# Annual Report 2010

連發國際股份有限公司

**Ever Fortune International Holdings Limited**

Stock Code : 875

# Contents

# Corporate Information

## BOARD OF DIRECTORS

**Executive directors**
Mr. Zhou Wenjun *(Chairman)*
Mr. Ji Kewei *(Deputy Chairman and Chief Executive Officer)*
Mr. Ding Jiangyong
Mr. Dai Jun
Mr. Sun Kejun

**Independent non-executive directors**
Mr. So Hoi Pan
Mr. Zhao Wen

## AUDIT COMMITTEE

Mr. So Hoi Pan
Mr. Zhao Wen

## REMUNERATION COMMITTEE

Mr. So Hoi Pan
Mr. Zhao Wen

## COMPANY SECRETARY

Mr. Chui Chi Yun, Robert

## AUTHORISED REPRESENTATIVES

Mr. Zhou Wenjun
Mr. Chui Chi Yun, Robert

## REGISTERED OFFICE

Canon's Court
22 Victoria Street Hamilton
HM12 Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2109, China Resources Building
26 Harbour Road
Wanchai, Hong Kong

## AUDITOR

Mabel Chan & Co.

## LEGAL ADVISOR

Angela Ho & Associates (as to Hong Kong laws)

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

## STOCK CODE

875

## CORPORATE WEBSITE

http://www.875.com.hk

# Chairman's Statement

Dear Shareholders

I would like to report that the Group's business of trading in agricultural produce suffered severe competition during 2010 and for the year ended 31 December 2010, the turnover of the Group amounted to HK$15,097,000. Furthermore, because of the level of administrative expenses, the Group incurred a loss of HK$9,621,000.

On 11 April 2011, we have submitted a revised resumption proposal to the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a conditional approval has been obtained from the Stock Exchange. The Directors are now working actively to proceed with all necessary procedures to fulfill such conditions so as to obtain formal approval for the resumption of trading of the Company's shares.

For the efforts and dedication during the past year, I would like to thank all staff members of the Company and our professional advisers. Upon completion of the various acquisition and group re-structuring as set out in the revised resumption proposal, I believe that the Company's business will substantially improve and the trading of our Company's shares will soon be resumed in the Stock Exchange.

**Zhou Wenjun**
*Chairman*

18 April 2011

# Management Discussion and Analysis

## BUSINESS REVIEW

During the year, the Group's trading in agricultural produce suffered from severe competition and achieved a turnover of HK$15,097,000. Furthermore, because of the level of administrative and other operating expenses, the Group reported a loss of HK$9,621,000 for the year ended 31 December 2010.

### Liquidity and financial resources

The Group financed the operations primarily from advance from major shareholders. As at 31 December 2010, the Group had bank balances and cash of HK$435,000 (31 December 2009: HK$103,000).

### Charges on assets

The entire share capital of each of the Company's wholly-owned subsidiaries: Trade Front Limited, Trade Day Holdings Limited and First Novel Limited have been pledged to Right Day Holdings Limited to secure loan facilities granted to the Group.

### Gearing Ratio

As at 31 December 2010, the Group's gearing ratio was 52.44 (31 December 2009: 9.83), which was arrived at by dividing the total liabilities by total assets as at 31 December 2010.

### Contingent liabilities and guarantees

As at 31 December 2010, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

### Exposure to credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset as stated in the consolidated statement of financial position. The Group is exposed to credit risk from its operating activities (primarily for trade receivables). The Group performs ongoing credit evaluation of the debtors' financial condition and maintain an account for allowance for doubtful debts based upon the expected collectible of all trade receivables. At the end of the reporting period, the Group has a certain concentration of credit risk in respect of trade receivables as 100% (2009: 100%) of the total trade and other receivables was due from one (2009: two) customers. The directors of the Company consider that such concentration of credit risk would not result in any default exposure to the Group.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

### Exposure to liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. In addition, the Group relies on loans from related companies and a potential investor, an independent third party, as significant sources of liquidity. As at 31 December 2010, the Group's total available facilities from the potential investor were approximately HK$10,000,000 (2009: HK$10,000,000), of which HK$6,250,000 (2009: HK$3,400,000) were utilised at the end of the reporting period.

### Exposure to interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group has no significant interest-bearing assets and liabilities, the Group's exposure to interest rate risk is minimum.

As the interest rate risk to the Group is not significant and therefore, no sensitivity analysis is presented.

### Exposure to currency risk

The Group's assets and liabilities are all denominated in Hong Kong Dollars. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group will closely monitor the market and make appropriate adjustment and measures when necessary.

As there was no exchange rate risk exposure to the Group, no sensitivity analysis is presented.

### Capital expenditure

The Group had no capital expenditure during the year.

### Material acquisitions and disposals

Save as disclosed, there has not been any material acquisitions or disposals of assets of the Group in 2010 (2009: Nil).

### Employees and remuneration policies

As at 31 December 2010, the Group has a total of 4 (2009: 4) employees. It is the corporate policy of the Group to set the remuneration of its employees at a level consummate with their responsibilities, experience and qualification and in line with market conditions.

The Company has adopted a share option scheme in June 2002. Eligible participants under the share option scheme include, among others, the Company's directors, independent non-executive directors, other directors/employees of the Group. At 31 December 2010, there are no outstanding share option.

## PROSPECTS

In view of the experience in 2010, the Group, in consultation with the Right Day Holdings Limited, the investor to the resumption proposal of the Group (the "Investor"), will continue to strive for a better return in the trading operation of agricultural produce for the next year.

With the assistance of the Investor and vendors of acquisition targets, the Group further submitted a revised resumption proposal dated 11 April 2011 which involves, inter alia, the acquisition of three operations: vegetable trading, vegetable retailing and growing, processing and sales of vegetables, to the Stock Exchange.

Conditional approval on such proposal has been obtained from the Stock Exchange and the Group, with the assistance of the Investor, will endeavor to fulfill all the necessary conditions so as to obtain the formal approval for the resumption of trading of the Company's shares.

Once the acquisitions as mentioned in the proposal are completed, the Group will be able to combine these operations under the same control. On the basis of the enlarged operation, it is expected that substantial improvement to operating results will be achieved.

## EXECUTIVE DIRECTORS

### Zhou Wenjun, *Chairman*

Mr. Zhou Wenjun, aged 49, has been appointed as an executive director and the Chairman of the Company since 12 April 2006. He is a senior accountant and senior economist in The People's Republic of China (the "PRC"). He graduated from Macquarie University, Australia and obtained a degree of Master of Economics. Mr. Zhou is the chairman and general manager of 江蘇連雲發展集團有限公司 (Jiangsu Lianyun Developing Group Company Limited) ("Jiangsu Lianyun"), the chairman of 江蘇金海投資有限公司 (Jiangsu Jinhai Investment Company Limited) ("Jiangsu Jinhai"), a wholly-owned subsidiary of Jiangsu Lianyun. Mr. Zhou is the chairman of Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group"), which is wholly owned by Jiangsu Jinhai. He is also the chairman and a director of Ever Fortune Holdings Group Limited ("Ever Fortune Holdings"), a substantial shareholder of the Company owned as to 60% by Wonderland Group and holding approximately 20.95% of the issued share capital of the Company. Accordingly, each of Jiangsu Lianyun, Jiangsu Jinhai and Wonderland Group is deemed to be interested in approximately 20.95% of the issued share capital of the Company under the Securities and Futures Ordinance ("SFO"). Mr. Zhou has been involved in various top management positions in the PRC and has extensive experience in business management.

