



**FIRST NATURAL FOODS HOLDINGS LIMITED**

(Provisional Liquidators Appointed)

**第一天然食品有限公司\***

(已委任臨時清盤人)

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 01076)**

**Interim Report 2012**

\* *for identification purpose only*

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# Corporate Information

## JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

LIU Yiu Keung, Stephen  
*(appointed by the High Court of the HKSAR on 6 January 2009)*

YEN Ching Wai, David  
*(appointed by the High Court of the HKSAR on 6 January 2009)*

## BOARD OF DIRECTORS

### Executive Director

LEE Wa Lun, Warren

### Independent Non-executive Directors

LEUNG King Yue, Alex  
TANG Chi Chung, Matthew  
WONG Chi Keung

## LEGAL ADVISERS

*as to Hong Kong law*  
P. C. Woo & Co.

*as to Bermuda law*  
Conyers Dill & Pearman

## AUDITOR

ANDA CPA Limited

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
17M Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL BANKERS (BEFORE APPOINTMENT OF THE JOINT AND SEVERAL PROVISIONAL LIQUIDATORS)

CITIC Ka Wah Bank Limited (now known as CITIC Bank International Limited)  
China Construction Bank (Asia) Limited  
DBS Bank Ltd., Guangzhou Branch  
Xiamen International Bank  
Taishin International Bank Co., Limited  
Hong Kong Branch

## WEBSITE

<http://www.equitynet.com.hk/1076>

## STOCK CODE

01076

# Review of Operations

## RESULTS

First Natural Foods Holdings Limited (Provisional Liquidators Appointed) (the “**Company**”) and its subsidiaries (collectively the “**Group**”) recorded turnover and gross profit of approximately RMB283,468,000 (2011: approximately RMB265,142,000) and approximately RMB7,158,000 (2011: approximately RMB8,209,000) respectively for the six months ended 30 June 2012. Loss attributable to owners of the Company was approximately RMB777,000 for the six months ended 30 June 2012 (2011: profit of approximately RMB391,000). The Group’s total turnover represented an increase of approximately 7% as compared to 2011 over the same period, while gross profit decreased approximately 13%.

The consolidated results of the Group for the six months ended 30 June 2012 and the state of affairs of the Group at that date are set out in the unaudited condensed consolidated interim financial statements on pages 11 and 12, respectively.

The Group’s interim financial information for the six months ended 30 June 2012 have been reviewed by the joint and several provisional liquidators of the Company (the “**Provisional Liquidators**”) and the audit committee of the Company (the “**Audit Committee**”). However, as the consolidated financial statements of the Group for each of the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 were disclaimed by the auditor of the Company and the Group’s interim results for the six months ended 30 June 2012 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012.

## INTERIM DIVIDEND

The directors of the Company (the “**Directors**”) do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

# Review of Operations (Continued)

## BUSINESS REVIEW

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

During the first half of financial year 2012, the Company continued to integrate the different aspects of business operations to improve its overall operations despite the volatility of the global economic environment, the European debt crises, the slow economic recovery in the North America and the slow economic growth in the People's Republic of China (the "PRC").

Orient Legend International Limited ("**Orient Legend**"), which was acquired in late 2010 to serve as trading business arm of the Group has continued to contribute significantly to the sales of the Group. Despite relatively low profit margin, the Company believes that trading business of Orient Legend has enabled the Group to re-establish a trading platform to extend the Group's geographical coverage and enlarge the scale of the Group's operations.

The Group has been reaping the benefits of the processing agreement entered into between a subsidiary of the Company and independent third parties, which have production and processing facilities in Jiangmen, Guangdong Province, the PRC (the "**Sincere Gold Agreement**") in late 2010 and completed in early 2011. The value-added services of the Group have been expanded and strengthened through the Jiangmen processing plant by taking advantage of the established trading volume already achieved by the Group. With the in-house processing capabilities under the arrangement of the Sincere Gold Agreement, certain products covered by the trading orders received by the Group have been processed by the Jiangmen processing plant. In addition, the Group also provided food processing services to customers by using the processing facilities and derived processing income during the period under review.

In addition, to further expand the Group's business, the Group continued to distribute frozen foods products in Beijing area, having recognised a strong demand for frozen food products in the PRC.

