period to the Investor to cover the remaining period before the deadline for submitting the resumption proposal.

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

2. BASIS OF PREPARATION (CONTINUED)

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 with the aim to resuming the trading in the Shares.

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 was given to submit a viable resumption proposal 10 business days before 20 October 2010, which should also meet the following conditions:

(1) Demonstrate sufficient operations or assets to comply with Rule 13.24 of the Listing Rules;

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

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

The 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.

On 6 October 2010, Asian Capital and the Provisional Liquidators submitted a resumption proposal to the Stock Exchange (the "Resumption Proposal"). On 5 November 2010, the Listing Committee of the Stock Exchange (the "Listing Committee") rejected the Resumption Proposal. The Listing Committee considered that the Resumption Proposal had not satisfactorily demonstrated sufficiency of operation or assets as required under Rule 13.24 of the Listing Rules. Asian Capital filed an application for review (the "Review Application") on behalf of the Company to the Listing (Review) Committee of the Stock Exchange (the "Listing (Review) Committee") on 15 November 2010. The Review Application was initially fixed by the Listing (Review) Committee to be heard on 18 January 2011 (the "Review Hearing") and the Company was required to make a submission on or before 16 December 2010.

2. BASIS OF PREPARATION (CONTINUED)

To allow more time in preparing the submission for the Review Hearing, Asian Capital applied to the Listing (Review) Committee to postpone the Review Hearing. The Review Hearing has been postponed to a date to be advised by the Stock Exchange and the Company is to make a submission on or before 21 February 2011.

The Provisional Liquidators have provided regular updates on the status of the Group to the Court and suggested for the adjournment of granting the winding-up order against the Company. On 14 January 2011, the hearing of the Petition has been further adjourned to 18 July 2011.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately RMB4,277,000 for the year ended 31 December 2010 (2009: approximately RMB14,161,000) and as at 31 December 2010 the Group had net current liabilities of approximately RMB379,655,000 (2009: approximately RMB383,722,000) and net liabilities of approximately RMB374,211,000 (2009: 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 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. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted for the first time the following revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for its accounting year beginning on 1 January 2010:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 4 Amendment	Amendment to HK-Int 4 Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009

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

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Business Combinations

HKFRS 3 (Revised) "Business Combinations" continues to require acquisition method to be applied to business combinations with some significant changes:

– Contingent consideration is recognised at its acquisition-date fair value and forms part of the cost of acquisition. The previous HKFRS 3 requires that a contingent consideration be recognised if it is probable and can be measured reliably.

– In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate goodwill. The previous HKFRS 3 does not have a requirement for such fair value measurement.

– There is a choice to measure initially the non-controlling interests in a subsidiary either at their acquisition-date fair value or the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date. The previous HKFRS 3 only allows the latter choice.

– If a business combination is accounted for using provisional amounts, the measurement period that the provisional amounts can be adjusted retrospectively is limited to one year from the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The previous HKFRS 3 does not have a time limit for adjustments in relation to contingent considerations and deferred tax assets. Subsequent adjustments to contingent considerations and deferred tax assets will adjust goodwill.

– Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. The previous HKFRS 3 requires that acquisition-related costs form part of the cost of a business combination.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

- Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

- Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

- When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

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

HKFRS 1 Amendments	Amendments to HKFRS 1 - First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [4]
HKFRS 9	Financial Instruments [5]
HKAS 24 (Revised)	Related Party Disclosures [3]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 - First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [4]
HKAS 12 Amendment	Amendment of HKAS 12 Deferred Tax - Recovery of Underlying Assets [6]
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement [3]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there is a separate transitional provision for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2013
[6] Effective for annual periods beginning on or after 1 January 2012

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

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

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

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

Consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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

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

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

Business combination and goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and goodwill (Continued)

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

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

Foreign currency translation

a) Functional and presentation currency

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

c) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

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

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

Property, plant and equipment

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

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

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

Furniture and equipment	5 years

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

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

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Trade and other receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Financial guarantee contract liabilities

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

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight–line basis over the terms of the guarantee contracts.