### Ji Kewei, *Deputy Chairman and Chief Executive Officer*

Mr. Ji Kewei, aged 51, has been appointed as an executive director, the Deputy Chairman and Chief Executive Officer of the Company since 12 April 2006. He is a senior economist. He holds a Master of Business Administration degree and a Doctor of Philosophy degree in Economics. Mr. Ji has over 20 years of experience in banking, securities, investment and top management. Mr. Ji is the chairman of Concord Group (B.V.I.) Limited ("Concord Group") and the deputy chairman of Ever Fortune Holdings. Concord Group holds 40% of Ever Fortune Holdings, which holds approximately 20.95% of the issued share capital of the Company. In addition, Concord Group directly holds 0.79% of the Company. Accordingly, Concord Group is deemed to be interested in approximately 21.74% of the issued share capital of the Company under the SFO and both Concord Group and Ever Fortune Holdings are substantial shareholders of the Company. He is a brother of Mr. Ji Da Wei who is the sole shareholder of Evertop Investment Holdings Limited, which owns 34% of the issued shares of Concord Group and is deemed to be interested in the 21.74% issued shares of the Company under the SFO.

### Ding Jiangyong

Mr. Ding Jiangyong, aged 41, has been appointed as an executive director of the Company with effect from 31 October 2005. He attended the Wuhan Technology University of Survey and Mapping and obtained an education certificate. He has extensive experience in real estate development including execution of projects, infrastructure design, development and sales and marketing. Mr. Ding is currently the chairman of Tongren Healthcare Industry Group.

### Dai Jun

Mr. Dai Jun, aged 40, has been appointed as an executive director and a Vice President of the Company since 12 April 2006. He is a registered accountant (non-practising) and senior accountant in the PRC. He graduated from Beijing University and obtained a Master degree in Public Administration. Mr. Dai is a director of Ever Fortune Holdings, which is indirectly held as to 60% by Jiangsu Jinhai. Both Jiangsu Jinhai and Ever Fortune Holdings are substantial shareholders of the Company deemed to be interested in approximately 20.95% of the issued share capital of the Company under the SFO.

# Directors and Senior Management

### Sun Kejun

Mr. Sun Kejun, aged 40, has been appointed as an executive director and a Vice President of the Company since 12 April 2006. He graduated from China Agricultural University and obtained a Bachelor degree in Engineering. On 4 December 2008, he obtained a Master of Business Administration degree from The Chinese University of Hong Kong. He is currently the vice president of Wonderland Group, which is indirectly wholly owned by Jiangsu Lianyun. He is a director of Ever Fortune Holdings, which is held as to 60% by Wonderland Group and holding approximately 20.95% of the issued share capital of the Company. Accordingly, each of Jiangsu Lianyun and Wonderland Group are substantial shareholders of the Company and deemed to be interested in approximately 20.95% of the issued share capital of the Company under the SFO. Mr. Sun has 10 years' experience in financial sector in the PRC.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### So Hoi Pan

Mr. So Hoi Pan, aged 67, has been appointed as an independent non-executive director of the Company since 12 April 2006. Mr. So is the chairman and managing director of Haw Hong (Holdings) Limited.

### Zhao Wen

Mr. Zhao Wen, aged 42, has been appointed as an independent non-executive director of the Company since 12 April 2006. He graduated from the Institute of International Relationship in 1991. He has over 10 years' experience in investment and merger and acquisition activities. He is currently the chairman of the board of Nanjing Hyperion Investment & Consultant Co. Ltd.

## SENIOR MANAGEMENT

### Ji Kewei, *Chief Executive Officer*

Mr. Ji Kewei has been appointed as an executive director, the Deputy Chairman and Chief Executive Officer of the Company since 12 April 2006. His biographical details are set out above.

### Dai Jun, *Vice President*

Mr. Dai Jun has been appointed as an executive director and a Vice President of the Company since 12 April 2006. His biographical details are set out above.

### Sun Kejun, *Vice President*

Mr. Sun Kejun has been appointed as an executive director and a Vice President of the Company since 12 April 2006. His biographical details are set out above.

# Corporate Governance Report

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report for the year ended 31 December 2010.

The board of directors recognizes the importance of good corporate governance to the Company's healthy growth and will devote considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs in future. The Company's corporate governance practices are based on principles and code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions set out in the CG Code throughout the year ended 31 December 2010, save for the following provision:

A.4.2 Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company's bye-laws deviate from Code Provision A.4.2 as it provides that one-third of the directors for the time being (save for the Chairman or Managing Director), or if their number is not three nor a multiple of three, then the number nearest to one-third, shall retire from office and being eligible, offer themselves for re-election at the annual general meetings and that any new director appointed by the Board during the year shall hold office until the next following annual general meeting after appointment, and he/she shall be eligible for re-election.

To conform with Code Provision A.4.2, the Company in practice has complied with and adopted the said Code Provision A.4.2. According to the current corporate governance practices of the Company, all directors of the Company retire and offer themselves for re-election once every three years and any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

## THE BOARD

### Composition

The Board currently comprises the following directors:

*Executive directors:*
Mr. Zhou Wenjun *(Chairman)*
Mr. Ji Kewei *(Deputy Chairman and Chief Executive Officer)*
Mr. Ding Jiangyong
Mr. Dai Jun
Mr. Sun Kejun

*Independent non-executive directors:*
Mr. So Hoi Pan
Mr. Zhao Wen

# Corporate Governance Report

The list of directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The biography of the current members of the Board is disclosed under "Directors and Senior Management" on pages 7 to 8. During the year ended 31 December 2010, the Board did not met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise because Mr. Yim Hing Wah, the independent non-executive director holding appropriate and accounting professional qualification deceased on 14 July 2009 and no new independent non-executive director had been appointed.

The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

### Board Meetings

Code Provision A.1.1 stipulates that the board should meet regularly and such regular board meetings should be held at least four times a year at approximately quarterly intervals.

Code Provision A.1.3 stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend.

During the year ended 31 December 2010, 9 Board Meetings have been held. Details of the attendance of the directors are as follows:

| | **Number of Board Meetings attended/Number of Board Meeting held** |
|---|---|
| **Executive directors** | |
| Mr. ZHOU Wenjun | 1/9 |
| Mr. JI Kewei | 9/9 |
| Mr. DING Jiangyong | 1/9 |
| Mr. DAI Jun | 9/9 |
| Mr. SUN Kejun | 3/9 |
| **Independent non-executive directors** | |
| Mr. SO Hoi Pan | 2/9 |
| Mr. ZHAO Wen | 2/9 |

### Responsibilities

The management and control of the business of the Company are vested in its Board. It is the duty of the Board to establish policies, strategies and plans, and to provide leadership in the attainment of the objective of creating value to shareholders.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

### Appointment and Succession Planning of Directors

The Board will review its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

### Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

## BOARD COMMITTEES

The Board has established 2 committees, namely, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference.

All members of each Board committees are independent non-executive directors and the list of the members of each Board committee is set out under "Corporate Information" on page 2.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

## Remuneration Committee

The Remuneration Committee is established and comprising two independent non-executive directors, namely Mr. So Hoi Pan and Mr. Zhao Wen.

The principal functions include:

- to recommend to the Board on the Company's policies and structure for the remuneration of the directors and senior management of the Group;

- to determine the remuneration packages of all executive directors and senior management of the directors and senior management of the Group; and

- to review and approve their performance-based remuneration.

The principal elements of executive remuneration package now only include basic salary. The emoluments of executive directors are based on skill, knowledge and involvement in the Company's affairs of each director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, a meeting of the Remuneration Committee was duly held and attended by all committee members for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive directors and the senior executives and other related matters. The meeting was chaired by Mr. So Hoi Pan.

## Audit Committee

The Audit Committee was established in April 2006 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board. The Audit Committee comprises two independent non-executive directors, namely Mr. So Hoi Pan and Mr. Zhao Wen. The chairman of the Audit Committee is Mr. So Hoi Pan.