## RESTRUCTURING OF THE GROUP

Trading in the shares of the Company (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended since 9:30 a.m. on 15 December 2008 at the request of the Company. Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the Provisional Liquidators by the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong Court**") on 6 January 2009.

# Review of Operations (Continued)

## RESTRUCTURING OF THE GROUP (CONTINUED)

The Provisional Liquidators have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets and to assess the situation of the subsidiaries in the PRC. However, without the assistance of the former executive Directors, Mr. Yeung Chung Lung (“**Mr. Yeung**”) and Mr. Yang Le, who were the legal representatives of the subsidiaries in the PRC, the Provisional Liquidators would not be able to proceed the same. As such, legal actions have been taken against Mr. Yeung and Mr. Yang Le, in respective regions in the PRC for the possible damages to the Group resulting from their illegal possessions of the properties of the subsidiaries in the PRC, including but not limited to, the company chops and statutory certificates of the subsidiaries in the PRC. As the Provisional Liquidators have encountered difficulties in recovering the assets in the PRC, without funding from creditors or other third parties, the Provisional Liquidators are unable to pursue the existing actions any further.

In view of the uncertainties as to how the assets of these PRC subsidiaries could be recovered, on 30 July 2009, the Company, the Provisional Liquidators, Groupwill Holdings Limited (the “**Investor**”) and Mr. Huang Kunyan (“**Mr. Huang**”) entered into an exclusivity agreement (the “**Exclusivity Agreement**”) with the aim to restructuring the Company. Further to the Exclusivity Agreement, by entering into a working capital facility agreement, the Investor agreed to provide up to HK\$70 million of working capital to enable the Group to resume its business operations.

On 6 October 2010, Asian Capital (Corporate Finance) Limited (“**Asian Capital**”), the financial advisor to the Company, and the Provisional Liquidators submitted a resumption proposal (the “**Resumption Proposal**”) to the Stock Exchange.

On 30 September 2011, the Listing Appeals Committee of the Stock Exchange (the “**Listing Appeals Committee**”) decided to accept the Resumption Proposal set out in the Company’s submission (the “**Resumption Submission**”), subject to the Company’s compliance with the following conditions (the “**Resumption Conditions**”) to the satisfaction of the Listing Division of the Stock Exchange (the “**Listing Division**”) as extracted and disclosed below:

- 1) the Company’s operating profit for the year ending 2011 should not be less than HK\$18 million;
- 2) obtaining approval from the Company’s shareholders (the “**Shareholders**”) and the relevant courts (where applicable) for conditions 3 to 6;
- 3) completion of the arrangement for the capital reorganisation (the “**Capital Restructuring**”), which comprises the capital reduction, capital cancellation, share consolidation and the increase in authorised share capital as set out in the Resumption Submission;

# Review of Operations (Continued)

## RESTRUCTURING OF THE GROUP (CONTINUED)

- 4) completion of an open offer (the “**Open Offer**”) on the basis of 7 offer shares (the “**Offer Shares**”) for every one new share of the Company (“**New Share**”) after the Capital Restructuring at HK\$0.5622 each to be fully underwritten by the Investor as set out in the Resumption Submission;
- 5) obtaining the requisite creditors’ approval for the debt restructuring/schemes of arrangement (with the relevant sanction from courts thereafter), under which a cash payment of HK\$62 million out of the proceeds from the Share Subscription (as defined below) by the investor will be paid to the Company’s creditors (the “**Creditors**”) and the Company will issue 14,823,936 New Shares (the “**Creditors Shares**”) after the Capital Restructuring to the Creditors or the scheme administrators (the “**Scheme Administrators**”) for the benefit of the Company’s creditors who agree to enter into the schemes of arrangement;
- 6) obtaining approval from the Executive of the Securities and Futures Commission for both the whitewash waiver and the special deal as set out in the Resumption Submission;
- 7) production of a written confirmation to the Listing Division by an independent auditor confirming the following:
  - a. completion of the share subscription of 266,830,850 New Shares of the Company (the “**Subscription Shares**”) after the capital reorganization by the Investor at the subscription price of HK\$0.5622 each at a total consideration of HK\$150 million (the “**Share Subscription**”); and
  - b. the net proceeds from the Share Subscription by the Investor are held by a bank in Hong Kong in the name of the Company;
- 8) full payment of all and any outstanding listing fees by the Company;
- 9) cancellation of the debenture over the assets of Supreme Wit Limited (“**Supreme Wit**”), a direct wholly-owned subsidiary of the Company;
- 10) 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 resumption;
- 11) if resumption of trading does not take place before 1 April 2012, the Company to have published its audited accounts for the year ending 31 December 2011; and
- 12) the Investor to place down its shares to restore public float (as necessary) within one month of resumption of trading.

