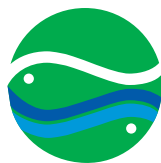


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## **FIRST NATURAL FOODS HOLDINGS LIMITED**

**(Provisional Liquidators Appointed)**

**第一天然食品有限公司\***

**(已委任臨時清盤人)**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

### **RESTRUCTURING OF FIRST NATURAL FOODS HOLDINGS LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)**

**INVOLVING, INTER ALIA,**

**PROPOSED CAPITAL RESTRUCTURING,**

**CREDITORS' SCHEME OF ARRANGEMENT IN ACCORDANCE WITH  
SECTION 166 OF THE COMPANIES ORDINANCE AND**

**SECTION 99 OF THE COMPANIES ACT,**

**PROPOSED OPEN OFFER ON THE BASIS OF SEVEN OFFER SHARES**

**FOR EVERY ONE NEW SHARE HELD ON THE OPEN OFFER RECORD DATE,**

**SUBSCRIPTION OF SUBSCRIPTION SHARES,**

**APPLICATION FOR THE WHITEWASH WAIVER**

**AND**

**CONSENT TO THE SPECIAL DEAL**

**Financial adviser to the Company**



**ASIAN CAPITAL**

**(CORPORATE FINANCE) LIMITED**

**卓亞(企業融資)有限公司**

### **RESTRUCTURING AGREEMENT**

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and the Guarantor entered into the Restructuring Agreement, which comprises, among others, the Capital Restructuring, the Open Offer, the Share Subscription, the Scheme and the Group Reorganisation.

## **Capital Restructuring**

Under the Restructuring Agreement, it is proposed that the Company undergoes the Capital Restructuring which will involve the Capital Reduction, the Capital Cancellation, the Share Consolidation, the Increase in Authorised Share Capital and the Share Premium Reduction. Pursuant to the Capital Restructuring, the par value of the Shares will be reduced from HK\$0.05 to HK\$0.000125 each and every 80 shares of HK\$0.000125 each will then be consolidated into one New Share with a par value of HK\$0.01 each. The authorised share capital of the Company will then be increased from approximately HK\$148,239 to HK\$8,000,000 by the creation of 785,176,063 unissued New Shares.

Further announcement on the timetable for the implementation of the Capital Restructuring will be made by the Company as and when appropriate.

## **Open Offer**

Pursuant to the terms of the Restructuring Agreement, subject to the Capital Restructuring becoming effective, the Company will take such steps as are necessary to implement the proposed Open Offer of New Shares on the basis of seven Offer Shares for every one New Share held on the Open Offer Record Date by the qualifying Shareholders. A total of 103,767,559 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders at the Offer Price of HK\$0.5622 for each Offer Share and the gross proceeds raised via the issue of the Offer Shares will be approximately HK\$58,338,122.

The Company will appoint Asian Capital as the Underwriter to underwrite the Offer Shares on a fully written basis. Asian Capital will procure sub-underwriters to sub-underwrite the Offer Shares, and the Investor may be one of the sub-underwriters to subscribe for all or part of the Offer Shares.

It is expected that the Underwriting Agreement will be executed prior to the despatch of the Circular and details of the Underwriting Agreement will be contained in the Circular. The Company will make a further announcement as soon as the Underwriting Agreement is executed.

## **Share Subscription**

Under the Restructuring Agreement, the Investor agreed to subscribe for and the Company agreed to issue and allot 266,830,850 Subscription Shares at the Subscription Price of HK\$0.5622 per Subscription Share for a total consideration of approximately HK\$150,000,000.

## **Whitewash Waiver**

Immediately upon completion of the Share Subscription, the Investor and its concert parties will be interested in 266,830,850 New Shares (assuming all the Shareholders are Qualifying Shareholders and have taken up his/her entitlement under the Open Offer), representing:

- (a) approximately 1800% of the issued share capital of the Company upon completion of the Capital Restructuring;
- (b) approximately 69.23% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares and the Subscription Shares (assuming all the Shareholders are the Qualifying Shareholders and have taken up his/her entitlement under the Open Offer); and
- (c) approximately 66.67% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares (assuming all the Shareholders are the Qualifying Shareholders and have taken up his/her entitlement under the Open Offer).

Pursuant to Rule 26 of the Takeovers Code and in the absence of the Whitewash Waiver, the Investor and its concert parties would trigger an obligation to make a mandatory general offer for all the shares of the Company other than those already owned or agreed to be acquired by the Investor and its concert parties. In this respect, the Investor will make an application to the Executive under the Takeovers Code for the Whitewash Waiver to relieve it from its obligation to make a mandatory general offer as a result of the completion of the Share Subscription, and such grant will be subject to, among other things, approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM by way of poll.

The Investor and its concert parties and those who are interested in and/or involved in, the Open Offer, the Share Subscription and/or the Whitewash Waiver and/or the Special Deal will abstain from voting on the resolutions approving the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal.

## **Scheme**

Pursuant to the Restructuring Agreement, it is proposed that the Scheme will be implemented. Upon the Scheme having become effective: (i) the Company will pay a cash sum of HK\$62 million out of proceeds from the Share Subscription to the Creditors; (ii) the Company will issue 14,823,936 Creditors Shares, representing approximately 3.7% of the issued share capital of the Company as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, for the benefit of the Creditors; and (iii) the Company will transfer the entire equity interests of the Excluded Companies to a special purpose vehicle of the Scheme Administrators at a nominal value of HK\$1.00. After such transfer, should there be any recovery from the Excluded Companies, the Scheme Administrators may in their sole and absolute discretion realize or sell the assets of the Excluded Companies for the benefit of the Creditors under the Scheme.

In accordance with the terms of the Scheme, all the claims against, and liabilities of, the Company (excluding the normal operating liabilities incurred during the ordinary course of business operations of the Group) will be discharged and compromised in full immediately after the Scheme becomes effective.

### **Special Deal**

Based on books and records available to the Directors and the Provisional Liquidators, Mr. Yeung is a potential creditor under the Scheme. As at the date of this announcement, Mr. Yeung has not filed any claim to the Provisional Liquidators. As under the Scheme, subject to adjudication and adjustment, it is estimated that approximately 2,500,000 Creditors Shares with the amount of approximately HK\$9.7 million as the Cash Settlement together with apportioned part of the realisation of the assets of the Excluded Companies, if any, will be issued and paid by the Company to Mr. Yeung, who is interested in approximately 35.13% of the issued share capital of the Company before the Capital Restructuring, to settle the indebtedness of approximately HK\$68 million owed to him. The settlement with Mr. Yeung under the Scheme will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code.

The Company will seek an approval of the Independent Shareholders at the SGM by way of poll to approve the Special Deal. An application will be made by the Company to the Executive for the necessary consent to the Special Deal and such consent, if granted, will be conditional upon the Special Deal being approved by Independent Shareholders by way of poll at the SGM and the Independent Financial Adviser publicly states in its opinion that the terms of the Special Deal are fair and reasonable. Mr. Yeung, his concert parties and associates considered to be parties interested in and/or involved in the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal, and shall, therefore, not be eligible to vote on all the relevant resolutions in relation to: (i) the Open Offer; (ii) the Share Subscription; (iii) the Whitewash Waiver; (iv) the Special Deal; and (v) all the relevant transactions contemplated thereunder at the SGM.

**Shareholders and investing public should note that the Executive has expressed concerns on the possible settlement with Mr. Yeung. As such, the Executive may or may not consent to the Special Deal.**

### **Group Reorganisation**

In order to streamline the organizational structure of the Group, facilitate the implementation of the Resumption Proposal and the future expansion of the Company, it is proposed that the Company will transfer the entire equity interests of the Excluded Companies to a special purpose vehicle of the Scheme Administrators at nominal value of HK\$1.00. Upon completion of the Group Reorganisation, only the New Subsidiaries will remain in the Restructured Group, namely, Supreme Wit, Highest Rich, Pacific Prosper, Trendy Leader and Orient Legend. All the Excluded Companies will cease to be subsidiaries or associated companies of the Company and their financial results will no longer be consolidated into the Group's consolidated financial statements upon completion of the Group Reorganisation.

## **GENERAL**

The SGM will be held at which resolutions will be proposed to consider and, if thought fit, pass to approve, among other things, (i) the Capital Restructuring; (ii) the Open Offer; (iii) the Share Subscription; (iv) the Whitewash Waiver; (v) the Special Deal; (vi) the Group Reorganisation; and (vii) all the relevant transactions contemplated thereunder and all these resolutions shall be voted by way of poll.

Mr. Yeung, his concert parties and associates considered to be parties interested in and/or involved in the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal, and shall, therefore, not be eligible to vote on all the relevant resolutions in relation to: (i) the Open Offer; (ii) the Share Subscription; (iii) the Whitewash Waiver; (iv) the Special Deal; and (v) all the relevant transactions contemplated thereunder at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the Restructuring Agreement, the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Whitewash Waiver and the Special Deal. An independent financial adviser will be appointed in due course to advise the Independent Board Committee and the Independent Shareholders in relation to the recommendations to voting at the SGM on the resolutions in relation to the Restructuring Agreement, the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Whitewash Waiver and the Special Deal. A further announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

A Circular containing, among other things, details of (i) the Restructuring Agreement and the transactions contemplated thereunder, the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal; (ii) the letter from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser; and (iv) a notice of the SGM, will be despatched to the Shareholders in accordance with the requirements of the relevant provisions of the Companies Ordinance, the Companies Act, the Listing Rules and the Takeovers Code. Further announcement will be made by the Company as soon as practicable.