The Audit Committee held two meetings in 2010. Details of the attendance record of the committee meetings are as follows:

| Committee members | Attendance |
|---|---|
| Mr. So Hoi Pan | 2/2 |
| Mr. Zhao Wen | 2/2 |

The Group's 2010 half-yearly report and 2010 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For 2010 annual report, the Audit Committee met with the external auditor to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the cord provisions on corporate governance practices as required under the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquires with all the Directors of the Company, the directors confirmed for the year ended 31 December 2010 that they have complied with the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules.

## RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company.

The scope limitation on the audit of the financial statements for the year ended 31 December 2010 together with the qualified opinion of the auditor are set out in the "Independent Auditor's Report" on pages 20 to 21.

## AUDITORS' REMUNERATION

The remuneration paid to the external auditor of the Company in respect of audit services for the year ended 31 December 2010 amounted to HK$375,000.

Non-audit services rendered to the Company by its external auditor during the year under review amounted to HK$1,405,000.

## INTERNAL CONTROLS

Pursuant to the Code Provision 2.1, the board of directors should ensure that the Company maintains sound and effective internal controls to safeguard the shareholders' investment and the Company's assets.

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. During the year under review, the board has arranged to conduct a review of the effectiveness of the Company's internal control system and considered that it is adequate and effective.

On behalf of the Board

**Zhou Wenjun**
*Chairman*

18 April 2011

# Report of the Directors

The directors present herewith their report and audited financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are assets and investment holding.

The principal activities of the subsidiaries of the Company are set out in note 13 to the financial statements.

There has been no significant change in these activities compared with the previous year.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group and the Company as at that date are set out in the financial statements on pages 22 to 57.

The directors do not recommend the payment of a dividend for the year.

## MAJOR SUPPLIERS AND CUSTOMERS

In 2010, the Group has two major customers who accounted for 18% and 26% of turnover, respectively, while the Group sourced all of its agricultural produce from two suppliers who accounted for 42% and 58% of purchases, respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 12 to the financial statements.

## FIVE-YEAR SUMMARY

A summary of the results, assets and liabilities of the Group for the latest five financial years is set out on page 58 to the financial statements.

## SHARE CAPITAL AND OPTIONS

Details of the Company’s share capital and share options during the year are set out in notes 18 and 17 to the financial statements respectively.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out on page 25 and in note 19 to the financial statements respectively.

## DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:-

*Executive directors:*
Mr. Zhou Wenjun *(Chairman)*
Mr. Ji Kewei *(Deputy Chairman and Chief Executive Officer)*
Mr. Ding Jiangyong
Mr. Dai Jun
Mr. Sun Kejun

*Independent non-executive directors:*
Mr. So Hoi Pan
Mr. Zhao Wen

In accordance with bye-law 99 of the bye-laws of the Company, Mr. Ji Kewei, Mr. Ding Jiangyong and Mr. Zhao Wen, will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 24 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2010, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:-

| Name of shareholders | Capacity | Number of shares | Percentage of shareholding |
|---|---|---|---|
| Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited") | Beneficial owner | 530,530,000 | 20.95% |
| Crowneast Worldwide Limited | Interest of a controlled corporation | 530,530,000 (Note 1) | 20.95% |
| Wonderland Group (Hong Kong) Corporation Limited | Interest of a controlled corporation | 530,530,000 (Note 1) | 20.95% |
| Jiangsu Jinhai Investment Company Limited | Interest of a controlled corporation | 530,530,000 (Note 1) | 20.95% |
| Concord Group (B.V.I.) Limited | Interest of a controlled corporation | 550,530,000 (Note 1) | 21.74% |
| Legend (Group) Investment Limited | Interest of a controlled corporation | 550,530,000 (Note 1 and 2) | 21.74% |
| China Wallink Holding Group Co., Ltd. | Interest of a controlled corporation | 550,530,000 (Note 1 and 2) | 21.74% |

| Name of shareholders | Capacity | Number of shares | Percentage of shareholding |
|---|---|---|---|
| Evertop Investment Holdings Limited | Interest of a controlled corporation | 550,530,000 (Note 1 and 3) | 21.74% |
| Mr. Ji Da Wei | Interest of a controlled corporation | 550,530,000 (Note 1 and 3) | 21.74% |
| China Huaxing (HK) International Company Limited | Interest of a controlled corporation | 550,530,000 (Note 1 and 4) | 21.74% |
| China Huaxing Group Company | Interest of a controlled corporation | 550,530,000 (Note 1 and 4) | 21.74% |
| Mr. Chen Xin | Beneficial owner | 430,000,000 | 16.98% |
| Mr. Chan Hung Shek | Beneficial owner | 334,000,000 | 13.19% |

Notes:

1. Ever Fortune Holdings Group Limited (formerly known as "Chinabond International Limited") ("Ever Fortune Holdings") is now holding 530,530,000 shares in the Company, is owned as to 60% by Crowneast Worldwide Limited, which is 100% held by Wonderland Group (Hong Kong) Corporation Limited ("Wonderland Group") and 40% by Concord Group (B.V.I.) Limited ("Concord Group").

   Wonderland Group is wholly owned by Jiangsu Jinhai Investment Company Limited ("Jinagsu Jinhai").

   Concord Group is held by Legend (Group) Investment Limited ("Legend"), Evertop Investment Holdings Limited ("Evertop"), and China Huaxing (HK) International Company Limited ("Huaxing (HK)") as to 33%, 34% and 33%, respectively.

   In addition, Concord Group also directly holds 20,000,000 shares in the Company. Accordingly, Jiangsu Jinhai and Wonderland Group were deemed to be interested in 530,530,000 shares held by Ever Fortune Holdings under the SFO.

   Legend, Evertop and Huaxing (HK) were deemed to be interested in 550,530,000 shares held by Ever Fortune Holdings and Concord Group under the SFO.

2. Legend was 99% owned by China Wallink Holding Group Co., Ltd. Accordingly, China Wallink Holding Group Co., Ltd. was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

3. Evertop was wholly beneficially owned by Mr. Ji Da Wei. Accordingly, Mr. Ji Da Wei was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

4. Huaxing (HK) was 98% owned by China Huaxing Group Company. Accordingly, China Huaxing Group Company was deemed to be interested in 550,530,000 shares held by Concord Group under the SFO.

As at 31 December 2010, the Company had not been notified by any persons or companies (other than the directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## CORPORATE GOVERNANCE

The Company is committed to maintain the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 9 to 13.

## AUDIT COMMITTEE

The members of the audit committee are Mr. So Hoi Pan and Mr. Zhao Wen who are independent non-executive directors of the Company. The audit committee has reviewed the audited financial statements of the Company for the year ended 31 December 2010.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors confirmation of his/her independence to Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive directors and is satisfied with their independence.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the directors confirmation that at least 25% of the total issued share capital of the Company was held by the public as at the date of this report.

## EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 26 to the financial statements.

## AUDITOR

On 11 March 2011, Crowe Horwath (HK) CPA Limited resigned and Mabel Chan & Co. was appointed as auditor of the Company. A resolution for the appointment of Mabel Chan & Co. as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Zhao Wenjun**
*Chairman*

18 April 2011

# Independent Auditor's Report

## Mabel Chan & Co.
### Certified Public Accountants

**Suites 2208-11, 22/F., Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong**
**Tel: (852) 2122 9736 Fax: (852) 2180 9163**

TO THE SHAREHOLDERS OF EVER FORTUNE INTERNATIONAL HOLDINGS LIMITED
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Ever Fortune International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 57, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for our 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 matter 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

As disclosed in note 3 to the financial statements, the Group incurred a consolidated loss attributable to equity shareholders of the Company of approximately HK$9,621,000 for the year ended 31 December 2010 and had consolidated net current liabilities and net liabilities of approximately HK$71,574,000 and HK$71,559,000 respectively as at 31 December 2010 and the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continuing financial support from the Company's substantial shareholder and the successful outcome of the measures to be undertaken as described in note 3 to the financial statements to ensure that adequate cash resources are available to meet in full its financial obligations as, and when they fall due in foreseeable future.