# Review of Operations (Continued)

## RESTRUCTURING OF THE GROUP (CONTINUED)

Save for conditions 11 and 12, all of the Resumption Conditions must be complied with to the satisfaction of the Listing Division within six months from the date of the decision letter (the “**Listing Decision**”). The deadline may be extended by the Listing Division on good cause being shown by the Company.

After receiving the Listing Decision, on 5 January 2012, the Company, the Provisional Liquidators, the Investor and Mr. Huang as the guarantor entered into an agreement (the “**Restructuring Agreement**”) to implement the proposed restructuring (the “**Proposed Restructuring**”) set out in the Resumption Submission. The Restructuring Agreement was supplemented by side letters dated 1 June 2012 and 9 July 2012 respectively.

Under the Proposed Restructuring, it is proposed that a scheme of arrangement for the Company under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and the Companies Act 1981 of Bermuda (as amended from time to time) to be made between the Company and its Creditors (the “**Scheme**”). On 20 March 2012, both Hong Kong Court and Supreme Court of Bermuda (the “**Bermuda Court**”) granted orders to convene the Creditors’ meeting (the “**Creditors’ Meeting**”) to approve the Scheme. The Creditors’ Meeting of the Scheme was convened on 26 April 2012 and the resolution to approve the Scheme was duly passed. The Scheme was then sanctioned by the Hong Kong Court and the Bermuda Court on 16 May 2012 and 18 May 2012 respectively.

On 12 July 2012, the circular (the “**Circular**”) in relation to, inter alia, the Proposed Restructuring was despatched to the Shareholders and the relevant notice of special general meeting (the “**SGM**”) was also despatched. All the resolutions were duly approved by way of poll at the SGM on 6 August 2012.

As part of the Proposed Restructuring, the Capital Restructuring has become effective since 7 August 2012. A prospectus in relation to the Open Offer was despatched to the Shareholders on 10 August 2012. The results of the Open Offer are expected to be announced by the Company on 30 August 2012.

As the Company was unable to fully satisfy the Resumption Conditions within the deadline imposed by the Listing Appeals Committee as set out in the Listing Decision, the Company made applications to the Listing Division seeking additional time for the Company to fully satisfy the Resumption Conditions. As announced by the Company on 20 July 2012, by a letter dated 19 July 2012, the Listing Division agreed to extend the deadline for the Company to fully satisfy the Resumption Conditions to 30 September 2012.

The Provisional Liquidators and the Company are taking necessary steps to fulfill the Resumption Conditions. Further announcement(s) will be made as and when appropriate to update the Shareholders the latest development of the Proposed Restructuring.

The Provisional Liquidators have provided regular updates on the status of the Group to the Hong Kong Court and suggested the adjournment of granting the winding-up order against the Company. On 11 July 2012, the hearing of the winding-up petition has been further adjourned to 15 October 2012.



# Review of Operations (Continued)

## PROSPECTS

The world economy continues to remain uncertain and the future is expected to be full of risks and challenges. However, the Group remains cautiously optimistic on its core business of processing and trading of foods products, especially by utilising the capacities of the food processing facilities leased under the Sincere Gold Agreement. The Group will continue to explore new customers in the PRC and diversify the products range with a view to increase sales through retail and wholesale channels. The Group will continue to prudently implement the above strategies for the benefit of the Group and all its stakeholders.

As set out in the section headed "RESTRUCTURING OF THE GROUP" above, the Company, the Provisional Liquidators and the Investor are now taking appropriate steps to fulfil the Resumption Conditions. The Company believes that with additional funds to be injected after completion of the Proposed Restructuring, the Group will be in a better position to capture more market opportunities in the future.