## **DECISION LETTER AND CONTINUED SUSPENSION OF TRADING IN SHARES**

Trading in the Shares on the Stock Exchange has been suspended since 15 December 2008. After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Listing Appeals Committee issued the Decision Letter to the Company agreeing in principle that the trading in the shares of the Company will be resumed subject to the Company's compliance with the Resumption Conditions to the satisfaction of the Listing Division.

Further announcements will be made by the Company when and as appropriate to update the Shareholders and potential investors on any development of the Company.

**Trading in the Shares will continue to be suspended until further notice. The release of this announcement does not necessarily indicate that trading in the shares of the Company will be resumed. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## RESTRUCTURING AGREEMENT

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and the Guarantor entered into the Restructuring Agreement, which contemplates the implementation of, among others, the Capital Restructuring, the Open Offer, the Share Subscription, the Scheme and the Group Reorganisation.

The Investor represents, warrants and undertakes to the Company that neither the Investor, its ultimate beneficial owner, nor parties acting in concert with any of them are connected with or acting in concert with any substantial shareholder, chief executive and/or directors of the Company and of its subsidiaries and their respective associates as defined in the Listing Rules and Takeovers Code.

### **Capital Restructuring**

As at the date of this announcement, the existing authorised share capital of the Company is HK\$100,000,000, divided into 2,000,000,000 Shares of HK\$0.05 each, of which 1,185,914,889 Shares were issued and credited as fully paid up, in the amount of HK\$59,295,744.45.

Under the Restructuring Agreement, it is proposed that the Capital Restructuring will be put forward to the Shareholders for their approval at the SGM. The Capital Restructuring will entail the Capital Reduction, the Capital Cancellation, the Share Consolidation, the Increase in Authorised Share Capital and the Share Premium Reduction with details as follows:

#### *Capital Reduction*

The par value of every Share shall be reduced from HK\$0.05 to HK\$0.000125 by the reduction of HK\$0.049875 par value for each Share. The credit balance arising from the Capital Reduction of approximately HK\$59,147,505 will be applied in a manner as permitted by the Companies Act and other applicable laws to, including but not limited to, the setting off of part of the accumulated losses of the Company as at 31 December 2010 of approximately HK\$804,919,000.

#### *Capital Cancellation*

The existing 814,085,111 Shares in the un-issued share capital of the Company of HK\$40,704,255.55 will, after the completion of the Capital Reduction, be cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to approximately HK\$148,239.

#### *Share Consolidation*

Immediately after the Capital Reduction becomes effective, every 80 Shares of HK\$0.000125 each will be consolidated into one New Share of HK\$0.01 each. As a result, 1,185,914,889 issued shares of the Company of HK\$0.000125 each will be consolidated into 14,823,937 issued New Shares of HK\$0.01 each.

### *Increase in Authorised Share Capital*

Immediately after the Share Consolidation becomes effective, the Company proposes to increase the authorised share capital of the Company from approximately HK\$148,239 to HK\$8,000,000 by the creation of 785,176,063 New Shares.

### *Share Premium Reduction*

The entire amount standing to the credit of the share premium account of the Company as at 31 December 2010, which amounted to approximately HK\$299,180,969, will be reduced and applied to set off against the accumulated losses of the Company or in a manner otherwise permitted by the Companies Act and other applicable laws.

### *Conditions precedent of the Capital Restructuring*

The Capital Restructuring will become effective conditional upon:

- (a) the passing of the necessary resolutions for: (i) the Capital Reduction; (ii) the Capital Cancellation; (iii) the Share Consolidation; (iv) the Increase in Authorized Share Capital; and (v) the Share Premium Reduction by the Shareholders at the SGM;
- (b) the compliance with the requirement of section 46(2) of the Companies Act in respect of the Capital Reduction; and
- (c) the Listing Committee having granted the listing of, and permission to deal in, the New Shares to be issued forthwith upon the Capital Restructuring becoming effective.

The Company will notify the Shareholders of the timetable in relation to the Capital Restructuring by making further announcement(s) as and when appropriate.

### *Effects of the Capital Restructuring*

The following table sets out the effect of the Capital Restructuring on the share capital of the Company before and after completion of the Capital Restructuring:

	<b>Before the Capital Restructuring</b>	<b>After the Capital Restructuring</b>
Nominal value	HK\$0.05	HK\$0.01
Number of authorized shares	2,000,000,000	800,000,000
Authorised share capital	HK\$100,000,000 divided into 2,000,000,000 Shares	HK\$8,000,000 divided into 800,000,000 New Shares
Number of Issued and paid-up shares	1,185,914,889	14,823,937
Issued and paid-up share capital	HK\$59,295,744.45	HK\$148,239.37



## ***Reasons for the Capital Restructuring***

The Capital Reduction is necessary in order to ensure that the Company's share capital accurately reflects the Company's available assets. The net assets of the Company have been substantially depleted by audited accumulated losses of approximately HK\$804 million as at 31 December 2010.

The Capital Restructuring will enable the re-capitalisation of the share capital of the Company through the issue of New Shares. In addition, completion of the Capital Restructuring is one of the conditions precedent for the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the proceeds of which will be applied to the discharge of the Company's liabilities and as general working capital for the existing operations of the Group. The Capital Restructuring will provide the Company with the flexibility to accommodate issues of New Shares in the future when necessary.

Accordingly, the Provisional Liquidators and the Directors are of the view that the implementation of the Capital Restructuring is in the best interests of the Company and the Shareholders as a whole.

## **Open Offer**

Pursuant to the Restructuring Agreement, subject to the Capital Restructuring becoming effective, the Company will take such steps as are necessary to implement the Open Offer on the basis of seven (7) Offer Shares for every one (1) New Share held on the Open Offer Record Date by the Qualifying Shareholders. A total of 103,767,559 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders at the Offer Price of HK\$0.5622 for each Offer Share and the gross proceeds raised via the issue of the Offer Shares will be approximately HK\$58,338,122.

## ***Issue statistics of the Open Offer***

Basis of the Open Offer:	Seven Offer Shares for every one New Share to be held on the Open Offer Record Date
Number of Shares in issue as at the date of this announcement:	1,185,914,889 Shares
Number of New Shares in issue upon the Capital Restructuring becoming effective:	14,823,937 New Shares
Number of Offer Shares to be issued:	103,767,559 Offer Shares, representing: <ul style="list-style-type: none"><li>(a) approximately 8.8% of the existing issued share capital of the Company;</li><li>(b) 700% of the issued share capital of the Company upon completion of the Capital Restructuring;</li></ul>



- (c) 87.5% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares;
- (d) approximately 26.9% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares and the Subscription Shares; and
- (e) approximately 25.9% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares.

Total number of New Shares in issue as enlarged upon completion of the Open Offer:	118,591,496 New Shares
Offer Price:	HK\$0.5622 per Offer Share payable in full on acceptance
Underwriter:	The Investor will procure the Underwriter to (failing which the Investor will) enter into the Underwriting Agreement with the Company on the fully underwritten basis
Number of Underwritten Shares fully underwritten by the Underwriter:	103,767,559 Offer Shares

### ***Underwriting arrangement***

The Company will appoint Asian Capital as the Underwriter to underwrite the Offer Shares on a fully written basis. Asian Capital will procure sub-underwriters to sub-underwrite the Offer Shares, and the Investor may be one of the sub-underwriters to subscribe for all or part of the Offer Shares.

It is expected that the Underwriting Agreement will be executed prior to the despatch of the Circular and details of the Underwriting Agreement will be contained in the Circular. The Company will make further announcement as soon as the Underwriting Agreement is executed.

### **Share Subscription**

Under the Restructuring Agreement, subject to the Capital Restructuring becoming effective, the Investor agreed to subscribe for and the Company agreed to issue and allot 266,830,850 Subscription Shares at the Subscription Price of HK\$0.5622 per Subscription Share for a total consideration of approximately HK\$150,000,000.

### ***Number of the Subscription Shares***

The number of 266,830,850 Subscription Shares represents:

- (a) approximately 22.5 % of the existing issued share capital of the Company;
- (b) approximately 1,800% of the issued share capital of the Company upon completion of the Capital Restructuring;
- (c) approximately 225% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares;
- (d) approximately 69.2% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares and the Subscription Shares; and
- (e) approximately 66.7% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares.