In view of the extent of the material uncertainties relating to the measures mentioned above that might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion. The consolidated financial statements do not include any adjustments that would be necessary if the various measures as described in note 3 to the financial statements were unsuccessful or failed to take place. Any adjustment to the consolidated financial statements may have a consequential significant effect on the group's loss for the year and net liabilities as at 31 December 2010. However, we consider that appropriate disclosures have been made.

## DISCLAIMER OF OPINION

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements. 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.

**Mabel Chan & Co.**
*Certified Public Accountants*
Hong Kong, 18 April 2011

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

| | Note | 2010<br>HK$'000 | 2009<br>HK$'000 |
|---|---|---|---|
| **Turnover** | 4 | **15,097** | 36,659 |
| **Cost of sales** | | **(14,776)** | (32,568) |
| **Gross profit** | | **321** | 4,091 |
| **Other income** | 4 | **9** | 38 |
| **Distribution costs** | | **(291)** | (1,460) |
| **Administrative and other operating expenses** | | **(9,660)** | (9,786) |
| **Loss before tax** | 5 | **(9,621)** | (7,117) |
| **Income tax expense** | 8 | **-** | - |
| **Loss for the year and total comprehensive loss for the year** | 9 | **(9,621)** | (7,117) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **(9,621)** | (7,117) |
| **Loss per share** | | | |
| Basic and diluted | 10 | **HK0.38 cents** | HK0.28 cents |

The notes on pages 27 to 57 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **15** | 205 |
| **Current assets** | | | |
| Trade and other receivables | 14 | **941** | 6,704 |
| Bank balances and cash | | **435** | 103 |
| | | **1,376** | 6,807 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **66,614** | 65,464 |
| Other borrowings | 16 | **6,336** | 3,486 |
| | | **72,950** | 68,950 |
| **Net current liabilities** | | **(71,574)** | (62,143) |
| | | **(71,559)** | (61,938) |
| **Capital and reserves** | | | |
| Share capital | 18 | **25,325** | 25,325 |
| Reserves | | **(96,884)** | (87,263) |
| **Total equity** | | **(71,559)** | (61,938) |

**Approved by the board of directors on 18 April 2011**

Chairman

Director

The notes on pages 27 to 57 form an integral part of these financial statements.

# Statement of Financial Position

As at 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **12** | 195 |
| Investments in subsidiaries | 13 | **107** | 88 |
| | | **119** | 283 |
| **Current assets** | | | |
| Other receivables | 14 | **323** | 1,150 |
| Bank balances and cash | | **111** | 23 |
| | | **434** | 1,173 |
| **Current liabilities** | | | |
| Other payables | 15 | **65,886** | 62,607 |
| Other borrowings | 16 | **86** | 86 |
| | | **65,972** | 62,693 |
| **Net current liabilities** | | **(65,538)** | (61,520) |
| | | **(65,419)** | (61,237) |
| **Capital and reserves** | | | |
| Share capital | 18 | **25,325** | 25,325 |
| Reserves | 19 | **(95,188)** | (88,543) |
| **Total equity** | | **(69,863)** | (63,218) |
| **Non-current liabilities** | | | |
| Amounts due to subsidiaries | 15 | **4,444** | 1,981 |
| | | **(65,419)** | (61,237) |

**Approved by the board of directors on 18 April 2011**

Chairman

Director

The notes on pages 27 to 57 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

Year ended 31 December 2010

| | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
| Balance at 1 January 2009 | 25,325 | 163,532 | 126,883 | (370,561) | (54,821) |
| Total comprehensive loss for the year | – | – | – | (7,117) | (7,117) |
| Balance at 31 December 2009 | 25,325 | 163,532 | 126,883 | (377,678) | (61,938) |
| Balance at 1 January 2010 | **25,325** | **163,532** | **126,883** | **(377,678)** | **(61,938)** |
| Total comprehensive loss for the year | **–** | **–** | **–** | **(9,621)** | **(9,621)** |
| Balance at 31 December 2010 | **25,325** | **163,532** | **126,883** | **(387,299)** | **(71,559)** |

The notes on pages 27 to 57 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

Year ended 31 December 2010

| | Note | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before tax | | **(9,621)** | (7,117) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **186** | 461 |
| Loss on disposal of property, plant and equipment | | **6** | – |
| Impairment loss on trade receivables | | **658** | – |
| **Operating cash flows before movements in working capital** | | **(8,771)** | (6,656) |
| Decrease/(increase) in trade and other receivables | | **5,105** | (5,459) |
| Increase in trade and other payables | | **1,150** | 5,765 |
| **Net cash used in operating activities** | | **(2,516)** | (6,350) |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | | **(2)** | (14) |
| **Net cash used in investing activities** | | **(2)** | (14) |
| **Financing activities** | | | |
| Proceeds from new other borrowings | | **2,850** | 3,400 |
| **Net cash generated from financing activities** | | **2,850** | 3,400 |
| **Net increase/(decrease) in cash and cash equivalents** | | **332** | (2,964) |
| **Cash and cash equivalents at the beginning of the year** | | **103** | 3,067 |
| **Cash and cash equivalents at the end of the year** | | **435** | 103 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Bank balances and cash | | **435** | 103 |

The notes on pages 27 to 57 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

Ever Fortune International Holdings Limited (the "Company") is a company incorporated in Bermuda with limited liability. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda and its principal place of business is Room 2109, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Company and its subsidiaries (collectively referred to as the "Group") are engaged in assets and investment holding and trading of agricultural produce.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Trading of the shares of the Company has been suspended since 28 April 2005.

The Company was placed into the third delisting stage on 11 March 2010 and the Company submitted a resumption proposal in respect of the proposed restructuring dated 27 August 2010 and revised resumption proposals dated 31 December 2010, 9 March 2011 and 11 April 2011 were submitted to the Stock Exchange. The announcement in relation to the acquisition (as defined in the Company's announcement dated 16 August 2010) will be published as soon as practicable after obtaining the approval from the Stock Exchange in respect of the revised resumption proposal.

The consolidated financial statements are presented in Hong Kong dollars (rounded to thousand), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (a) Application of new and revised Hong Kong Financial Reporting Standards

In current year, the Group has applied, for the first time, a number of new and revised Standards, Amendments and Interpretations issued by the HKICPA.

| | |
|---|---|
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HKFRS 5 (Revised) | Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary |
| HK – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owner |

The application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements for the current or comparative periods.

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets | 1 January 2012 |
| HKAS 24 (Revised) | Related Party Disclosures | 1 January 2011 |
| HKFRS 7 | Disclosures – Transfer of Financial Assets | 1 July 2011 |
| HKFRS 9 | Financial Instruments | 1 January 2013 |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement | 1 January 2011 |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010 | * |

* Effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

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

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purpose entity) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-consolidated from the date that control ceases.

All intra group transactions, balances, income and expenses are eliminated on consolidation. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group. There is no difference in the reporting date of the financial statements of the Company and its subsidiaries used in the preparation of the consolidated financial statements.

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

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

(i) Revenue from sales of goods are recognised when the goods are delivered and title has passed.

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

(iii) Sundry income is recognised on an actual receipt basis.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (d) Employee benefit obligations

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Payments to the Mandatory Provident Fund Retirement Benefits Scheme (the "MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

### (e) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are 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 can be utilised. Such deferred 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.

At the end of each reporting period, the Group reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised. Any adjustments are recognised in profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less residual values, if any, over their estimated useful lives, using the straight-line method. The following annual rates are used for the depreciation of property, plant and equipment:

| | |
|---|---|
| Plant, machinery and equipment | 10% to 30% |
| Furniture and fixtures | 10% to 20% |
| Leasehold improvements | 10% or over the term of the related lease, whichever is higher |

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal or retirement of an item of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the relevant item, and is recognised in profit or loss.