## LIQUIDITY AND FINANCIAL RESOURCES

The net cash inflow from operating activities for the six months ended 30 June 2012 was approximately RMB859,000 as compared to a net cash outflow from operating activities of approximately RMB31,944,000 over the same period in 2011. Cash and cash equivalents as at 30 June 2012 amounted to approximately RMB26,222,000 (31 December 2011: approximately RMB29,586,000). At 30 June 2012, the Group had bank and other borrowings of approximately RMB175,336,000 (31 December 2011: approximately RMB176,278,000) which was due on demand. The Group's gearing ratio measured on the basis of the Group's interest bearings liabilities divided by total equity as at 30 June 2012 was not applicable as the Group had net deficiency in equity (31 December 2011: not applicable).

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

## CAPITAL STRUCTURE

For the six months ended 30 June 2012, there was no change in the capital structure and issued share capital of the Company.

As mentioned in the section headed "RESTRUCTURING OF THE GROUP" above, as part of the Proposed Restructuring, the Capital Restructuring has become effective since 7 August 2012. Upon the Capital Restructuring becoming effective, the authorised share capital of the Company was HK\$8,000,000 divided into 800,000,000 New Shares of HK\$0.01 each, of which 14,823,936 New Shares were in issue and credited as fully paid up, in the amount of HK\$148,239.36.

# Review of Operations (Continued)

## **CAPITAL STRUCTURE (CONTINUED)**

As set out in the Circular, the Company conducted 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 103,767,552 Offer Shares shall 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\$58,338,000. The results of the Open Offer are expected to be announced by the Company on 30 August 2012.

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

In addition, pursuant to the Restructuring Agreement and the Scheme, the Company shall issue 14,823,936 Creditors Shares for the benefit of the Creditors. The Creditors Shares shall be issued by the Company to the Scheme Administrators or their nominee(s), and the net proceeds from the sale of the Creditors Shares will be paid to the Creditors with claims admitted by the Scheme Administrators on a pro-rata basis under the Scheme.

After the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Company shall have issued a total of 400,246,274 New Shares fully paid or credited as fully paid up in the total amount of HK\$4,002,462.74.

## **RISK OF FOREIGN EXCHANGE FLUCTUATION**

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

In April 2007, the Company entered into an interest rate swap contract with a notional amount of US\$100,000,000 with a commercial bank. On 3 November 2008, the commercial bank served the Company with a notice of early termination and made a claim against the Company. As at 30 June 2012, the said claim had a carrying amount of US\$15,979,544 (equivalent to approximately RMB101,105,000). Details are set out in note 17 to the unaudited condensed consolidated interim financial statements.

# Review of Operations (Continued)

## EMPLOYEES AND REMUNERATION POLICIES

Other than the Directors, the Group employed 12 staff in Hong Kong and 3 staff in the PRC as at 30 June 2012. Remuneration package is reviewed annually by the Group and determined by reference to market scale and individual performance. In addition to salary payments, the Group also provides other employment benefits such as a provident fund.

## SIGNIFICANT INVESTMENTS AND ACQUISITION

The Company announced on 4 January 2012 that the sale and purchase agreement (the “**Agreement**”) in relation to the acquisition of Sprintech Development Limited dated 10 June 2011 was lapsed. The Company considered that such lapse of the Agreement will not have material adverse effect to the Group.

Save as mentioned above, the Group did not make any significant investment nor did it make any material acquisition for the six months ended 30 June 2012.

## CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 21 to the unaudited condensed consolidated interim financial statements.

## COMMITMENTS

Details of the commitments of the Group are set out in note 20 to the unaudited condensed consolidated interim financial statements.