### **Offer Price and Subscription Price**

The Subscription Price and the Offer Price being the same at HK\$0.5622 for each of the Subscription Shares and the Offer Shares represent:

- (a) a discount of approximately 97.6% to the theoretical closing price of HK\$23.6 per share as adjusted for the effect of the Capital Restructuring based on the closing price of HK\$0.29 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 97.5% to the average theoretical closing price of HK\$22.56 per share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK\$0.282 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 97.5% to the average theoretical closing price of HK\$22.64 per share as adjusted for the effect of the Capital Restructuring based on the average closing price of HK\$0.283 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day; and
- (d) a premium of approximately HK\$30.280 over the audited consolidated net liabilities per New Share of approximately HK\$29.718 as at 31 December 2010 (based on the Company's audited consolidated net liabilities of approximately HK\$440.5 million as at 31 December 2010 and 14,823,937 New Shares in issue upon the Capital Restructuring becoming effective).

The Offer Price and the Subscription Price were determined after arm's length negotiations between the Company and the Investor having regard to the fact that the Provisional Liquidators have been

appointed and the long suspension of trading in the Shares on the Stock Exchange, the prevailing stock market conditions, the prospects of the business operations of the Group and the audited consolidated net liabilities per Share of approximately HK\$29.718 as at 31 December 2010.

### **Whitewash Waiver**

Immediately upon completion of the Share Subscription, the Investor and its concert parties will be interested in 266,830,850 New Shares (assuming all Shareholders are Qualifying Shareholders and have taken up his/her entitlement under the Open Offer), representing:

- (a) approximately 1800% of the issued share capital of the Company upon completion of the Capital Restructuring;
- (b) approximately 69.2% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares and the Subscription Shares (assuming all the Shareholders are the Qualifying Shareholders and have taken up his/her entitlement under the Open Offer); and
- (c) approximately 66.7% of the issued share capital of the Company upon completion of the Capital Restructuring as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares (assuming all the Shareholders are the Qualifying Shareholders and have taken up his/her entitlement under the Open Offer).

Pursuant to Rule 26 of the Takeovers Code and in the absence of the Whitewash Waiver, the Investor and its concert parties would trigger an obligation to make a mandatory general offer for all the shares of the Company other than those already owned or agreed to be acquired by the Investor and its concert parties. In this respect, the Investor will make an application to the Executive under the Takeovers Code for the Whitewash Waiver to relieve it from its obligation to make a mandatory general offer as a result of the completion of the Share Subscription, and such grant will be subject to, among other things, approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM by way of poll.

As the shareholding of the Investor will exceed 50% of the issued share capital of the Company following the completion of the Share Subscription, the Investor may increase its shareholding in the Company without incurring any further obligation to make a general offer under the Takeovers Code.

Save for the entering into the Restructuring Agreement, the Investor and its concert parties confirm that they have not dealt in the securities of the Company during the six month period prior to the entering into of the Restructuring Agreement and up to the date of this announcement. The Investor and its concert parties do not hold any shares, outstanding options, derivatives, warrants or other securities convertible into shares of the Company as at the date of this announcement and, save for the entering into the Restructuring Agreement, they have also undertaken not to deal in the securities of the Company before the completion of the Share Subscription.

The Investor and its concert parties and those who are interested in and/or involved in, the Open Offer, the Share Subscription and/or the Whitewash Waiver and/or the Special Deal will abstain from voting on the resolutions approving the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal.

## **Scheme**

As at the date of this announcement, to the best knowledge of the Provisional Liquidators and based on the available books and records of the Company, the Company has 34 Creditors with the estimated total amount of claims against, and the liabilities of, the Company being approximately HK\$405 million under the Scheme.

Pursuant to the Restructuring Agreement, it is proposed that the Scheme will be implemented. Upon the Scheme having become effective:

- (i) the Company will pay a cash sum of HK\$62 million out of proceeds from the Share Subscription to the Creditors;
- (ii) the Company will issue 14,823,936 Creditors Shares, representing approximately 3.7% of the issued share capital of the Company as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, for the benefit of the Creditors. The Creditors Shares will be issued by the Company to the Scheme Administrators or their nominee(s) or a special purpose vehicle controlled by the Scheme Administrators, and the net proceeds from the sale of the Creditor Shares after deducting relevant costs will be paid to the Creditors with claims admitted by the Scheme Administrators on a pro-rata basis under the Scheme; and
- (iii) the Company will transfer the entire equity interests of the Excluded Companies, which were directly or indirectly held by the Company, to a special purpose vehicle of the Scheme Administrators at a nominal value of HK\$1.00. After such transfer, should there be any recovery from the Excluded Companies, the Scheme Administrators may in their sole and absolute discretion realize or sell the assets of the Excluded Companies for the benefit of the Creditors under the Scheme.

Under the Scheme, except for the Preferential Claims, no other claims against the Company will receive any preferential treatments. All the Creditors with claims admitted by the Scheme Administrators under the Scheme will receive the Cash Settlement (after the settlement of the Preferential Claims, the Issuance Costs and the costs of the Scheme), proceeds derived from the sale of the Creditors Shares and realization of the assets of the Excluded Companies, if any, proportionally based on their claims admitted by the Scheme Administrators.

The Scheme which is subject to sanction of the Hong Kong Court and the Bermuda Court respectively shall become effective and legally binding on the Company and all the Creditors, including those voting against the Scheme and those not voting, if the requisite majority (representing more than 50% in number and not less than 75% in value of the claims of creditors who, either in person or by proxy, attend the Scheme Meetings convened with the leave of the relevant courts) votes in favour of the Scheme which the relevant courts thereafter sanction and a copy of each of the relevant court orders sanctioning the Scheme is filed with the relevant Registrars of Companies in Hong Kong and Bermuda respectively.

Upon completion of the Scheme, all the claims against, and liabilities of, the Company (excluding the normal operating liabilities incurred during the ordinary course of business operations of the Group) will be discharged and compromised in full.

### **Special Deal**

As at the date of this announcement, Mr. Yeung as a controlling Shareholder is interested in 416,665,000 Shares, representing approximately 35.13% of the issued share capital of the Company, through Regal Splendid before the Capital Restructuring. Based on books and records available to the Directors and the Provisional Liquidators, the Company owes approximately HK\$68 million to Mr. Yeung which arises from transactions over the years. Therefore, Mr. Yeung is a potential Creditor under the Scheme. As at the date of this announcement, Mr. Yeung has not filed any claim to the Provisional Liquidators.

Under the Scheme, the indebtedness owed to the Creditors will be settled partially by the Creditors Shares and partially by the Cash Settlement which will be funded by the proceeds from the Share Subscription. Subject to adjudication and adjustment, it is estimated that approximately 2,500,000 Creditors Shares with the amount of approximately HK\$9.7 million as the Cash Settlement together with apportioned part of the realization of assets of the Excluded Companies, if any, will be issued and paid by the Company to Mr. Yeung under the Scheme. The settlement with Mr. Yeung under the Scheme will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code.

Save for Mr. Yeung, to the best knowledge and information of the Directors and the Provisional Liquidators, having made all reasonable enquiries, there are no other Creditors who will be allotted the Creditors Shares or be paid the Cash Settlement together with any dividend distributed by or any recovery from the Excluded Companies under the Scheme who are also the Shareholders.

The Company will seek an approval of the Independent Shareholders at the SGM by way of poll to approve the Special Deal. An application will be made by the Company to the Executive for the necessary consent to the Special Deal and such consent, if granted, will be conditional upon the Special Deal being approved by Independent Shareholders by way of poll at the SGM and the Independent Financial Adviser publicly stating in its opinion that the terms of the Special Deal are fair and reasonable. Mr. Yeung, his concert parties and associates are considered to be parties interested in and/or involved in the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal, and shall, therefore, not be eligible to vote on all the relevant resolutions in relation to: (i) the Open Offer; (ii) the Share Subscription; (iii) the Whitewash Waiver; (iv) the Special Deal; and (v) all the relevant transactions contemplated thereunder at the SGM.

**Shareholders and investing public should note that the Executive has expressed concerns on the possible settlement with Mr. Yeung. As such, the Executive may or may not consent to the Special Deal.**

### **Placing down for the Public Float**

After the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, assuming that no Qualifying Shareholder has taken up his/her entitlement under the Open Offer and the Investor has fully subscribed all the Offer Shares, the public Shareholders will hold approximately 7.41% of the issued

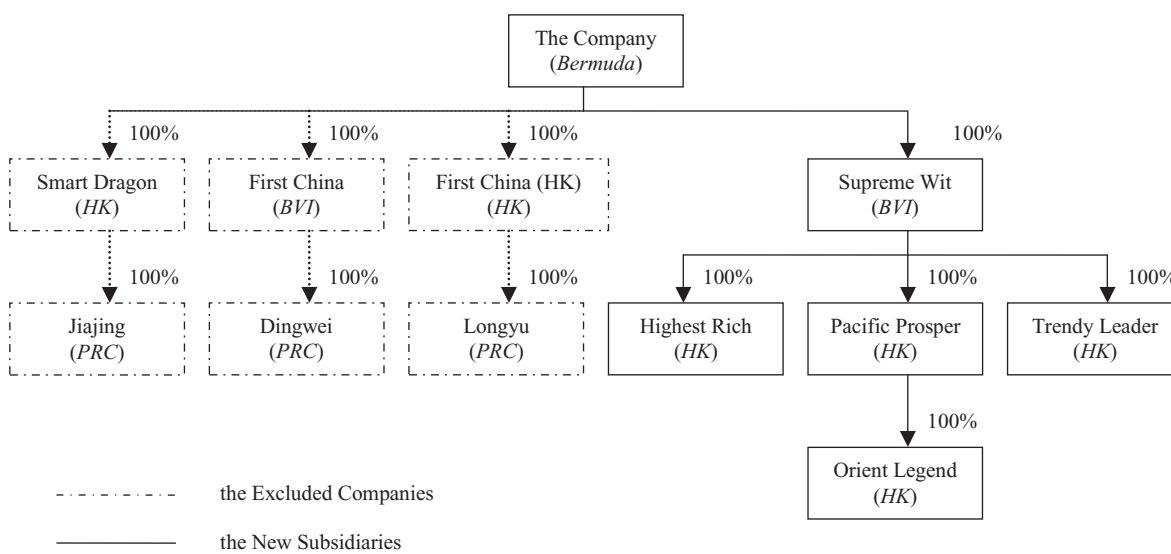
share capital of the Company as enlarged by the issue of the Offer Shares, the Subscription Shares and the Creditors Shares. In such event, the Investor will take appropriate steps, which may include arrangement with a placing agent, to place down a portion of the New Shares for the Investor to other investors who are independent third parties in order to maintain the Public Float (the “**Placing Down**”).