Trade and other payables

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

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

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

Employee benefits

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

Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is related to the Group if:

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

b) the party is an associate;

c) the party is a joint venture;

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

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

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

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

Segment reporting

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

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

Key sources of estimation uncertainty

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

a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

b) Impairment of goodwill

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

c) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

d) Write-down for inventories

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

6. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

(i) Trade receivables

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2010, the Group has a certain concentration of credit risk of approximately RMB10,853,000 (2009: approximately RMB1,422,000) and approximately RMB18,008,000 (2009: approximately RMB1,422,000) of the total trade receivables which was due from the Group's largest customer and the two largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any impairment allowance. Except for a financial guarantee given by the Company as set out in note 29, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the Company's statement of financial position is disclosed in note 38.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 23.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

(ii) Deposits with financial institutions

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

As at 31 December 2010, the Group has no concentration of credit risk (2009: nil) of total cash and cash equivalents.

Liquidity risk

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

Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

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

At 31 December 2010, if interest rates at that date had been 1% lower/higher with all other variables held constant, consolidated loss after tax for the year would have been approximately RMB1,772,000 lower/higher, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

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

Fair value

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

7. TURNOVER

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

	2010	2009
	RMB'000	RMB'000
Sales of goods	**144,006**	2,542

8. OTHER INCOME

	2010	2009
	RMB'000	RMB'000
Interest income	**24**	11
Over-provision of interest expenses on convertible notes in prior years	**–**	397
Storage fee income	**569**	–
Commission income	**619**	–
Sundry income	**–**	21
	1,212	429

9. SEGMENT INFORMATION

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

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

	Frozen and functional food products	
	2010	2009
	RMB'000	RMB'000
Years ended 31 December		
Revenue from external customers	**144,006**	2,542
Segment profit	**5,640**	4
Income tax expense	**1,119**	–
Addition to segment non-current assets	**4**	–
As at 31 December		
Segment assets	**48,498**	2,340
Segment liabilities	**39,784**	2,336

9. SEGMENT INFORMATION (CONTINUED)

During the reporting year, the Group is under restructuring process. The Group's chief operating decision maker is of the view that it is more appropriate to assess the Group's operating results based on the business of processing and trading of food products as a whole. As such, the operating segment is aggregated as "frozen and functional food products".

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

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Profit or loss		
Total profit or loss of reportable segment	**5,640**	4
Unallocated amounts:		
Unallocated corporate income and expenses	**(3,185)**	(4,606)
Finance costs	**(5,613)**	(9,559)
Consolidated loss before tax	**(3,158)**	(14,161)

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Assets		
Total assets of reportable segment	**48,498**	2,340
Unallocated amounts:		
Deferred tax assets	**224**	233
Goodwill	**5,180**	–
Unallocated corporate assets	**9,066**	6,635
Consolidated total assets	**62,968**	9,208
Liabilities		
Total liabilities of reportable segment	**39,784**	2,336
Unallocated amounts:		
Bank borrowings	**177,192**	183,822
Financial guarantee liabilities	**13,500**	13,500
Unallocated corporate liabilities	**206,703**	193,013
Consolidated total liabilities	**437,179**	392,671

9. SEGMENT INFORMATION (CONTINUED)

Geographical information:

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Canada	**24,905**	–	**–**	–
Mainland China	**96,169**	–	**–**	–
Hong Kong	**18,400**	88	**5,444**	259
Others	**4,532**	2,454	**–**	–
Consolidated total	**144,006**	2,542	**5,444**	259

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

10. FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest expenses on:		
Bank borrowings wholly repayable within 5 years	**5,613**	9,019
Derivative financial instrument	**–**	540
	5,613	9,559

11. LOSS BEFORE TAX

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

	2010 **RMB'000**	2009 RMB'000
Directors' emoluments		
As directors	**293**	287
For management	**–**	–
	293	287
Auditor's remuneration		
Current year	**280**	281
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**705**	447
Retirement benefits scheme contributions	**26**	8
Less: forfeited contribution	**(128)**	–
	603	455
Cost of inventories sold	**136,281**	2,505
Depreciation	**8**	8
Operating lease charges on land and buildings	**402**	569

12. INCOME TAX EXPENSE

	2010 **RMB'000**	2009 RMB'000
Current tax – Hong Kong Profits Tax provided for the year	**1,119**	–

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2009 as the Group did not generate any assessable profits arising in Hong Kong during that year.