## CHARGES ON GROUP'S ASSETS

As disclosed in notes 17 and 22 to the unaudited condensed consolidated interim financial statements, the Investor and Supreme Wit entered into a facility agreement on 12 April 2010 pursuant to which the Investor agreed to provide a working capital facility to Supreme Wit (the “**Facility Agreement**”). The Facility Agreement was secured by a debenture (the “**Debenture**”) issued by Supreme Wit on 12 April 2010 with a floating charge on all the assets issued by Supreme Wit executed in favour of the Investor. On 18 February 2011, a supplemental deed was entered into, pursuant to which the Investor agreed to increase the said facility to the principal amount of up to HK\$70 million. It is one of the Resumption Conditions that the Debenture be cancelled. It is expected that the Debenture will be cancelled when the amount due to Investor is offset against the subscription money under the Share Subscription.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)
<b>Turnover</b>	3&5	<b>283,468</b>	265,142
Cost of sales		<b>(276,310)</b>	(256,933)
Gross profit		<b>7,158</b>	8,209
Other income	4	<b>5,852</b>	3,014
Selling expenses		<b>(994)</b>	(47)
Administrative expenses		<b>(5,535)</b>	(5,178)
<b>Profit from operations</b>		<b>6,481</b>	5,998
Restructuring costs	6	<b>(2,253)</b>	(947)
Finance costs	7	<b>(3,914)</b>	(3,549)
<b>Profit before tax</b>	8	<b>314</b>	1,502
Income tax expense	9	<b>(1,091)</b>	(1,111)
<b>(Loss)/profit for the period attributable to owners of the Company</b>		<b>(777)</b>	391
<b>Other comprehensive income for the period, net of tax:</b>			
Exchange differences on translating foreign operations		<b>1,846</b>	8,020
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>1,069</b>	8,411
<b>(Loss)/earnings per share attributable to owners of the Company</b>	11		
Basic and diluted (RMB cents per share)		<b>(5.24)</b>	2.64

# Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	233	210
Prepayments, deposits and other receivables	13	22,669	24,018
Goodwill		4,959	4,986
Deferred tax assets		202	207
		<b>28,063</b>	29,421
<b>Current assets</b>			
Inventories	14	1,648	3,424
Trade receivables	15	48,642	39,072
Prepayments, deposits and other receivables	13	6,754	6,463
Bank and cash balances		26,222	29,586
		<b>83,266</b>	78,545
<b>Current liabilities</b>			
Trade and bills payables	16	20,900	13,745
Accruals, other payables and deposits received	17	256,371	261,365
Bank and other borrowings	18	175,336	176,278
Financial guarantee liabilities		13,500	13,500
Current tax liabilities		2,612	1,537
		<b>468,719</b>	466,425
<b>Net current liabilities</b>		<b>(385,453)</b>	(387,880)
<b>NET LIABILITIES</b>		<b>(357,390)</b>	(358,459)
<b>Capital and reserves</b>			
Share capital	19	61,387	61,387
Reserves		(418,777)	(419,846)
<b>TOTAL EQUITY</b>		<b>(357,390)</b>	(358,459)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	61,387	300,028	41,421	46,217	(823,264)	(374,211)
Total comprehensive income for the period (Unaudited)	-	-	-	8,020	391	8,411
At 30 June 2011 (Unaudited)	61,387	300,028	41,421	54,237	(822,873)	(365,800)
At 1 January 2012	<b>61,387</b>	<b>300,028</b>	<b>41,421</b>	<b>59,696</b>	<b>(820,991)</b>	<b>(358,459)</b>
Total comprehensive income/(expense) for the period (Unaudited)	-	-	-	1,846	(777)	1,069
At 30 June 2012 (Unaudited)	<b>61,387</b>	<b>300,028</b>	<b>41,421</b>	<b>61,542</b>	<b>(821,768)</b>	<b>(357,390)</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	<b>Six months ended 30 June</b>	
	<b>2012</b> <b>RMB'000</b> <b>(Unaudited)</b>	2011 RMB'000 (Unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>859</b>	(31,944)
<b>Net cash used in investing activities</b>	<b>(4,085)</b>	(219)
<b>Net cash (used in)/generated from financing activities</b>	<b>(345)</b>	32,924
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,571)</b>	761
Effect of foreign exchange rate changes	<b>207</b>	165
<b>Cash and cash equivalents at beginning of period</b>	<b>29,586</b>	13,485
<b>Cash and cash equivalents at end of period</b>	<b>26,222</b>	14,411
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	<b>26,222</b>	14,411

# Notes to Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011.

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

The Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been reviewed by the Provisional Liquidators and the Audit Committee. However, as the consolidated financial statements of the Group for the year ended 31 December 2011 were disclaimed by the auditor of the Company and the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group’s unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012.

### *Going concern*

The Group had net current liabilities and net liabilities of approximately RMB385,453,000 and approximately RMB357,390,000 as at 30 June 2012 respectively (31 December 2011: approximately RMB387,880,000 and approximately RMB358,459,000 respectively). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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



# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2011. In the current period, the Group has adopted for the first time the following new and revised HKFRSs issued by the HKICPA which are or have become effective for its accounting year beginning on 1 January 2012:

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”), HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior years.