## Group Reorganisation

As set out in paragraphs headed “Information of the Group” below, the Company has still not been able to exert control and authority over the PRC Subsidiaries since the appointment of the Provisional Liquidators, and, as such, financial results of the PRC Subsidiaries have been deconsolidated from the Group’s financial statements since 1 July 2008. At present, the Company’s existing business operations are mainly carried out by the New Subsidiaries, and Smart Dragon, First China and First China (HK) do not have any business operations except for being as the holding companies of the PRC Subsidiaries.

In order to streamline the organizational structure of the Group, facilitate the implementation of the Proposed Restructuring and the future expansion of the Company, it is proposed that the Company will transfer the entire equity interests of the Excluded Companies, which are the overseas holding companies of the PRC Subsidiaries, to a special purpose vehicle controlled by the Scheme Administrators at a nominal value of HK\$1.00. After such transfer, should there be any recovery from the Excluded Companies, the Scheme Administrators may in their sole and absolute discretion dispose of the special purpose vehicle or realize or sell the assets of the Excluded Companies for the benefit of the Creditors under the Scheme.

Upon completion of the Group Reorganisation, only the New Subsidiaries will remain in the Restructured Group, namely, Supreme Wit, Highest Rich, Pacific Prosper, Trendy Leader and Orient Legend. All the Excluded Companies will cease to be subsidiaries or associated companies of the Company and their financial results will no longer be consolidated into the Group’s financial statements upon completion of the Group Reorganisation. Set out below are the Group’s structures as at the date of this announcement:





## **Status of the Offer Shares, the Subscription Shares and the Creditors Shares**

The Offer Shares, the Subscription Shares and the Creditors Shares, which will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the SGM, will rank *pari passu* in all respects among themselves and with the shares of the Company in issue (after the Capital Restructuring) as at the date of allotment and issue of the Offer Shares, the Subscription Shares and the Creditors Shares, including the rights to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Offer Shares, the Subscription Shares and the Creditors Shares.

## **Listing Application**

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the New Shares, the Offer Shares, the Subscription Shares and the Creditors Shares.

Subject to the granting of the listing of, and permission to deal in, the New Shares, Offer Shares, Subscription Shares and Creditors Shares on the Stock Exchange, the New Shares, the Offer Shares, the Subscription Shares and the Creditors Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares, the Offer Shares, the Subscription Shares and the Creditors Shares on the Stock Exchange or under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

## **Conditions Precedent of the Restructuring Agreement**

Completion of the Restructuring Agreement is conditional upon the fulfillment (or valid waiver) of the following conditions on or before the Long Stop Date:

- (a) the approval of the Scheme by the requisite majority of the Creditors at the Scheme Meeting(s);
- (b) the sanction by the Hong Kong Court and Bermuda Court of the Scheme and registration of a copy of the relevant court order sanctioning the Scheme with the registrars of companies in Hong Kong and Bermuda respectively;
- (c) if required, the consent or approval of all other relevant government or regulatory authorities in relation to the Scheme, the Restructuring Agreement and the Resumption Proposal (including the issue of the Offer Shares, the Subscription Shares and Creditors Shares);
- (d) the compliance with the requirement of section 46(2) of the Companies Act in respect of the Capital Reduction;



- (e) the passing of the resolutions to approve, among other things, (i) the Capital Restructuring; (ii) the Open Offer; (iii) the Share Subscription; (iv) the Whitewash Waiver; and (v) the Special Deal, by the Shareholders (with resolutions (ii), (iii), (iv) and (v) to be voted only by the Independent Shareholders) by the required voting majorities at the duly convened SGM;
- (f) the granting of the Whitewash Waiver by the Executive;
- (g) the granting of the consent to the Special Deal by the Executive;
- (h) the granting by the Listing Committee of the listing of, and permission to deal in the New Shares, the Offer Shares, the Subscription Shares and the Creditors Shares having been obtained pursuant to the Restructuring Agreement, the Scheme and the other relevant agreements subject only to (i) the formal issue and allotment of such Offer Shares, Subscription Shares and Creditors Shares; (ii) such other administrative conditions as are customarily stipulated by the Stock Exchange for resumption of trading or listing of the shares of the Company, and such approval not having been revoked; and the approval of the resumption of the trading of the shares of the Company from the Stock Exchange and such approval not having been revoked;
- (i) the provision of a copy, certified by a director or company secretary of the Company as being a true and complete copy, of the completed and signed formal application for listing in the form as set out in Form C1 in Appendix 5 to the Listing Rules submitted to the Stock Exchange seeking approval, *inter alia*, for the listing and permission to deal in the New Shares, the Offer Shares, the Subscription Shares and the Creditors Shares;
- (j) the provision of a copy of the order granted by the Hong Kong Court to unconditionally or conditionally discharge the Provisional Liquidators in respect of the provisional liquidation of the Company (subject only to those conditions to the reasonable satisfaction of the Investor, such as completion of the Proposed Restructuring of the Company);
- (k) the completion of all Excluded Companies, subject to the requirements of the Listing Rules, being transferred out of the Group to the Scheme Administrators or their nominee pursuant to the Scheme; and
- (l) the compliance to all the conditions attached to the approval or decision (if any) made by the Stock Exchange having approved, or decided to allow the Company to proceed with, the Resumption Proposal being fulfilled (other than those conditions relating to or in connection with Completion) or being waived by the Stock Exchange.

The Investor shall have the right to waive the Condition Precedent (g) in relation to the Special Deal. If the resolution in relation to the Special Deal is not approved by the Independent Shareholders at the SGM and/or the Executive does not give its consent to the Special Deal, the Company will not issue the relevant Creditors Shares and pay the Cash Settlement together with any dividend distributed by or any recovery from the Excluded Companies to Mr. Yeung. In such circumstances, the Investor shall have the right to waive such Condition Precedent and the Company will continue to proceed with the Completion.

Subject to production of satisfactory evidence that the Investor has sufficient financial resources to make a general offer for all the Shares and New Shares (as the case may be) pursuant to the Takeovers Code, the Investor shall have the right to waive the Conditions Precedent in relation to the obtaining of the Whitewash Waiver (i.e. Condition Precedent (f)) or the passing of the related resolution for Whitewash Waiver (i.e. Condition Precedent (e) (iv)) by serving a written confirmation of such waiver to all other parties to the Restructuring Agreement.

## Completion

If all the Conditions Precedent are fulfilled (or validly waived), Completion shall take place during normal office hours within five business days following the day on which the last of the Conditions Precedent is fulfilled (or, if applicable, waived) (or such other date as may be agreed by the parties to the Restructuring Agreement in writing in order to coincide with the day of the Resumption, but such date shall in any event no later than the Long Stop Date unless otherwise all parties to the Restructuring Agreement agree in writing) at the office of the Company in Hong Kong (or such other place as may be agreed by the parties to the Restructuring Agreement in writing).

## EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following tables illustrate the effects on the shareholding structure of the Company immediately before and after the Capital Restructuring, the Open Offer, the Share Subscriptions and the issue of the Creditors Shares.