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

12. INCOME TAX EXPENSE (CONTINUED)

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

	2010 RMB'000	2009 RMB'000
Loss before tax	**(3,158)**	(14,161)
Notional tax credit on loss before tax, calculated at the rates applicable in the tax jurisdictions concerned	**(790)**	(3,540)
Tax effect of expenses that are not deductible	**1,909**	3,540
	1,119	–

13. DIRECTORS' EMOLUMENTS

The emoluments of each Director were as follows:

	Fees RMB'000	Basic salaries, allowances and benefits in-kind RMB'000	Share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Name of executive director					
Lee Wa Lun, Warren (note (b))	–	–	–	–	–
	–	–	–	–	–
Name of independent non-executive directors					
Leung King Yue, Alex (note (c))	**53**	**–**	**–**	**–**	**53**
Tang Chi Chung, Matthew (note (d))	**53**	**–**	**–**	**–**	**53**
Lo Wai On (note (b) & (f))	**53**	**–**	**–**	**–**	**53**
Wong Chi Keung (note (e))	**134**	**–**	**–**	**–**	**134**
	293	**–**	**–**	**–**	**293**
Total for 2010	**293**	**–**	**–**	**–**	**293**

13. DIRECTORS' EMOLUMENTS (CONTINUED)

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

Notes:

(a) Vacated on 27 August 2009

(b) Appointed on 22 December 2008

(c) Appointed on 17 December 2008

(d) Appointed on 19 December 2008

(e) Appointed on 26 November 2007

(f) Resigned with effect from 31 January 2011

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 1 (2009: 4) directors, details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 4 (2009: 1) individual are set out below:

	2010 **RMB'000**	2009 RMB'000
Basic salaries and allowances	**261**	160
Retirement benefit scheme contributions	**21**	8
	282	168

The emoluments of the 4 individuals (2009: 1) fall within the following band:

	Number of individuals **2010**	2009
HK$ Nil – HK$1,000,000 (approximately equivalent to RMB887,845) (2009: approximately RMB881,230)	**4**	1

During the years ended 31 December 2010 and 2009, no emoluments were paid or payable to the five highest paid individuals (including directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately RMB9,793,000 (2009: loss of approximately RMB14,056,000) which has been dealt with in the financial statements of the Company.

16. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

17. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB4,277,000 (2009: approximately RMB14,161,000) 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 year.

Diluted loss per share

Diluted loss per share for the year ended 31 December 2010 is the same as the basic loss per share as the Company did not have any dilutive potential ordinary Shares during the year.

18. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000 (equivalent to approximately RMB17,757), contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of comprehensive income.

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

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and Mainland China. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2010 in respect of the retirement benefits of its employees.

19. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment RMB'000
Cost	
At 1 January 2009, 31 December 2009 and 1 January 2010	**718**
Additions	**4**
Acquisition of a subsidiary (note 32)	**18**
Exchange differences	**(24)**
At 31 December 2010	**716**
Accumulated depreciation	
At 1 January 2009	**684**
Charge for the year	**8**
At 31 December 2009 and 1 January 2010	**692**
Charge for the year	**8**
Exchange differences	**(24)**
At 31 December 2010	**676**
Carrying amount	
At 31 December 2010	**40**
At 31 December 2009	**26**

20. GOODWILL

	RMB'000
Cost	
Arising on acquisition of a subsidiary (note 32)	**5,180**
At 31 December 2010	**5,180**
Accumulated impairment losses	
Recognised for the year and as at 31 December 2010	–
Carrying amount	
At 31 December 2010	**5,180**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of approximately RMB5,180,000 had been allocated to sales of food products contributed by Orient Legend.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 12.6%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's sales of food products is 8%.