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle <sup>2</sup>
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government loans <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 Amendments	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

## 3. TURNOVER

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Sales of goods	283,468	265,142

## 4. OTHER INCOME

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Food processing income	4,745	1,741
Commission income	266	712
Storage fee income	371	546
Net exchange gain	426	–
Interest income	38	15
Sundry income	6	–
	5,852	3,014

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 5. SEGMENT INFORMATION

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

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

	Frozen and functional food products	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Six months ended 30 June:		
Revenue from external customers	283,468	265,142
Segment profit	6,668	6,536
As at 30 June 2012/ 31 December 2011:	(Unaudited)	(Audited)
Segment assets	99,707	95,730

Reconciliation of segment profit or loss:

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited) (Restated)
Segment profit	6,668	6,536
Unallocated amounts:		
Unallocated corporate income and expenses	(357)	(538)
Restructuring costs	(2,253)	(947)
Finance costs arising from bank borrowings	(3,744)	(3,549)
Consolidated profit before tax	314	1,502

## 6. RESTRUCTURING COSTS

Restructuring costs mainly included the legal fees, fee to the financial advisor and the Provisional Liquidators and other professional fees for implementing the Proposed Restructuring. Such expenses are financed by the Investor and non-recurring in nature.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 7. FINANCE COSTS

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest expenses on:		
Bank borrowings wholly repayable within 1 year or on demand	3,744	3,549
Other borrowing wholly repayable within 1 year	170	–
	<b>3,914</b>	3,549

## 8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Directors' emoluments		
As directors	110	118
For management	–	–
	<b>110</b>	118
Staff costs including directors' emoluments		
Salaries, bonus and allowances	1,603	1,233
Retirement benefits scheme contributions	83	72
	<b>1,686</b>	1,305
Cost of inventories sold	<b>276,310</b>	256,933
Depreciation	32	23
Net exchange loss	–	22
Other operating lease charges on the Sincere Gold Agreement (note 13 (a))	<b>1,223</b>	945
Operating lease charges on land and buildings	<b>360</b>	326

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Current tax - Hong Kong Profits Tax provided for the period	1,091	1,111

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period.

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

## 10. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: nil).

## 11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### *Basic (loss)/earnings per share*

The calculation of basic loss (2011: earnings) per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately RMB777,000 (2011: profit for the period attributable to owners of the Company of approximately RMB391,000) and the weighted average number of approximately 14,823,936 ordinary shares (2011: approximately 14,823,936 ordinary shares) having been adjusted and restated respectively resulting from the share consolidation where every eighty (80) issued shares of the Company becoming effective into one (1) New Share since 7 August 2012.

### *Diluted (loss)/earnings per share*

Diluted (loss)/earnings per share attributable to owners of the Company for both periods are the same as the respective basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during both periods.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately RMB57,000 (31 December 2011: approximately RMB244,000).

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
<b>Non-current assets</b>		
Prepayment and deposit for the Sincere Gold Agreement (note (a))	<b>22,669</b>	24,018
<b>Current assets</b>		
Prepayment and deposit for the Sincere Gold Agreement (note (a))	<b>2,440</b>	2,453
Deposit for the Agreement (note (b))	–	409
Advances to suppliers	<b>3,494</b>	3,071
Rental and other deposits	<b>820</b>	530
	<b>6,754</b>	6,463

- (a) On 5 October 2010, Pacific Prosper Limited (“**Pacific Prosper**”), an indirect wholly-owned subsidiary of the Company, entered into the Sincere Gold Agreement pursuant to which the total rental for a five-year period and security deposit were HK\$15,000,000 and HK\$20,000,000 respectively. In November 2010, HK\$3,500,000 was paid and the balance of HK\$31,500,000 was paid in February 2011.