### Scenario A:

*Assuming none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer, and the Investor takes up the Offer Shares in full*

	Shareholding structure as at the date of this announcement		Immediately after the Capital Restructuring		Immediately after the Capital Restructuring and the Open Offer <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>		Immediately after the Capital Restructuring, the Open Offer and the Share Subscription <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>		Immediately after the Capital Restructuring, the Open Offer, the Share Subscription and the issue of the Creditors Shares <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>		Immediately after the Capital Restructuring, the Open Offer, the Share Subscription, the issue of the Creditors Shares and the Placing Down by the Investor <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Huang, the Investor and parties acting in concert with any of them <i>(Note 1)</i>	-	-	-	-	103,767,559	87.50%	370,598,409	96.15%	370,598,409	92.59%	300,184,711	75.00%
<b>Public Shareholders:</b>												
The Creditors	-	-	-	-	-	-	-	-	14,823,936	3.70%	14,823,936	3.70%
Regal Splendid <i>(Note 2)</i>	416,665,000	35.13%	5,208,313	35.13%	5,208,313	4.39%	5,208,313	1.35%	5,208,313	1.30%	5,208,313	1.30%
Existing public Shareholders	769,249,889	64.87%	9,615,624	64.87%	9,615,624	8.11%	9,615,624	2.50%	9,615,624	2.41%	9,615,624	2.40%
Places for the Public Float <i>(Note 1)</i>	-	-	-	-	-	-	-	-	-	-	70,413,698	17.60%
<b>Total</b>	<b>1,185,914,889</b>	<b>100.00%</b>	<b>14,823,937</b>	<b>100.00%</b>	<b>118,591,496</b>	<b>100.00%</b>	<b>385,422,346</b>	<b>100.00%</b>	<b>400,246,282</b>	<b>100.00%</b>	<b>400,246,282</b>	<b>100.00%</b>

**Scenario B:**

***Assuming none of the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer, and the Underwriter (other than the Investor or parties acting in concert with it) has placed the Offer Shares in full to placees which are independent third parties not connected with the directors, chief executives, substantial shareholders of the Company, its subsidiaries or their respective associates and are not acting in concert with the Company or any of its connected persons or the Investor, its beneficial owners or any of their respective concert parties.)***

	Shareholding structure as at the date of this announcement		Immediately after the Capital Restructuring		Immediately after the Capital Restructuring and the Open Offer <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>		Immediately after the Capital Restructuring, the Open Offer and the Share Subscription <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>		Immediately after the Capital Restructuring, the Open Offer, the Share Subscription and the issue of the Creditors Shares <i>(assuming no Qualifying Shareholder has taken up his/her entitlement under the Open Offer)</i>	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Mr. Huang, the Investor and parties acting in concert with any of them</b>	-	-	-	-	-	-	266,830,850	69.23%	266,830,850	66.67%
<b>Public Shareholders:</b>										
Placees for the Offer Shares	-	-	-	-	103,767,559	87.50%	103,767,559	26.92%	103,767,559	25.93%
The Creditors	-	-	-	-	-	-	-	-	14,823,936	3.70%
Regal Splendid <i>(Note 2)</i>	416,665,000	35.13%	5,208,313	35.13%	5,208,313	4.39%	5,208,313	1.35%	5,208,313	1.30%
Existing public Shareholders	769,249,889	64.87%	9,615,624	64.87%	9,615,624	8.11%	9,615,624	2.50%	9,615,624	2.40%
<b>Total</b>	<b>1,185,914,889</b>	<b>100.00%</b>	<b>14,823,937</b>	<b>100.00%</b>	<b>118,591,496</b>	<b>100.00%</b>	<b>385,422,346</b>	<b>100.00%</b>	<b>400,246,282</b>	<b>100.00%</b>

## Scenario C:

### Assuming all the existing Shareholders take up their respective entitlements to the Offer Shares under the Open Offer

	Shareholding structure as at the date of the announcement		Immediately after the Capital Restructuring		Immediately after the Capital Restructuring and the Open Offer (assuming all Qualifying Shareholders have taken up his/her entitlement under the Open Offer)		Immediately after the Capital Restructuring, the Open Offer and the Share Subscription (assuming all Qualifying Shareholders have taken up his/her entitlement under the Open Offer)		Immediately after the Capital Restructuring, the Open Offer, the Share Subscription and the issue of the Creditors Shares (assuming all Qualifying Shareholders have taken up his/her entitlement under the Open Offer)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Huang, the Investor and parties acting in concert with any of them	-	-	-	-	-	-	266,830,850	69.23%	266,830,850	66.67%
<b>Public Shareholders:</b>										
The Creditors	-	-	-	-	-	-	-	-	14,823,936	3.70%
Regal Splendid (Note 2)	416,665,000	35.13%	5,208,313	35.13%	41,666,500	35.13%	41,666,500	10.81%	41,666,500	10.41%
Existing public Shareholders	769,249,889	64.87%	9,615,624	64.87%	76,924,996	64.87%	76,924,996	19.96%	76,924,996	19.22%
<b>Total</b>	<b>1,185,914,889</b>	<b>100.00%</b>	<b>14,823,937</b>	<b>100.00%</b>	<b>118,591,496</b>	<b>100.00%</b>	<b>385,422,346</b>	<b>100.00%</b>	<b>400,246,282</b>	<b>100.00%</b>

#### Notes:

- (1) The Investor will take appropriate steps to maintain the Public Float in the event that its shareholding interest in the Company exceeds 75% of the issued share capital of the Company upon completion of the Open Offer and the Share Subscription.
- (2) Regal Splendid is incorporated in the BVI with limited liability. Mr. Yeung, a former Director and a controlling Shareholder, is the sole registered shareholder of Regal Splendid. On 20 January 2010, Sun Hung Kai Structured Finance Limited and Sun Hung Kai Investment Services Limited obtained a charging order against Regal Splendid, which had pledged its holding of the Charged Shares and defaulted the loan owed to Sun Hung Kai Structured Finance Limited and Sun Hung Kai Investment Services Limited. At the hearing of the petition for winding up of Regal Splendid on 16 March 2012, provisional liquidators have been appointed to Regal Splendid and, among other things, they are also empowered by the Hong Kong Court to exercise voting rights attached to the Charged Shares registered in the name of Regal Splendid.

## REASONS FOR THE ENTERING INTO OF THE RESTRUCTURING AGREEMENT

Trading in the Shares on the Stock Exchange has been suspended since 15 December 2008. On 6 October 2010, Asian Capital on behalf of the Company submitted the Resumption Proposal to the Stock Exchange with the view to seeking the Stock Exchange's approval for the resumption of trading in the shares of the Company. After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Listing Appeals Committee issued the Decision Letter to the Company agreeing in principle that trading in the Shares on the Stock Exchange will be resumed subject to the fulfillment of the Resumption Conditions.

Given the financial situation of the Group and the willingness of the Investor to finance the Group, the Provisional Liquidators and the Directors consider that the entering into the Restructuring Agreement will help to facilitate compliance of the Resumption Conditions, and it is in the interests of the Company and the Shareholders as a whole to issue the Creditors Shares in order to discharge all liabilities of and claims against the Company under the Scheme, and at the same time to raise funds by means of the issue of the Offer Shares and the Subscription Shares. The Open Offer and the Share Subscription will introduce new investors to the Company, strengthen the financial position of the Group and relieve the indebtedness level of the Company. It will also provide the Group with new funds to enhance its existing business operations and flexibility to make investments in new acquisitions or business ventures when suitable opportunities arise in the future.

Having considered the factors above, the Directors and the Provisional Liquidators consider that the terms of the Restructuring Agreement are on normal commercial terms and the entering into the Restructuring Agreement is in the interests of the Company and the Shareholders as a whole.

### **USE OF PROCEEDS FROM THE OPEN OFFER AND THE SHARE SUBSCRIPTION**

The total gross proceeds of approximately HK\$208 million (including approximately HK\$150 million and HK\$58 million to be raised from the Share Subscription and the Open Offer respectively) will be applied as follows:

- (a) approximately HK\$62 million to settle debts owed to the Creditors (including Creditors with preferential claims) under the Scheme; and
- (b) the remaining balance of approximately HK\$146 million to be retained as general working capital of the Restructured Group (including, among others, the payment for costs associated with the Proposed Restructuring).

Pursuant to the Restructuring Agreement, the Pre-Completion Payments will be set off against the monies payable for the Share Subscription by the Investor upon Completion.

### **INFORMATION OF THE GROUP**

The Company was listed on the Stock Exchange in 2002, and was principally engaged in the processing and trading of food products mainly including frozen marine and fresh water fish and functional products. The Group, through Longyu, owned the premises, plant and equipment and operated its food processing activities at its food processing plant in Fuqing, Fujian Province, the PRC.

On 5 November 2008, the Company announced that Deutsche Bank, as a result of the early termination of the Swap claimed against the Company a total amount of US\$15,927,075 plus accrued interest. At the request of the Company, the Shares were suspended from trading on the Stock Exchange on 15 December 2008, pending the release of an announcement in relation to price sensitive information of the Company. On 15 December 2008, the Company received a writ of summons in respect of the alleged default on the Swap lodged by Deutsche Bank as plaintiff.

As repeated attempts to contact Mr. Yeung (a former executive Director and the former chairman of the Company and a controlling Shareholder) and Mr. Yang Le (a former executive Director and the son of Mr. Yeung) were unsuccessful and the Board had difficulties in exercising the authority and control of the Company over the PRC Subsidiaries, the Board decided to place the Company in provisional liquidation and Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, both of Ernst & Young Transactions Limited, were appointed by the Hong Kong Court as the Provisional Liquidators to take control and preserve the assets of the Group.

Since their appointment, the Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions including, among others, taking the PRC Legal Actions to seek to regain control of the PRC Subsidiaries and to preserve the assets of the Group. However, the PRC Legal Actions met with immense resistance from Mr. Yeung and Mr. Yang Le. Given the loss of control over the PRC Subsidiaries, the Company deconsolidated the financial results, assets and liabilities and cash flows of the PRC Subsidiaries from the consolidated financial statements of the Group as from 1 July 2008.