### (g) Financial instruments

**(i)** Financial assets and financial liabilities are recognised in the consolidated statement of financial position when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

**(ii)** The Group's financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade receivables and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses of bad and doubtful debts.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (g) Financial instruments (continued)

#### (iii) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset such as trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, significant financial difficulties of the debtor or delinquency in payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss where there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance accounts are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (g) Financial instruments (continued)

#### (iv) Financial liabilities and equity

The Group's financial liabilities, including other borrowings, trade payables and other payables are initially measured at fair value and thereafter at amortised cost, using the effective interest method except where the payables are interest-free loans made by related parties without any fixed payment terms or the effect of discounting would be immaterial, in which case they are stated at cost.

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

#### (v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipt/payment through the expected life of the financial asset/liability, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments and interest expense is recognised on an effective interest basis.

#### (vi) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 and payable is recognised in profit or loss.

### (h) Cash and cash equivalents

Cash and cash equivalents include bank balance and cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (i) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

### (j) Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Operating lease payment are recognised as an expense on a straight-line basis over the lease term except when other systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

### (k) Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group and the Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group and the Company or exercise significant influence over the Group and the Company in making financial and operational policy decisions, or has joint control over the Group and the Company;

(ii) the party is a member of the key management personnel of the Group and the Company or its parent;

(iii) the party is a close family member of any individual referred to i) and ii);

(iv) 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 ii) and iii);

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

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES (continued)

### (l) Segment reporting

Operating segments, and the amounts of each segment time reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocation 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.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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.

### Going concern

The Group sustained a loss attributable to equity shareholders of the Company of approximately HK$9,621,000 (2009:HK$7,117,000) for the year ended 31 December 2010. At 31 December 2010, the Group had net current liabilities and net liabilities of approximately HK$71,574,000 (2009: HK$62,143,000) and HK$71,559,000 (2009: HK$61,938,000) respectively.

In view of the liquidity problems faced by the Group, the directors have adopted the following measures with the view to improve the Group's overall financial and cash flow position and to maintain the Group's ability to continue as a going concern:

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Going concern (continued)

(i) the directors have obtained the confirmation from its substantial shareholder that the latter will continue to provide adequate funds for the Group to meet its financial obligation as and when they fall due, both present and future;

(ii) the Company has entered into an agreement with a potential investor in December 2008 for the implementation of a restructuring proposal involving, among other things, capital reorganisation, debt restructuring, subscription of new shares and subscription of convertible preference shares, which would enable the Group to derive sufficient cash flow to finance its operations;

(iii) Trade Day Holdings Limited ("Trade Day"), a wholly-owned subsidiary of the Group, is engaged in the trading of agricultural produce and the business of which formed the major business activities for the Group as a whole. In addition, on 23 December 2009, the Company has entered into two conditional sale and purchase agreements to acquire the entire equity interest in two companies, namely Natural Farm Limited ("Natural Farm") and Polygold Food Limited ("Polygold"), which are principally engaged in vegetable trading and retailing businesses. The directors believe that the future cash flow generated from trading of agricultural produce will sufficiently improve the liquidity and financial position and will help to maintain the Group's ability to continue as a going concern;

(iv) Trade Soar Limited ("Trade Soar"), a wholly-owned subsidiary of the Group, is dormant during the year. On 2 August 2010, this company has entered into a conditional sale and purchase agreement to acquire the entire equity interest in a company, namely Modern Excellence Limited ("Modern Excellence"), which is principally engaged in growing, processing and sales of agricultural produce. The directors believe that the future cash flow generated from growing, processing and sales of agricultural produce will sufficiently improve the liquidity and financial position and will help to maintain the Group's ability to continue as a going concern; and

(v) the directors are planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

In the opinion of the directors, when the above-mentioned measures are successfully implemented, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to implement the above measures and fail to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the financial statements.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### Impairment of receivables

The Group makes allowance for impairment losses on trade and other receivables 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 arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables 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 expense 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.

## 4. TURNOVER AND OTHER INCOME

Turnover represents revenue arising from the trading of agricultural produce. An analysis of turnover and other income for the year is as follows:

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Turnover from sales of agricultural produce | **15,097** | 36,659 |
| Other income | | |
| Sundry income | **9** | 38 |
| Total revenue | **15,106** | 36,697 |

## 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

| | 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Auditors' remuneration | | |
| – Audit fee | 375 | 460 |
| – Other services | 1,405 | 150 |
| Cost of inventories recognised as an expense | 14,776 | 32,568 |
| Depreciation of property, plant and equipment | 186 | 461 |
| Allowance for impairment of trade receivables (note 14) | 658 | – |
| Loss on disposal of property, plant and equipment | 6 | – |
| Minimum lease payments under operating leases | 1,118 | 2,431 |
| Staff costs: | | |
| – Contributions to defined contribution retirement plan | 21 | 31 |
| – Salaries, wages and other benefits | 641 | 1,064 |

## 6. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2009: 8) directors were as follows:

**2010**

| | Fees HK$'000 | Salaries, allowances and benefits HK$'000 | Contributions to retirement scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. Ding Jiangyong | 80 | – | – | 80 |
| Mr. Ji Kewei | – | 80 | 4 | 84 |
| Mr. Zhou Wenjun | 80 | – | – | 80 |
| Mr. Sun Kejun | – | 80 | 4 | 84 |
| Mr. Dai Jun | – | 80 | 4 | 84 |
| **Independent non-executive directors** | | | | |
| Mr. So Hoi Pan | 50 | – | – | 50 |
| Mr. Zhao Wen | 50 | – | – | 50 |
| | 260 | 240 | 12 | 512 |

## 6. DIRECTORS' EMOLUMENTS (continued)

**2009**

| | Fees HK$'000 | Salaries, allowances and benefits HK$'000 | Contributions to retirement scheme HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. Ding Jiangyong | 80 | – | – | 80 |
| Mr. Ji Kewei | – | 80 | 4 | 84 |
| Mr. Zhou Wenjun | 80 | – | – | 80 |
| Mr. Sun Kejun | – | 80 | 4 | 84 |
| Mr. Dai Jun | – | 80 | 4 | 84 |
| **Independent non-executive directors** | | | | |
| Mr. So Hoi Pan | 50 | – | – | 50 |
| Mr. Yim Hing Wah | 27 | – | – | 27 |
| Mr. Zhao Wen | 50 | – | – | 50 |
| | 287 | 240 | 12 | 539 |

Notes:

1) Mr. Yim Hing Wah, an independent non-executive director of the Company, passed away on 14 July 2009.

2) The Company did not grant any share options during the current and prior years.

At the end of each reporting period, no share options were held by directors of the Company. The details of the share options scheme are set out in note 17 to the financial statements.

## 7. FIVE HIGHEST-PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, 3 (2009: 3) were directors of the Company, emoluments are included in the above disclosures. The emolument of the remaining individual is disclosed below:

| | **2010 HK$'000** | 2009 HK$'000 |
|---|---|---|
| Salaries and other emoluments | **544** | 813 |
| Contributions to retirement benefit scheme | **16** | 19 |
| | **560** | 832 |

Their emoluments were all within the HK$0-HK$1,000,000 band.

During the year, no emoluments or incentive payments were paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2009: nil).

## 8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong during the year.

A reconciliation between taxation and loss before tax at applicable tax rates is as follows:

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Loss before tax | **(9,621)** | (7,117) |
| Notional tax on loss before tax | **(1,587)** | (1,174) |
| Tax effect of non-deductible expenses | **302** | 1,107 |
| Tax effect of non-taxable income | **(1)** | – |
| Tax effect of unused tax losses/deductible temporary differences not recognised | **1,286** | 67 |
| Tax charge for the year | **–** | – |

## 9. LOSS FOR THE YEAR

The consolidated loss for the year attributable to equity shareholders of the Company includes a loss of HK$6,645,000 (2009: HK$7,684,000), which has been dealt with in the financial statements of the Company.