The operating lease has commenced since mid-February 2011 and HK\$1,500,000 (approximately RMB1,223,000) (year ended 31 December 2011: HK\$2,625,000 (approximately RMB2,176,000)) was charged to profit or loss of the Group for the six months ended 30 June 2012. As a result, the Group had remaining balances of rental prepayment and security deposit of HK\$10,875,000 (approximately RMB8,844,000) (31 December 2011: HK\$12,375,000 (approximately RMB10,118,000)) and HK\$20,000,000 (approximately RMB16,265,000) (31 December 2011: HK\$20,000,000 (approximately RMB16,353,000)) respectively as at 30 June 2012, in which HK\$3,000,000 (approximately RMB2,440,000) (31 December 2011: HK\$3,000,000 (approximately RMB2,453,000)) of the rental prepayment was classified as a current asset and the remaining rental prepayment of HK\$7,875,000 (approximately RMB6,404,000) (31 December 2011: HK\$9,375,000 (approximately RMB7,665,000)) and the security deposit of HK\$20,000,000 (approximately RMB16,265,000) (31 December 2011: HK\$20,000,000 (approximately RMB16,353,000)) are classified as non-current assets at the end of the reporting period.

- (b) On 10 June 2011, Pacific Prosper and Mr. Chu Yin Tat and Ms. Tam Wai Chun (the “**Vendors**”) entered into the Agreement pursuant to which Pacific Prosper conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of New Profit Global Limited at the consideration of HK\$4,500,000 in cash. In June 2011, deposit of HK\$500,000 (equivalent to approximately RMB409,000) was paid. On 4 January 2012, the Group announced that the Agreement lapsed pursuant to its terms. Accordingly, the said deposit was refunded.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 14. INVENTORIES

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Merchandise	<b>1,648</b>	3,424

## 15. TRADE RECEIVABLES

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

The aging analysis of trade receivables as at the end of the reporting period, based on the invoice/contract date, and net of allowance, is as follows:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within 1 month	<b>19,360</b>	4,574
More than 1 month but within 3 months	<b>12,771</b>	22,338
More than 3 months but within 6 months	<b>6,910</b>	9,858
More than 6 months but within 1 year	<b>9,395</b>	2,159
More than 1 year	<b>206</b>	143
	<b>48,642</b>	39,072

## 16. TRADE AND BILLS PAYABLES

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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within 1 month	<b>10,041</b>	4,139
More than 1 month but within 3 months	<b>1,770</b>	8,916
More than 3 months but within 6 months	<b>7,570</b>	6
More than 6 months but within 1 year	<b>839</b>	665
More than 1 year	<b>680</b>	19
	<b>20,900</b>	13,745

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 17. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Finance costs payable	<b>26,878</b>	22,880
Accruals and other payables	<b>6,475</b>	9,971
Deposit received	<b>2,162</b>	1,951
Claim arising from a derivative financial instrument (note (a))	<b>101,105</b>	101,648
Amount due to a former director of the Company (note (b))	<b>55,505</b>	55,803
Amount due to a director of the subsidiaries (note (b))	–	4,521
Amount due to the Investor (note (c))	<b>64,246</b>	64,591
	<b>256,371</b>	261,365

Notes:

- (a) Included in the accruals, other payables and deposits received of the Group is a claim arising from a derivative financial instrument with a carrying amount of US\$15,979,544 (equivalent to approximately RMB101,105,000) (31 December 2011: US\$15,979,544 (equivalent to approximately RMB101,648,000)). The claim is arising from a notice of early termination of a US\$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. The Provisional Liquidators had engaged a Hong Kong legal advisor to assist in reviewing the claim lodged by that commercial bank.
- (b) The amounts due to a former director of the Company and a director of the subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.
- (c) The amount due to the Investor is non-interest bearing.

The outstanding balance included an amount of approximately RMB14.8 million advancement (the “**Advancement**”) and an amount of HK\$5 million (approximately RMB4.1 million) earnest money (the “**Earnest Money**”) paid by the Investor pursuant to the Exclusivity Agreement. The Advancement is used for payment of the restructuring fees and other professional fees during the restructuring process. If the completion of the restructuring fails to take place solely as a consequence of (i) the Investor failing to perform its obligations in material aspects; or (ii) the Investor breaching any of its obligations under the Exclusivity Agreement or any restructuring agreement in material aspects, the Earnest Money shall be forfeited and released to the Provisional Liquidators for the benefit of the Company’s creditors. If the Exclusivity Agreement is terminated or if the completion of the restructuring fails to take place because of any reason(s) other than the failure or the breach by the Investor as aforesaid stated, the Earnest Money shall be refunded to the Investor. Upon the completion of the restructuring, the Earnest Money and the Advancement shall form part of the subscription proceeds payable by the Investor. Both the Earnest Money and the Advancement are unsecured.