On 30 July 2009, the Company, the Provisional Liquidators, the Investor and Mr. Huang entered into the Exclusivity Agreement with the aim to restructuring the Company. Pursuant to the Exclusivity Agreement, the Investor provided an initial working capital facility of HK\$10 million to the Group to enable the Group to resume business operations. With this financial support, the Group, via Trendy Leader and Highest Rich, resurrected the food trading businesses in October 2009. On 12 April 2010, Supreme Wit and the Investor entered into a new working capital facility agreement, pursuant to which the Investor agreed to increase the working capital facility to HK\$50 million, paving the way to support suitable acquisitions of businesses. On 18 February 2011, a supplemental deed to the new working capital facility agreement was entered into, pursuant to which the Investor agreed to further increase the said facility to the principal amount of up to HK\$70 million.

With the strong support from the Investor, the Company has restored the business operations of the Group via a 3-phase approach, namely (i) the resurrection of the trading business of the Group to re-establish and develop business connections in the food trading and processing businesses via Trendy Leader and Highest Rich; (ii) the establishment of a trading platform to extend the Group's geographical coverage and enlarge the scale of the Group's operations through the acquisition of Orient Legend; and (iii) the entering into the Processing Agreement which has been replaced by the Sincere Gold Agreement to further enhance its in-house value-added processing capability.

As set out in the audited annual report and unaudited interim report published on 23 March 2011 and 21 September 2011 respectively, the Company recorded a turnover of approximately RMB144 million with operating profit of approximately RMB2.5 million for the year ended 31 December 2010 and a turnover of approximately RMB265 million with operating profit of approximately RMB5.1 million for the six months ended 30 June 2011.

## **BACKGROUND AND FUTURE INTENTIONS OF INVESTOR**

### **Background of the Investor**

The Investor is a company incorporated in the BVI with limited liability and its principal business is investment holding. The ultimate beneficial owner and the sole director of the Investor is Mr. Huang.

Mr. Huang has many years of experience in corporate management, in particular, in the mineral and professional wholesale industries. He is a director and has 50% shareholding of Taiyang City Mall Company Limited\* (太陽城商場有限公司), a company located in Shenzhen with a net asset value of approximately RMB200 million. Mr. Huang is also a shareholder of Guangzhou Jiangnan Agriculture Products Wholesale Market\* (廣州江南農副產品批發市場). He is proposed to be appointed as an executive director of the Company and will be responsible for the overall strategic planning of the business development of the Group upon Completion.

The Investor, Mr. Huang and their respective concert parties together with their respective associates have confirmed to the Company that they are independent third parties and not connected persons of the Company as defined under the Listing Rules, and have not dealt in any Shares within the 6-month period prior to the date of this Announcement. The Investor, Mr. Huang and their respective concert parties confirm that they will not deal in any securities of the Company before the completion of the Share Subscription and the Open Offer.

### **Future intention of the Investor**

The Investor has assisted the Provisional Liquidators to devise the business plans and supported their implementation by providing financial support during the restructuring period to enable the reactivation and continuance of the Group's business since October 2009. Upon Completion, the Investor will inject further capital to the Restructured Group through the Share Subscription.

The Investor confirms that it will continue the employment of the existing employees of the Group; and, it has no intention to (i) change the existing principal business of the Group; (ii) dispose of or re-deploy any of the material assets of the Restructured Group other than in the ordinary course of business of the Restructured Group; (iii) inject its assets or business into the Restructured Group; or (iv) sell its controlling interest in the Company for the 12 months after the Resumption.

In addition, the Investor has no agreement, arrangement, negotiation and/or plan to carry on business other than those set out above after the Resumption.

### **Proposed new Board**

As as the date of this announcement, the Board comprises one executive Director, Mr. LEE Wa Lun Warren and three independent non-executive Directors, Mr. WONG Chi Keung, Mr. LEUNG King Yue Alex and Mr. TANG Chi Chung Matthew.



Upon Completion, the Investor proposes to nominate new Directors to strengthen the management of the Group. Further details regarding the proposed Directors will be disclosed in the Circular.

### **Other arrangements**

As at the date hereof, save as disclosed in this announcement,

- (a) neither the Investors, Mr. Huang nor any of the parties acting in concert with any one of them has received any irrevocable commitment in relation to voting of the Restructuring Agreement;
- (b) there is no outstanding derivative in respect of the securities of the Company which has been entered into by the Investor, Mr. Huang or any person acting in concert with any of them;
- (c) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Investor or the Company and which might be material to the Restructuring Agreement;
- (d) there is no agreement or arrangement to which the Investor or Mr. Huang is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Restructuring Agreement; and
- (e) neither the Investor, Mr. Huang nor any of the parties acting in concert with any of them has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Following the Resumption, the Investor will conduct a further review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies in order to enhance the long-term growth potential of the Group.

### **GENERAL**

The SGM will be held at which resolutions will be proposed to consider and, if thought fit, pass the resolutions to approve, among other things, (i) the Capital Restructuring; (ii) the Open Offer; (iii) the Share Subscription; (iv) the Whitewash Waiver; (v) the Special Deal; (vi) the Group Reorganisation; and (vii) all the relevant transactions contemplated thereunder and all these resolutions shall be voted by way of poll.

Mr. Yeung, who is interested in 416,665,000 Shares, representing approximately 35.13% of the issued share capital of the Company before the Capital Restructuring, through Regal Splendid. As the Open Offer would increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of this announcement, the Open Offer is conditional on the approval by the Independent Shareholders by way of poll in the SGM, where the controlling Shareholder, or in the case that the Company has no controlling Shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Open Offer.

In addition, as mentioned in paragraph headed “Special Deal” above, based on the books and records available to the Directors and the Provisional Liquidators, the Company owes approximately HK\$68 million to Mr. Yeung. Therefore, Mr. Yeung is a Creditor under the Scheme. Under the Scheme, the indebtedness owed to the Creditors will be settled partially by the Creditors Shares and partially by the Cash Settlement which will be funded by the proceeds from the Share Subscription. Subject to adjudication and adjustment, it is estimated that approximately 2,500,000 Creditors Shares with the amount of approximately HK\$9.7 million as the Cash Settlement together with apportioned part of the realization of the assets of the Excluded Companies, if any, will be issued and paid by the Company to Mr. Yeung under the Scheme. The settlement with Mr. Yeung under the Scheme will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code.

Thus Mr. Yeung and his concert parties and associates are considered to be parties interested in and/or involved in the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal, and shall, therefore, not be eligible to vote on all the relevant resolutions in relation to: (i) the Open Offer; (ii) the Share Subscription; (iii) the Whitewash Waiver; (iv) the Special Deal; and (v) all the relevant transactions contemplated thereunder at the SGM.

Save for Mr. Yeung, to the best knowledge of the Directors and the Provisional Liquidators having made all reasonable enquiries, the Directors and the Provisional Liquidators are not aware of any other Shareholders who are required to abstain from voting on the relevant resolutions at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew, has been established to advise the Independent Shareholders on the Restructuring Agreement, the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Whitewash Waiver and the Special Deal. An independent financial adviser will be appointed in due course to advise the Independent Board Committee and the Independent Shareholders in relation to the recommendations to voting at the SGM on the resolutions in relation to the Restructuring Agreement, the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Whitewash Waiver and the Special Deal. A further announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

A Circular containing, among other things, details of (i) the Restructuring Agreement and the transactions contemplated thereunder, the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal; (ii) the letter from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser; and (iv) a notice of the SGM, will be despatched to the Shareholders in accordance with the requirements of the relevant provisions of the Companies Ordinance, the Companies Act, the Listing Rules and the Takeovers Code.

## **FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS**

The Company did not carry out any rights issue, open offer or other issue of equity securities for fund raising purpose or otherwise within the past 12 months immediately prior to the date of this announcement.

## DECISION LETTER AND CONTINUED SUSPENSION OF TRADING IN SHARES

Trading in the Shares on the Stock exchange has been suspended since 15 December 2008. After considering the Resumption Proposal submitted by Asian Capital on behalf of the Company, the Listing Appeals Committee issued the Decision Letter to the Company agreeing in principle that the trading in the shares of the Company will be resumed subject to the Company's compliance with the Resumption Conditions as set out below to the satisfaction of the Listing Division:

- (a) the Company's operating profit for the year ended 31 December 2011 should not be less than HK\$18 million;
- (b) obtaining approval from the Company's shareholders and the relevant courts (where applicable) for conditions (c) to (f) below;
- (c) completion of the scheme of arrangement for the Capital Restructuring, which comprises the Capital Reduction, Capital Cancellation, Share Consolidation and the Increase in Authorised Share Capital;
- (d) completion of an Open Offer on the basis of every seven Offer Shares for one New Share at HK\$0.5622 each to be fully underwritten by the Investor;
- (e) obtaining the requisite Creditors' approval for the debt restructuring/Scheme (with the relevant sanction from courts thereafter), under which a cash payment of HK\$62 million out of the proceeds from the Shares Subscription will be paid to the Creditors and the Company will issue 14,823,936 New Shares to the Creditors or the Scheme Administrators for the benefit of the Creditors who agree to enter into the Scheme;
- (f) obtaining approval from the Executive for both the Whitewash Waiver and the Special Deal;
- (g) production of a written confirmation to the Listing Division by an independent auditor confirming the following:
  - (i) completion of the Share Subscription of 266,830,850 New Shares by the Investor at the Subscription Price of HK\$0.5622 each at a total consideration of approximately HK\$150 million; and
  - (ii) the net proceeds from the Share Subscription are held by a bank in Hong Kong in the name of the Company;
- (h) full payment of all and any outstanding listing fees by the Company;
- (i) cancellation of the Debenture over the assets of Supreme Wit;
- (j) confirmation from the Provisional Liquidators, with supporting information, as to the working capital sufficiency of the Company up to and at least twelve months after the date of the Resumption;

- (k) if the Resumption does not take place before 1 April 2012, the Company to have published its audited accounts for the year ended 31 December 2011; and
- (l) the Investor to place down its shares to restore the Public Float (as necessary) within one month after the Resumption.