21. DEFERRED TAXATION

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

Deferred tax arising from:	Impairment loss of bad and doubtful debts RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 January 2009, 31 December 2009 and 1 January 2010	60	173	233
Exchange differences	(2)	(7)	(9)
At 31 December 2010	58	166	224

22. INVENTORIES

	2010 RMB'000	2009 RMB'000
Merchandise	**3,944**	918

23. TRADE RECEIVABLES

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

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:

	2010 RMB'000	2009 RMB'000
Within 1 month	**12,692**	1,422
More than 1 month but within 3 months	**17,351**	–
More than 3 months but within 6 months	**2,130**	–
More than 6 months but within 1 year	**1,341**	–
More than 1 year	**–**	–
	33,514	1,422

23. TRADE RECEIVABLES (Continued)

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

	2010 **RMB'000**	2009 RMB'000
Neither past due nor impaired	**30,043**	1,422
3 to 12 months past due	**3,471**	–
	33,514	1,422

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

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

	2010 **RMB'000**	2009 RMB'000
Hong Kong dollars	**14,738**	1,422
US dollars	**18,776**	–
	33,514	1,422

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010 **RMB'000**	2009 RMB'000
Deposit for Sincere Gold Agreement (note 33)	**2,973**	–
Advances to suppliers	**3,270**	–
Rental and other deposits	**338**	122
	6,581	122

25. BANK AND CASH BALANCES

	2010 **RMB'000**	2009 RMB'000
Cash at bank and in hand	**13,485**	6,487

As at 31 December 2010, the bank and cash balances of the Group denominated in Hong Kong Dollar ("HK$") amounted approximately HK$15,875,000 (2009: approximately HK$7,247,000).

26. TRADE PAYABLES

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

	2010 **RMB'000**	2009 RMB'000
Within 1 month	**11,523**	–
More than 1 month but within 3 months	**6,173**	–
More than 3 months but within 6 months	**974**	–
More than 6 months but within 1 year	**–**	–
	18,670	–

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

	2010 **RMB'000**	2009 RMB'000
Hong Kong dollars	**5,727**	–
US dollars	**12,943**	–
	18,670	–

27. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2010	2009
	RMB'000	RMB'000
Finance costs payable	**16,416**	10,843
Accruals and other payables	**7,048**	3,687
Deposit received	**1,623**	–
Claim arising from derivative financial instrument (note (a))	**105,604**	109,555
Amount due to a former director of the Company (note (b))	**57,975**	60,144
Amount due to a director of the subsidiaries (note (b))	**3,573**	2,308
Amount due to the Investor (note (c))	**34,263**	8,812
	226,502	195,349

Notes:

(a) Included in the accruals, other payables and deposits received of the Group is a claim arising from the derivative financial instrument with a carrying amount of US$15,979,544 (equivalent to approximately RMB105,604,000) (2009: US$15,979,544 (equivalent to approximately RMB109,555,000)). The claim is arising from a notice of early termination of a US$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. The Provisional Liquidators had engaged a Hong Kong legal advisor to assist in reviewing the claim lodged by that commercial bank.

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

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

The outstanding balance included an amount of approximately RMB9.8 million advancement (the "Advancement") and an amount of HK$5 million (approximately RMB4.4 million) earnest money (the "Earnest Money") paid by the Investor pursuant to the Exclusivity Agreement. The Advancement is used for payment of the restructuring fees and other professional fees during the restructuring process. 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 Advancement shall form part of the subscription proceeds payable by the Investor. Both the Earnest Money and the Advancement are unsecured.

The remaining outstanding balance of approximately RMB20.1 million is the loan (the "Loan") paid by the Investor pursuant to the Working Capital Facility and for the use of the operation of the SPVs. The Loan is secured by the floating charge on all the assets of Supreme Wit Limited, a direct wholly-owned subsidiary of the Company, and has no fixed terms of repayment.

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

28. BANK BORROWINGS

The bank borrowings were unsecured and repayable as follows:

	2010	2009
	RMB'000	RMB'000
Within 1 year or on demand	**177,192**	183,822

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

	US$	HK$	Total
	RMB'000	RMB'000	RMB'000
2010	33,044	144,148	177,192
2009	34,280	149,542	183,822

At 31 December 2010, the terms of bank borrowings were as follows:

(a) Bank borrowings of approximately HK$18,699,000 (2009: HK$18,699,000) carried interest at 2.75% (2009: 2.75%) over HIBOR per annum and are repayable within one year.

(b) Bank borrowings of approximately HK$16,667,000 (2009: HK$16,667,000) carried interest at 1.75% (2009: 1.75%) over HIBOR per annum and are repayable within one year.