## 10. LOSS PER SHARE

The calculation of basic loss per share is based on loss attributable to equity shareholders of the Company of HK$9,621,000 (2009: HK$7,117,000) and the weighted average of 2,532,543,083 (2009: 2,532,543,083) ordinary shares in issue during the year.

Diluted loss per share is same as basic loss per share because there were no potential dilutive shares outstanding during the years 2009 and 2010.

## 11. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The chief operating decision maker considers the business from the business operation nature perspective.

The Group has presented the following two reportable segments. These segments are managed separately.

a) Assets holding: Holding of assets

b) Agricultural produce: Trading of agricultural produce

No reportable operating segment has been aggregated.

## 11. SEGMENT REPORTING (continued)

### (a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the Group's accounting policies as described in note 2(l). Segment loss represents the loss from each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to a reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statement of comprehensive income.

All assets and liabilities are allocated to reportable segments.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

An analysis of the Group's reportable segments is reported below:

| | Assets holding | | Agricultural produce | | Total | |
|---|---|---|---|---|---|---|
| | **2010 HK$'000** | 2009 HK$'000 | **2010 HK$'000** | 2009 HK$'000 | **2010 HK$'000** | 2009 HK$'000 |
| Segment revenue | | | | | | |
| Revenue from external customers | **–** | – | **15,097** | 36,659 | **15,097** | 36,659 |
| Reporting segment Loss before taxation | **(6,750)** | (6,664) | **(2,871)** | (453) | **(9,621)** | (7,117) |
| Depreciation | **(186)** | (461) | **–** | – | **(186)** | (461) |
| Allowance for impairment of trade receivables | **–** | – | **(658)** | – | **(658)** | – |
| Reportable segment assets | **528** | 1,411 | **863** | 5,601 | **1,391** | 7,012 |
| Reportable segment liabilities | **72,236** | 66,155 | **714** | 2,795 | **72,950** | 68,950 |
| Additions to property, plant and equipment | **2** | 14 | **–** | – | **2** | 14 |

## 11. SEGMENT REPORTING (continued)

### (b) Reconciliation of reportable segment loss

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Reportable segment loss derived from Group's external customers | **(9,621)** | (7,117) |
| Loss before tax per consolidated statement of comprehensive income | **(9,621)** | (7,117) |

### (c) Information about major customers

Revenues from customers contributing 10% or more of the total sales of the Group are as follows:

| | **2010** **HK$'000** | 2009 HK$'000 |
|---|---|---|
| Customer A | * | * |
| Customer B | **4,013** | 23,695 |
| Customer C | **2,666** | 12,964 |

* The corresponding revenue did not contribute over 10% of the total sales of the Group.

### (d) Geographical information

The Group's operation is primarily derived from external customers based in Hong Kong and all assets of that operation were located in Hong Kong. No geographical information is presented in accordance with HKFRS 8 "Operating Segments".

## 12. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Leasehold improvements HK$'000 | Plant, machinery and equipment HK$'000 | Furniture and fixtures HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2009 | 1,046 | 36 | 259 | 1,341 |
| Additions | – | – | 14 | 14 |
| At 31 December 2009 | 1,046 | 36 | 273 | 1,355 |
| Additions | – | – | 2 | 2 |
| Disposals | (1,046) | – | (11) | (1,057) |
| At 31 December 2010 | **–** | **36** | **264** | **300** |
| **Accumulated depreciation:** | | | | |
| At 1 January 2009 | 546 | 12 | 131 | 689 |
| Charge for the year | 364 | 6 | 91 | 461 |
| At 31 December 2009 | 910 | 18 | 222 | 1,150 |
| Charge for the year | 136 | 6 | 44 | 186 |
| Written back on disposals | (1,046) | – | (5) | (1,051) |
| At 31 December 2010 | **–** | **24** | **261** | **285** |
| **Carrying amount:** | | | | |
| At 31 December 2010 | **–** | **12** | **3** | **15** |
| At 31 December 2009 | 136 | 18 | 51 | 205 |

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### The Company

| | Leasehold improvements HK$'000 | Plant, machinery and equipment HK$'000 | Furniture and fixtures HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| At 1 January 2009 and 31 December 2009 | 1,046 | 36 | 259 | 1,341 |
| Disposal | (1,046) | – | – | (1,046) |
| At 31 December 2010 | **–** | **36** | **259** | **295** |
| **Accumulated depreciation:** | | | | |
| At 1 January 2009 | 546 | 12 | 131 | 689 |
| Charge for the year | 364 | 6 | 87 | 457 |
| At 31 December 2009 | 910 | 18 | 218 | 1,146 |
| Charge for the year | 136 | 6 | 41 | 183 |
| Written back on disposals | (1,046) | – | – | (1,046) |
| At 31 December 2010 | **–** | **24** | **259** | **283** |
| **Carrying amount:** | | | | |
| At 31 December 2010 | **–** | **12** | **–** | **12** |
| At 31 December 2009 | 136 | 18 | 41 | 195 |

## 13. INVESTMENTS IN SUBSIDIARIES

| | The Company 2010 HK$'000 | 2009 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **2** | 2 |
| Amounts due from subsidiaries (note) | **1,283** | 1,264 |
| | **1,285** | 1,266 |
| Impairment loss | **(1,178)** | (1,178) |
| | **107** | 88 |

Note: The amounts due from subsidiaries are unsecured, interest free and have no fixed terms for repayment.

## 13. INVESTMENTS IN SUBSIDIARIES (continued)

As at 31 December 2010 and 2009, the Company had interests in the following subsidiaries:

| Name of entities | Place of incorporation | Place of operation | Issued and paid up capital | Percentage of equity interest held by the Company | Percentage of equity interest held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Ever Growth Asia Limited | HK | HK | HK$1 | 100% | – | Dormant |
| Huge Summit Investments Limited | BVI | HK | US$100 | 100% | – | Investment holding |
| Profit Dragon Management Limited | BVI | HK | US$100 | 100% | – | Investment holding |
| Chinese Investment Limited | HK | HK | HK$10,000 | – | 100% | Dormant |
| China Merchants Investments (H.K.) Limited | HK | HK | HK$10,000 | – | 100% | Dormant |
| First Novel Limited ("First Novel") | BVI | HK | US$2 | 100% | – | Investment holding |
| Trade Front Limited ("Trade Front") | BVI | HK | US$2 | – | 100% | Dormant |
| Trade Day Holdings Limited ("Trade Day") | BVI | HK | US$2 | – | 100% | Trading of agricultural produce |
| Trade Soar Limited ("Trade Soar") | BVI | HK | US$1 | – | 100% | Dormant |

In the opinion of the directors of the Company, the recoverable amount of the investments in subsidiaries is not less than the carrying cost reflected in the statement of financial position.

## 14. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade receivables | **118** | 5,259 | **–** | – |
| Less: Allowance for doubtful receivables | **–** | – | **–** | – |
| | **118** | 5,259 | **–** | – |
| Deposits and prepayments | **823** | 1,445 | **323** | 1,150 |
| | **941** | 6,704 | **323** | 1,150 |

The average credit period on sales of goods is 60 days. The aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period, is as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Current | **–** | 3,574 |
| Less than 90 days | **–** | 1,685 |
| Over 90 days | **118** | – |
| | **118** | 5,259 |

The aged analysis of the trade receivables that are past due but not impaired is as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Less than 90 days | **–** | 1,685 |
| Over 90 days | **118** | – |
| | **118** | 1,685 |

Note: The Group does not hold any collateral on these balances and has not provided for impairment allowance.

The Group has provided fully for all receivables over 240 days because historical experience is that such receivables that are past due beyond 240 days are generally not recoverable.