Save for Resumption Conditions (k) and (l) above, all of the above Resumption Conditions must be complied with to the satisfaction of the Listing Division within six months from the Decision Letter, i.e., 30 March 2012. The deadline may be extended by the Listing Division on good cause being shown by the Company.

As mentioned in the section headed “Conditions Precedent of the Restructuring Agreement”, the Investor shall have the right to waive the Conditions Precedent (e)(iv) and (f) in relation to the Whitewash Waiver and the Condition Precedent (g) in relation to the Special Deal. In the event that the Investor waives any of the aforesaid Conditions Precedent, the Company will seek an amendment to the Resumption Conditions by the Stock Exchange to facilitate the completion of the Proposed Restructuring. However, there is no certainty that the Stock Exchange will agree to such amendment.

Furthermore, Resumption Condition (a) that the Company’s operating profit for the year ended 31 December 2011 should not be less than HK\$18 million, which has been disclosed by the Company on 4 October 2011 pursuant to Rule 13.09 of the Listing Rules, is deemed as a profit forecast pursuant to Rule 10 of the Takeovers Code. Shareholders and potential investors should take note that such figure does not meet the standard required by Rule 10 of the Takeovers Code and that the Shareholders and potential investors should exercise caution in placing reliance on such figure in assessing the merits and demerits of the transactions contemplated in this announcement. The Company will comply with the requirements of Rule 10 of the Takeovers Code in relation to the Resumption Condition (a) in the Circular. In the event that the Company’s financial results for the year ended 31 December 2011 is announced prior to the publication of the Circular, Rule 10 of the Takeovers Code will not be applicable.

Further announcements will be made by the Company when and as appropriate to update the Shareholders and potential investors or any development of the Company.

## **SECURITIES OF THE COMPANY**

As at the date of this announcement, the Company had a total of 1,185,914,889 ordinary shares of HK\$0.05 each in issue, and there were no other convertible securities exchangeable into the shares of the Company outstanding.

## **DEALING DISCLOSURE**

In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined in the Takeovers Code) including persons who owns or controls 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company are hereby reminded to disclose their dealings in the securities of the Company pursuant to the Takeovers Code.

## RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

Stockbrokers, banks and others who deal in relevant securities of the Company on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security of the Company undertaken for a client during any 7-day period is less than HK\$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities of the Company should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.

**Trading of the Shares will continue to be suspended until further notice. The release of this announcement does not necessarily indicate that trading in the shares of the Company will be resumed. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## DEFINITIONS

“acting in concert”	having the meaning ascribed thereto under the Takeovers Code
“Asian Capital”	Asian Capital (Corporate Finance) Limited, a corporation licensed under the SFO to carry on types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities as defined under the SFO, the financial adviser to the Company
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Bermuda Court”	the Supreme Court of Bermuda
“Board”	the board of Directors
“business day(s)”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capital Cancellation”	the proposed cancellation of the unissued share capital of the Company in its entirety immediately after the Capital Reduction becoming effective

“Capital Reduction”	the proposed reduction of the nominal value of each Share from HK\$0.05 to HK\$0.000125
“Capital Restructuring”	the proposed capital restructuring which involves the Capital Reduction, the Capital Cancellation, the Share Consolidation, the Increase in Authorised Share Capital and the Share Premium Reduction
“Cash Settlement”	HK\$62 million in cash to be paid by the Company to partially settle claims against, and liabilities of, the Company with the Creditors under the Scheme
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Charged Shares”	the 416,665,000 Shares registered in the name of Regal Splendid
“China” or “PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
“Circular”	the circular containing, among other things, details of (i) the Restructuring Agreement and the transactions contemplated thereunder, the Open Offer, the Share Subscription, the Whitewash Waiver and the Special Deal; (ii) the letter from the Independent Board Committee; (iii) the letter of advice from the Independent Financial Adviser; and (iv) a notice of the SGM, to be dispatched by the Company to the Shareholders
“Companies Act”	the Companies Act 1981 of Bermuda as amended from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	First Natural Foods Holdings Limited (Provisional Liquidators Appointed), a company incorporated in Bermuda with limited liability, shares of which are listed on the Stock Exchange
“concert parties”	has the meaning ascribed to the term “parties acting in concert” including those presumed to be acting in concert, in the Takeovers Code
“Conditions Precedent”	the conditions precedent of the Restructuring Agreement, as set out paragraph headed “Conditions Precedent of the Restructuring Agreement” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Creditors”	collectively all the creditors of the Company whose claims will be settled under the Scheme

“Creditors Shares”	14,823,936 New Shares, representing approximately 3.7% of the share capital of the Company as enlarged by the issuance of the Offer Shares, the Subscription Shares and the Creditors Shares, to partially settle claims against, and liabilities of, the Company with the Creditors under the Scheme
“Debenture”	the debenture created with a floating charge of the assets of Supreme Wit in favour of the Investor as the security of the Working Capital Facility
“Decision Letter”	the letter dated 30 September 2011 issued by the Stock Exchange to Asian Capital in relation to the granting of approval-in-principle for the Resumption
“Deutsche Bank”	Deutsche Bank AG
“Dingwei”	寧波市頂味食品開發有限公司 (Ningbo Dingwei Food Development Company Limited*), an indirect wholly-owned subsidiary of the Company incorporated in the PRC
“Director(s)”	the director(s) of the Company
“Excluded Companies”	the following subsidiaries of the Company: (i) First China; (ii) First China (HK); (iii) Smart Dragon; (iv) Longyu; (v) Jiajing; and (vi) Dingwei
“Exclusivity Agreement”	the exclusivity agreement and the supplemental exclusivity agreement dated 30 July 2009 and 21 September 2010 respectively entered into among the Investor, Mr. Huang, the Company and the Provisional Liquidators in relation to, among others, granting the exclusivity period to the Investor to negotiate and enter into a restructuring agreement in relation to restructuring of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or his delegate
“First China”	First China Technology Limited, a direct wholly-owned subsidiary of the Company incorporated in the BVI with limited liability
“First China (HK)”	First China Technology (Hong Kong) Limited, a direct wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries



“Group Reorganisation”	the proposed reorganisation of the Group’s structure which envisages that all Excluded Companies be transferred at a nominal value of HK\$1.00 to a nominee of the Scheme Administrators
“Guarantor”	Mr. Huang being the guarantor of the Restructuring Agreement
“Highest Rich”	Highest Rich Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	the High Court of Hong Kong
“Increase in Authorised Share Capital”	the increase of the authorised share capital of the Company to HK\$8,000,000 by the creation of additional 785,176,063 New Shares at a par value of HK\$0.01 each following completion of the Capital Reduction, the Capital Cancellation and the Share Consolidation
“Independent Board Committee”	the independent board committee of the Company, comprising Mr. WONG Chi Keung, Mr. LEUNG King Yue Alex and Mr. TANG Chi Chung Matthew, all independent non-executive Directors
“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the recommendations to voting at the SGM in respect of the Restructuring Agreement, the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Whitewash Waiver and the Special Deal and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (i) the Investor, Mr. Huang and their respective concert parties and (ii) Mr. Yeung and his concert parties and associates, (iii) those Shareholders who are interested or involved in, the Restructuring Agreement, the Open Offer, the Share Subscription, the Scheme, the Special Deal and the Whitewash Waiver
“independent third party(ies)”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules
“Investor”	Group Will Holdings Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Huang
“Issuance Costs”	any costs and expenses incidental to the issuance, transfer and/disposal of Creditors Shares under the terms of the Scheme