(c) Bank borrowings of approximately HK$14,000,000 (2009: HK$14,000,000) carried interest at 2.5% (2009: 2.5%) over HIBOR per annum and are repayable within one year.

(d) Bank borrowings of US$5,000,000 (2009: US$5,000,000) carried interest at 1.75% (2009: 1.75%) over LIBOR per annum and are repayable within one year.

(e) Bank borrowings of approximately HK$3,553,000 (2009: HK$3,553,000) carried interest at 2% (2009: 2%) over HIBOR per annum and are repayable within one year.

(f) Bank borrowings of HK$30,000,000 (2009: HK$30,000,000) carried interest at 3.5% (2009: 3.5%) over HIBOR per annum and repayable within one year.

(g) Bank borrowings of approximately HK$86,777,000 (2009: HK$86,777,000) carried interest at 1.25% (2009: 1.25%) over HIBOR per annum and are repayable within one year.

29. FINANCIAL GUARANTEE LIABILITIES

In 2008, a bank borrowing of RMB13,500,000 maintained by Fuqing Longyu was deconsolidated from the financial statements of the Company since 1 July 2008. However, since the Company provides corporate guarantee for the bank borrowing, the Company is therefore liable to the financial guarantee liabilities of RMB13,500,000 as at 31 December 2010 (2009: RMB13,500,000).

30. SHARE CAPITAL

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

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

	2009 and 2010	
	Number of shares ‘000	**Amount RMB’000**
Authorized:		
Ordinary shares of HK$0.05 each	**2,000,000**	**106,000**
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 January and 31 December	**1,185,915**	**61,387**

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

31. RESERVES

a) *Group*

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

b) *Company*

	Share premium RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2009	300,028	(37,729)	(693,230)	(430,931)
Total comprehensive income for the year	–	(88)	(14,056)	(14,144)
At 31 December 2009	300,028	(37,817)	(707,286)	(445,075)
At 1 January 2010	300,028	(37,817)	(707,286)	(445,075)
Total comprehensive income for the year	–	13,770	(9,793)	3,977
At 31 December 2010	300,028	(24,047)	(717,079)	(441,098)

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

(i) Share premium

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

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited over the nominal value of the share capital of the Company issued in exchange therefore.

(iii) Foreign currency translation reserve

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

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of a subsidiary

On 4 October 2010, the Group acquired 100% of the issued share capital of Orient Legend for a cash consideration of HK$10,000,000 (equivalent to approximately RMB8,494,000). Orient Legend was engaged in trading of frozen food and food processing during the year. The acquisition is for the proposed restructuring of the Group.

The fair value of the identifiable assets and liabilities of Orient Legend acquired as at its date of acquisition is as follows:

Net assets acquired:	**RMB'000**
Property, plant and equipment (note 19)	18
Trade receivables	5,802
Prepayments, deposits and other receivables	361
Bank and cash balances	4,424
Trade payables	(4,752)
Accruals, other payables and deposits received	(2,295)
Current tax liabilities	(244)
	3,314
Goodwill (note 20)	5,180
	8,494
Satisfied by:	
Cash	8,494
Net cash inflow arising on acquisition:	
Cash consideration paid*	(4,247)
Cash and cash equivalents acquired	4,424
	177

* The balance of consideration of approximately RMB4,247,000 shall be paid on the date following the expiry of 18 months from the completion date and was recognised as other payables as at 31 December 2010.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

The fair value of the trade and other receivables acquired is HK$6,830,484 (equivalent to approximately RMB5,802,000).

The goodwill arising on the acquisition of Orient Legend is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Orient Legend contributed approximately RMB97,214,000 and RMB833,000 to the Group's turnover and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2010, total Group turnover for the year would have been approximately RMB282,139,000, and loss for the year would have been approximately RMB3,640,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is intended to be a projection of future results.

33. COMMITMENTS

Capital commitments

	2010 RMB'000	2009 RMB'000
Deposit and prepayment in relation to the Sincere Gold Agreement	**26,758**	–

As mentioned in note 2 to the financial statements, on 5 October 2010, Pacific Prosper enter into the Sincere Gold Agreement pursuant to which the total rental and security deposits are HK$15,000,000 and HK$20,000,000 respectively. In November 2010, HK$3,500,000 (equivalent to approximately RMB2,973,000) was paid. Upon the completion of the Sincere Gold Agreement, the balance of HK$31,500,000 will be paid.