## 14. TRADE AND OTHER RECEIVABLES (continued)

Movements in the allowance for doubtful receivables are as follows:

| | The Group | |
|---|---|---|
| | 2010 HK$'000 | 2009 HK$'000 |
| Balance at 1 January | – | – |
| Increase in allowance recognised in profit or loss (note 5) | 658 | – |
| Amounts written off as uncollectible | (658) | – |
| Balance at 31 December | – | – |

Included in the allowance for doubtful receivables made for the year are individually impaired trade receivables with a balance of HK$658,000 (2009: HK$Nil) which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

## 15. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 HK$'000 | 2009 HK$'000 | 2010 HK$'000 | 2009 HK$'000 |
| Trade payables (Note (a) and (b)) | 644 | 2,029 | – | – |
| Other payables and accruals (Note (b)) | 2,337 | 2,903 | 2,253 | 2,075 |
| Amounts due to related companies (Note 24) | 59,032 | 57,041 | 59,032 | 57,041 |
| Amounts due to subsidiaries (Note (c)) | - | - | 4,444 | 1,981 |
| Amounts due to directors (Note 24) | 4,601 | 3,491 | 4,601 | 3,491 |
| | 66,614 | 65,464 | 70,330 | 64,588 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 HK$'000 | 2009 HK$'000 | 2010 HK$'000 | 2009 HK$'000 |
| Current | 66,614 | 65,464 | 65,886 | 62,607 |
| Non-current | – | – | 4,444 | 1,981 |
| | 66,614 | 65,464 | 70,330 | 64,588 |

Note:

(a) Trade payables principally comprise amounts outstanding for trade purchases. All trade payables are due within 1 month or on demand.

(b) Trade and other payables are non-interest bearing and have an average term of 1 month.

(c) Amounts due to subsidiaries are unsecured, interest free and have no fixed terms for repayment.

## 16. OTHER BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Other loan, unsecured (note (a)) | **86** | 86 | **86** | 86 |
| Other loan, secured (note (b)) | **6,250** | 3,400 | **-** | - |
| | **6,336** | 3,486 | **86** | 86 |

Notes:

(a) This other loan is interest free.

(b) On 9 January 2009, Trade Front has entered into a loan agreement with Right Day Holdings Limited ("Right Day"), an independent potential investor. Right Day agreed to provide a loan facility of up to HK$10,000,000 for the working capital of Trade Front and Trade Day to reactivate the Group's previously discontinued agricultural produces trading business. The loan facility is secured by the entire share capital of each of Trade Front, Trade Day and First Novel.

At the end of the reporting period, total amount of HK$6,250,000 (2009: HK$3,400,000) was drawn down. This loan is interest free.

(c) Both other loans are due within 1 year or on demand.

## 17. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of recognising the contributions of eligible participants to the growth of the Group and to further motivate and encourage the eligible participants to contribute and improve their performance and efficiency. Eligible participants of the Scheme include the Company's directors, independent non-executive directors, other directors/employees of the Group or its investees, suppliers of goods or services to the Group or customers of the Group or its investees, persons/entities that provide research, development or other technological support, shareholders of any member of the Group or such other persons from time to time as determined by the directors. The Scheme was approved and adopted on 21 June 2002 (the "Adoption Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares in respect of which options may be granted under the Scheme (excluding options lapsed) is not permitted to exceed 10% of the shares of the Company in issue as at the Adoption Date, without the prior approval from the Company's shareholders.

The maximum number of shares issuable under share options granted to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

## 17. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all of the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted on or before the close of business on the date specified in the offer document. The exercise period of the share options granted is to be determined by the directors, and will commence on the first business date from the date of the grant of the share options and end on the close of business on the last day of such period, but no later than ten years from the date of the grant of the share options.

The exercise price of the share options is to be determined by the directors, but may not be less than the higher of (i) the closing price of the Company's shares published on the daily quotations sheets of the Stock Exchange on the date of the grant of the share options; and (ii) the average closing price of the company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the years ended 31 December 2010 and 2009, no option has been granted under the Scheme.

## 18. SHARE CAPITAL

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 |
|---|---|---|
| Authorised: | | |
| 160,000,000,000 ordinary shares of $0.01 each | **1,600,000** | 1,600,000 |
| Issued and fully paid: | | |
| 2,532,543,083 ordinary shares of $0.01 each | **25,325** | 25,325 |

## 19. RESERVES – THE GROUP AND THE COMPANY

### Share premium

The application of the share premium account is governed by the Company Act 1981 of Bermuda.

### Contributed surplus

The contributed surplus of the Group represents the deference between the aggregate of the nominal value of (i) the shares of the subsidiaries acquired pursuant to the group reorganisation completed on 5 June 1998 (the "Group Reorganisation"); (ii) the debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his wife, Ms. Lam Yuk Ang, to Corasia International (BVI) Limited, the former holding company of the Group, and assumed by the Company under the Group Reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and (iii) the credit arising from the capital reduction of approximately HK$112,950,000.

The contributed surplus of the Company arose as a result of the Group Reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, as reduced by the balance of the Debt assumed by the Company pursuant to the capital reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and the credit arising from the capital reduction of approximately HK$112,950,000.

### Movements of reserves – the Company

| | Share premium HK$'000 | Contributed surplus HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Balance at 1 January 2009 | 163,532 | 153,519 | (397,910) | (80,859) |
| Total comprehensive loss for the year | - | - | (7,684) | (7,684) |
| Balance at 31 December 2009 | 163,532 | 153,519 | (405,594) | (88,543) |
| Total comprehensive loss for the year | – | – | (6,645) | (6,645) |
| Balance at 31 December 2010 | **163,532** | **153,519** | **(412,239)** | **(95,188)** |

### Distributability of reserves

At the end of each reporting period, the Company has no reserve available for distribution to equity shareholders of the Company.

## 20. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Within one year | **108** | 919 |
| In the second to fifth years inclusive | **49** | 4 |
| | **157** | 923 |

Operating lease payments represent rental payable by the Group for office premises. Lease is negotiated with rental fixed for a term of 2 years.

## 21. FINANCIAL INSTRUMENTS BY CATEGORY

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and cash equivalents) | **553** | 5,362 | **111** | 23 |
| **Financial liabilities** | | | | |
| At amortised cost | **72,950** | 68,950 | **70,416** | 64,674 |

## 22. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES

### (a) Financial risk management

The Group's business activities expose it to a variety of financial risks, which include credit risk and liquidity risk arising in the normal course of its business and financial instruments. Details of the policies on how to mitigate these risks are set out below. The group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has not been any change to the Company's and Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

## 22. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

### (a) Financial risk management (continued)

**Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset as stated in the consolidated statement of financial position. The Group is exposed to credit risk from its operating activities (primarily for trade receivables). The Group performs ongoing credit evaluation of the debtors' financial condition and maintain an account for allowance for doubtful debts based upon the expected collectible of all trade receivables. At the end of the reporting period, the Group has a certain concentration of credit risk in respect of trade receivables as 100% (2009: 100%) of the total trade and other receivables was due from one (2009: two) customers. The directors of the Company consider that such concentration of credit risk would not result in any default exposure to the Group.

The credit risk on bank balances is minimal because the counterparties are banks with high credit-rating.

**Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term. In addition, the Group relies on loans from related companies and a potential investor, an independent third party, as significant sources of liquidity. As at 31 December 2010, the Group's total available facilities from the potential investor were approximately HK$10,000,000 (2009: HK$10,000,000), of which HK$6,250,000 (2009: HK$3,400,000) were utilised at the end of the reporting period.

The following tables detail of the Group's and the Company's contractual maturity for their non-derivative financial liabilities date. The tables have been drawn based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group and the Company can be required to pay.