“Jiajing”	嘉璟商業(上海)有限公司(Jia Jing Commercial (Shanghai) Company Limited*), an indirect wholly-owned subsidiary of the Company incorporated in the PRC
“Last Trading Day”	14 December 2008, being the last full trading day immediately before the suspension of trading in the Shares
“Listing Appeals Committee”	the Listing Appeals Committee of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Division”	the Listing Division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 30 June 2012 or such later date as the parties to the Restructuring Agreement may agree in writing
“Longyu”	福清隆裕食品開發有限公司 (Fuqing Longyu Food Development Company Limited*), an indirect wholly-owned subsidiary of the Company incorporated in Fuqing, Fujian Province, the PRC
“Mr. Huang”	Mr. Huang Kun Yan, the sole and beneficial owner, a director of the Investor and a third party independent of the Company and its connected persons
“Mr. Yang Le”	Mr. Yang Le, a former executive Director and the son of Mr. Yeung
“Mr. Yeung”	Mr. Yeung Chung Lung, a former executive Director and the former chairman of the Company and a registered shareholder of Regal Splendid, which in turn is the register holder of the Charged Shares.
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company upon the Capital Restructuring becoming effective
“New Subsidiaries”	Supreme Wit, Trendy Leader, Highest Rich and Pacific Prosper, each as a wholly-owned subsidiary of the Company as at the date of this announcement
“Offer Price”	HK\$0.5622 for each of the Offer Shares
“Offer Shares”	New Shares to be allotted and issued under the Open Offer, being 103,767,559 New Shares
“Open Offer”	the proposed issue of the Offer Shares on the basis of seven Offer Shares for every one New Share held by that Qualifying Shareholder on the Open Offer Record Date at the Offer Price

“Open Offer Record Date”	the date by reference to which entitlements under the Open Offer to be determined
“Orient Legend”	Orient Legend International Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Pacific Prosper”	Pacific Prosper Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“PRC Legal Actions”	the legal actions lodged by the Provisional Liquidators in the PRC against Mr. Yeung and Mr. Yang Le, for their illegal possession of the properties of the PRC Subsidiaries
“PRC Subsidiaries”	Longyu, Jiajing and Dingwei
“Pre-Completion Payments”	the total amounts advanced and to be advanced by the Investor prior to Completion by way of the Working Capital Facility (together with any interests accrued thereon) and other fee contributions for the costs associated with the Proposed Restructuring
“Preferential Claim(s)”	any claims which have priority in a winding-up in Hong Kong pursuant to section 265 of the Companies ordinance and/or in Bermuda pursuant to section 236 of the Companies Act
“Proposed Restructuring”	the proposed restructuring of the Company, which involves, among others, the Capital Restructuring, the Open Offer, the Share Subscription, the Scheme and the Group Reorganisation
“Processing Agreement”	the processing agreement dated 26 April 2010 entered into between Trendy Leader and 江門市華深食品有限公司 (Jiangmen Kings Food Limited*) in relation to the provision of processing services to Trendy Leader
“Provisional Liquidators”	Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, both of Ernst & Young Transactions Limited, appointed as the joint and several provisional liquidators of the Company
“Public Float”	having the same meaning ascribed to it under Rule 8.08 of the Listing Rules
“Pubic Shareholders”	having the meaning ascribed thereto under the Listing Rules

“Qualifying Shareholders”	the Shareholders, other than the excluded Shareholders (i.e. Shareholders whose address(es) as shown on the register of members is/are outside in a jurisdiction the laws of which may prohibit the making of the Open Offer to such Shareholders or otherwise require the Company to comply with additional requirements which are (in the opinion of the Directors or the Provisional Liquidators) unduly onerous or burdensome), whose names appear on the register of members of the Company as at the close of business on the Open Offer Record Date
“Regal Splendid”	Regal Splendid Limited (provisional liquidators appointed), a company incorporated in the BVI
“Restructured Group”	the Group after completion of the Group Reorganisation
“Restructuring Agreement”	the restructuring agreement dated 5 January 2012 entered into among the Company, the Provisional Liquidators, the Investor and the Guarantor in relation to the Proposed Restructuring of the Company
“Resumption”	the resumption of trading in the shares of the Company on the Stock Exchange
“Resumption Conditions”	the various conditions imposed by the Stock Exchange and set out in the Decision Letter (or any other conditions which may be imposed by the Stock Exchange) for the purpose of allowing the Resumption
“Resumption Proposal”	the proposal submitted to the Stock Exchange on 6 October 2010 (together with various subsequent relevant submissions) by Asian Capital on behalf of the Company for the purpose of seeking the Resumption
“Scheme”	the proposed scheme of arrangement for the Company under Section 166 of the Companies Ordinance and section 99 of the Companies ACT made between the Company and its Creditors, in its present form, or with or subject to any modification of it, any addition to it or any condition approved or imposed by the Hong Kong Court and/or the Bermuda Court
“Scheme Administrators”	such persons who are appointed as scheme administrators or their successors pursuant to the terms of the Scheme
“Scheme Meeting(s)”	the meeting(s) of the Creditors to be convened at the direction of the Bermuda Court and/or the Hong Kong Court
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)

“SGM”	the special general meeting of the Company to be held to consider, among others, all the resolutions of the Company necessary or appropriate in relation to the Restructuring Agreement, the Capital Restructuring, the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Whitewash Waiver, the Special Deal and the Group Reorganisation
“Share(s)”	ordinary share(s) of HK\$0.05 each in the issued share capital of the Company before the Capital Restructuring
“Shareholder(s)”	holder(s) of the shares of the Company
“Share Consolidation”	the proposed consolidation of every 80 issued shares of the Company with par value of HK\$0.000125 each immediately upon the Capital Reduction becoming effective into one New Share
“Share Premium Reduction”	the proposed reduction of the share premium account of the Company as at 31 December 2010 of approximately HK\$299,180,969, which will be applied to set off part of the accumulated losses of the Company
“Share Subscription”	the subscription of 266,830,850 New Shares by the Investor for the amount of approximately HK\$150 million at the Subscription Price
“Sincere Gold Agreement”	the agreement dated 5 October 2010 in relation to the Sincere Gold Rights
“Sincere Gold Assets”	all assets, equipment, property and rights (including the benefit of any debts, mortgage or charge) which Sincere Gold Companies own
“Sincere Gold Companies”	Sincere Gold International Group Holdings Limited (BVI), Kings Food Limited (Hong Kong), Kings Holdings Limited (Hong Kong), 江門市華深食品有限公司 (Jiangmen Kings Food Limited*) (PRC) and 江門深盛食品有限公司 (Jiangmen Shum Shing Food Limited*) (PRC)
“Sincere Gold Properties”	the piece of land with an area of approximately 13,027 square meters located at No. 32 of Technology and Economic Zoo of Jiangmen* (江門市高新區32號地段) together with a one story building and a two stories building erected on it, which are all owned by 江門深盛食品有限公司 (Jiangmen Shum Shing Food Limited*)
“Sincere Gold Rights”	the full rights to take, complete and deliver all the processing orders for and on behalf of the Sincere Gold Companies or under the name of any Sincere Gold Companies and to use, utilize and control the Sincere Gold Assets and Sincere Gold Properties for the purpose of taking, completing and delivering of all the orders placed by Pacific Prosper pursuant to the terms under the Sincere Gold Agreement

“Smart Dragon”	Smart Dragon International Trading Limited, a direct wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Special Deal”	the proposed settlement of the indebtedness of approximately HK\$68 million owed to Mr. Yeung under the Scheme, which will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.5622 being the price per Subscription Share at which the Investor agreed to subscribe for the Subscription Shares
“Subscription Shares”	266,830,850 New Shares to be allotted and issued by the Company to the Investor
“Supreme Wit”	Supreme Wit Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company
“Swap”	a US\$ interest rate swap entered into between the Company and Deutsche Bank on 25 April 2007, with a notional amount of US\$100,000,000 and a tenor of 5 years
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Trendy Leader”	Trendy Leader Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Underwriter”	Asian Capital, an underwriter to be appointed by the Company to underwrite the Offer Shares on the fully written basis
“Underwriting Agreement”	the underwriting agreement to be entered into between the Company and the Underwriter in relation to the Open Offer pursuant to which the Underwriter will fully underwrite the Offer Shares not accepted by the Shareholders under the Open Offer
“Working Capital Facility”	the working capital facility up to HK\$70 million provided by the Investor to the Group pursuant to the terms of the Working Capital Facility Agreement
“Working Capital Facility Agreement”	the working capital facility agreement dated 12 April 2010 (supplemented by a supplemental deed dated 18 February 2011) entered into between Supreme Wit and the Investor in relation to the provision of the Working Capital Facility

“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the part of the Investor, Mr. Huang and their concert parties to make a mandatory general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by the Investor, Mr. Huang and their connected parties as a result of the completion of the Share Subscription and/or the Open Offer
“HK\$” and “HK cents”	Hong Kong dollar(s) and cents, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For and on behalf of  
**First Natural Foods Holdings Limited**  
**(Provisional Liquidators Appointed)**  
**Stephen Liu Yiu Keung**  
**David Yen Ching Wai**  
*Joint & Several Provisional Liquidators*

By order of the Board of  
**First Natural Foods Holdings Limited**  
**(Provisional Liquidators Appointed)**  
**Wong Chi Keung**  
*Chairman*

Hong Kong, 26 March 2012

*As at the date of this announcement, the Board comprises one executive Director, Mr. LEE Wa Lun Warren and three independent non-executive Directors, Mr. WONG Chi Keung, Mr. LEUNG King Yue Alex and Mr. TANG Chi Chung Matthew.*

*This announcement, for which the Directors and the Provisional Liquidators collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors and the Provisional Liquidators having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*The Directors and the Provisional Liquidators jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

\* *For identification purpose only*