Operating lease commitments

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

	2010 RMB'000	2009 RMB'000
Within 1 year	**536**	45
After 1 year but within 5 years	**542**	–
After 5 years	**–**	–
	1,078	45

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

34. CONTINGENT LIABILITIES

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

The Provisional Liquidators, also acting as the directors of the subsidiaries, are not aware of any potential claim against the subsidiaries as at 31 December 2010 and 31 December 2009.

35. MATERIAL RELATED PARTY TRANSACTONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 13 and all of the highest paid employees as disclosed in note 14, is as follows:

	2010 **RMB'000**	2009 RMB'000
Short-term employee benefits	**554**	447
Post-employment benefits	**21**	8
	575	455

36. EVENTS AFTER THE REPORTING PERIOD

To allow having more time in preparing the review submission as mentioned in note 2 to the financial statements, Asian Capital applied to the Listing (Review) Committee to postpone the Review Hearing. The Review Hearing has been postponed to a date to be advised by the Stock Exchange and the Company is required to make a submission on or before 21 February 2011.

The Provisional Liquidators have provided regular updates on the status of the Group to the Court and suggested for the adjournment of granting the winding-up order against the Company. On 14 January 2011, the hearing of the Petition has been further adjourned to 18 July 2011.

37. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation/ registration	Issued and paid-up capital/ registered capital	Percentage of ownership interest/ voting power / profit sharing		Principal activities
			2010	2009	
First China Technology Limited	British Virgin Islands	1,000 ordinary shares of US$1	**100%**	100%	Investment holding
Smart Dragon International Trading Limited	Hong Kong	100 ordinary share of HK$1	**100%**	100%	Investment holding
First China Technology (Hong Kong) Limited	Hong Kong	1 ordinary share of HK$1	**100%**	100%	Inactive
Supreme Wit Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding
Trendy Leader Limited	Hong Kong	1 ordinary share of HK$1	**100%***	100%*	Trading of food products
Highest Rich Limited	Hong Kong	1 ordinary share of HK$1	**100%***	100%*	Trading of food products
Pacific Prosper Limited	Hong Kong	1 ordinary share of HK$1	**100%***	100%*	Investment holding
Orient Legend International Limited	Hong Kong	10 ordinary share of HK$1	**100%***	0%	Trading of food products

* These subsidiaries were indirectly held by the Company.

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

	Notes	**2010 RMB'000**	2009 RMB'000
Non-current assets			
Property, plant and equipment		**17**	26
Investment in subsidiaries		**–**	–
		17	26
Current assets			
Prepayments, deposits and other receivables		**27**	122
Amount due from a subsidiary *		**875**	31
Cash and cash equivalents		**6,775**	6,432
		7,677	6,585
Current liabilities			
Accruals, other payables and deposits received		**196,713**	192,977
Bank borrowings		**177,192**	183,822
Financial guarantee liabilities		**13,500**	13,500
		387,405	390,299
Net current liabilities		**(379,728)**	(383,714)
NET LIABILITIES		**(379,711)**	(383,688)
Capital and reserves			
Share capital	30	**61,387**	61,387
Reserves	31	**(441,098)**	(445,075)
TOTAL EQUITY		**(379,711)**	(383,688)

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

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 February 2011.

Five Year Financial Summary

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

RESULTS

	For the year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Turnover	545,739	739,484	478,707	2,542	**144,006**
Profit/(loss) before tax	192,253	203,954	(1,394,341)	(14,161)	**(3,158)**
Income tax expense	(54,247)	(72,919)	(47,444)	–	**(1,119)**
Profit/(loss) for the year attributable to owners of the Company	138,006	131,035	(1,441,785)	(14,161)	**(4,277)**

ASSETS AND LIABILITIES

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Total assets	1,349,022	1,543,080	1,405	9,208	**62,968**
Total liabilities	(458,089)	(459,515)	(370,589)	(392,671)	**(437,179)**
Net assets/(liabilities)	890,933	1,083,565	(369,184)	(383,463)	**(374,211)**