## 22. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

### (a) Financial risk management (continued)

**Liquidity risk (continued)**

**The Group**

| | 2010 | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$'000** | **More than 1 year but less than 2 years HK$'000** | **2 to 5 years HK$'000** | **Total undiscounted cash flows HK$'000** | **Carrying value HK$'000** |
| Trade and other payables | **66,614** | **–** | **–** | **66,614** | **66,614** |
| Other borrowings | **6,336** | **–** | **–** | **6,336** | **6,336** |
| | **72,950** | **–** | **–** | **72,950** | **72,950** |

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | 2 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying value HK$'000 |
| Trade and other payables | 65,464 | – | – | 65,464 | 65,464 |
| Other borrowings | 3,486 | – | – | 3,486 | 3,486 |
| | 68,950 | – | – | 68,950 | 68,950 |

## 22. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES (continued)

### (a) Financial risk management (continued)

**Liquidity risk (continued)**

**The Company**

| | 2010 | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand HK$'000** | **More than 1 year but less than 2 years HK$'000** | **2 to 5 years HK$'000** | **Total undiscounted cash flows HK$'000** | **Carrying value HK$'000** |
| Other payables and accruals | **65,886** | **4,444** | - | **70,330** | **70,330** |
| Other borrowings | **86** | – | – | **86** | **86** |
| | **65,972** | **4,444** | – | **70,416** | **70,416** |

| | 2009 | | | | |
|---|---|---|---|---|---|
| | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | 2 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying value HK$'000 |
| Other payables and accruals | 62,607 | 1,981 | - | 64,588 | 64,588 |
| Other borrowings | 86 | – | – | 86 | 86 |
| | 62,693 | 1,981 | – | 64,674 | 64,674 |

### (b) Estimation of fair values

The fair value of financial assets and financial liabilities recorded at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements with a maturity of less than one year are assumed to approximate their fair values.

The fair value of balances with related parties has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of their relationship.

## 23. CAPITAL RISK MANAGEMENT

The Group and the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group reviews the capital structure on a regular basis. As a part of this review, the Group monitors capital on the basis of net debt to adjusted equity ratio, the ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "adjusted equity", as shown in the consolidated statement of financial position, plus net debt. The Group considers the cost of capital and the risks associated with issued share capital and may adjust the ratio through dividend payments, issuing new shares, raising new debt financing or selling assets to reduce existing debts upon successful resumption of trading of shares.

The net debt to equity ratio did not apply as at 31 December 2010 and 2009 as the Group had total deficit for both years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 24. MATERIAL RELATED PARTY TRANSACTION

### (a) Amounts due to related companies

| | **The Group and the Company** | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| Beijing Securities Limited (formerly known as Pelican Securities Limited) (Note i) | **-** | 9 |
| Concord Group (B.V.I.) Limited (Note ii) | **10,032** | 10,032 |
| Wonderland Group (HK) Corporation Limited (Note ii) | **44,000** | 43,000 |
| Luck Healthy Group Limited (Note ii) | **5,000** | 4,000 |
| | **59,032** | 57,041 |

i. The amount was unsecured, interest free and waived by the related company during the year.

ii. The amounts are unsecured, interest free and repayable within one year.

(b) The amounts due to directors are unsecured, interest free and have no fixed terms for repayment.

(c) The substantial shareholder will continue to provide adequate funds for the Group to meet its financial position as they fall due, both present and future.

## 24. MATERIAL RELATED PARTY TRANSACTION (continued)

**(d)** Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

| | The Group | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$** | HK$ |
| Salaries and other short-term employee benefits | **875** | 1,171 |
| Retirement scheme contributions | **20** | 23 |
| | **895** | 1,194 |

## 25. PLEDGE OF ASSETS

The entire share capital of each of Trade Front, Trade Day and First Novel have been pledged to Right Day to secure the loan facilities granted to the Group. Details is stated in Note 16 to the financial statements.

## 26. EVENTS AFTER THE REPORTING DATE

(a) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with an independent party for the acquisition of the entire equity interest in Natural Farm, which is the supplier of Trade Day and engaged in vegetable trading business and operates a vegetable processing centre in Dongguan, at a total consideration of HK$48,750,000. The total consideration of HK$48,750,000 will be satisfied by (i) HK$15,000,000 in cash; and (ii) HK$33,750,000 by the issue of preference shares of the Company at an issue price of HK$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Natural Farm for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Natural Farm for the years ending 31 March 2011 and 2012 is less than HK$7,500,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (ii) If the net asset value (plus shareholder's loan of HK$20,000,000 assigned to the Company) of Natural Farm as at the completion of the acquisition is less than HK$20,717,313.06, the shortfall will be paid by the vendor to the Company in cash.

Up to the date of approval of these financial statements, the acquisition has not yet completed and there is insufficient financial information available to the Group to identify and determine the fair value to be assigned to the identifiable assets, liabilities and contingent liabilities assumed for the purpose of allocation of purchase price and calculation of goodwill.

## 26. EVENTS AFTER THE REPORTING DATE (continued)

(b) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Polygold, which is engaged in vegetable retailing business, at a total consideration of HK$16,250,000. The total consideration of HK$16,250,000 will be satisfied by (i) HK$5,000,000 in cash; and (ii) HK$11,250,000 by the issue of preference shares of the Company at an issue price of HK$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Polygold for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Polygold for the years ending 31 March 2011 and 2012 is less than HK$2,500,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (ii) If the net asset value of Polygold as at the completion of the acquisition is less than HK$1,871,890.60, the shortfall will be paid by the vendors to the Company in cash.

Up to the date of approval of these financial statements, the acquisition has not yet completed and there is insufficient financial information available to the Group to identify and determine the fair value to be assigned to the identifiable assets, liabilities and contingent liabilities assumed for the purpose of allocation of purchase price and calculation of goodwill.

(c) On 2 August 2010, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Modern Excellence, which is engaged in growing, processing and sales of agricultural produce, at a total consideration of HK$143,000,000. The total consideration of HK$143,000,000 will be satisfied by (i) HK$35,750,000 in cash; and (ii) HK$107,250,000 by the issue of preference shares of the Company at an issue price of HK$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Modern Excellence for the years ending 31 December 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (i) If the average net profit after tax of Modern Excellence for the years ending 31 December 2011 and 2012 is less than HK$20,000,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (ii) If the net asset value of Modern Excellence as at the completion of the acquisition is less than RMB88,302,701, the shortfall will be paid by the vendors to the Company in cash.

Up to the date of approval of these financial statements, the acquisition has not yet completed and there is insufficient financial information available to the Group to identify and determine the fair value to be assigned to the identifiable assets, liabilities and contingent liabilities assumed for the purpose of allocation of purchase price and calculation of goodwill.

(d) On 11 April 2011, the Company submitted a revised resumption proposal to the Stock Exchange and on 15 April 2011, a conditional approval on the revised resumption proposal was obtained from the Stock Exchange.

## 27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on 18 April 2011.

# Five-Year Summary

For the year ended 31 December 2010

## SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

A summary of the published results and assets and liabilities of the Group for the latest five years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

| | **2010**<br>**HK$'000** | 2009<br>HK$'000 | 2008<br>HK$'000 | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|---|---|---|
| Turnover | | | | | |
| Continuing operations | **15,097** | 36,659 | – | – | – |
| Discontinuing operations | **–** | – | – | 1,876 | 1,705 |
| (Loss)/profit for the year | | | | | |
| Continuing operations | **(9,621)** | (7,117) | (12,855) | (13,775) | (6,275) |
| Discontinuing operations | **–** | – | 878 | 10,902 | (132,636) |
| | **(9,621)** | (7,117) | (11,977) | (2,873) | (138,911) |
| Attributable to: | | | | | |
| Equity shareholders of the Company | **(9,621)** | (7,117) | (11,977) | (2,873) | (138,911) |
| Total assets | **1,391** | 7,012 | 4,964 | 16,838 | 112,058 |
| Total liabilities | **(72,950)** | (68,950) | (59,785) | (58,785) | (143,384) |
| Net liabilities | **(71,559)** | (61,938) | (54,821) | (41,947) | (31,326) |