The remaining outstanding balance of approximately RMB45.3 million is the loan (the “**Loan**”) paid by the Investor pursuant to the working capital facility and for the use of the operation of Supreme Wit and its operating subsidiaries. The Loan is secured by the floating charge on all the assets of Supreme Wit, a direct wholly-owned subsidiary of the Company, and has no fixed terms of repayment.

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



# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 18. BANK AND OTHER BORROWINGS

The bank and other borrowings were unsecured and repayable as follows:

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within 1 year or on demand		
Bank borrowings	<b>169,643</b>	170,555
Other borrowing	<b>5,693</b>	5,723
	<b>175,336</b>	176,278

## 19. SHARE CAPITAL

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Authorized:		
2,000,000,000 (2011: 2,000,000,000) ordinary shares of HK\$0.05 each	<b>106,000</b>	106,000
Issued and fully paid:		
1,185,914,889 (2011: 1,185,914,889) ordinary shares of HK\$0.05 each	<b>61,387</b>	61,387

## 20. COMMITMENTS

*Capital commitments*

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
The consideration in relation to the Agreement (note 13 (b))	–	3,270

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## 20. COMMITMENTS (CONTINUED)

### *Operating lease commitments*

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

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Within 1 year	<b>509</b>	711
After 1 year but within 5 years	<b>138</b>	294
	<b>647</b>	1,005

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

## 21. CONTINGENT LIABILITIES

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

The Provisional Liquidators are not aware of any potential claim against the subsidiaries as at 30 June 2012 (31 December 2011: nil).

## 22. PLEDGE OF ASSETS

As at 30 June 2012 and 31 December 2011, all the assets of Supreme Wit, a direct wholly-owned subsidiary of the Company, were pledged to the Investor by way of floating charge to secure the working capital facility granted by the Investor to the Group.

## 23. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2012, the Listing Division issued a letter agreeing to extend the deadline for the Company to fully satisfy the Resumption Conditions to 30 September 2012.

The Provisional Liquidators have provided regular updates on the status of the Group to the Hong Kong Court and suggested for the adjournment of granting the winding-up order against the Company. Pursuant to an order of the Hong Kong Court dated 11 July 2012, the hearing of the winding-up petition has been further adjourned to 15 October 2012.

# Notes to Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 30 June 2012

## **23. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)**

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On 12 July 2012, the Circular in relation to, inter alia, the Proposed Restructuring was despatched to the Shareholders and the relevant notice of the SGM was also despatched. All the resolutions were approved by way of poll at the SGM on 6 August 2012.

As part of the Proposed Restructuring, the Capital Restructuring has become effective since 7 August 2012. Upon the Capital Restructuring becoming effective, the authorised share capital of the Company was HK\$8,000,000 divided into 800,000,000 New Shares of HK\$0.01 each, of which 14,823,936 New Shares were in issue and credited as fully paid up, in the amount of HK\$148,239.36.

As set out in the Circular, the Company conducted 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 103,767,552 Offer Shares shall 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\$58,338,000. The results of the Open Offer are expected to be announced by the Company on 30 August 2012.

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

In addition, pursuant to the Restructuring Agreement and the Scheme, the Company shall issue 14,823,936 Creditors Shares for the benefit of the Creditors. The Creditors Shares shall be issued by the Company to the Scheme Administrators or their nominee(s), and the net proceeds from the sale of the Creditors Shares will be paid to the Creditors with claims admitted by the Scheme Administrators on a pro-rata basis under the Scheme.

After the issue of the Offer Shares, the Subscription Shares and the Creditors Shares, the Company shall have issued a total of 400,246,274 New Shares fully paid or credited as fully paid up in the total amount of HK\$4,002,462.74.

## **24. COMPARATIVE FIGURES**

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Certain comparative figures have been reclassified to conform to the current period's presentation. The changes included the reclassification of certain expenses previously classified under administrative expenses to restructuring costs. The new classification of the accounting items was considered to provide a more appropriate presentation of the financial results of the Group.

## **25. APPROVAL OF UNAUDITED CONDENSED CONSOLIDATION INTERIM FINANCIAL STATEMENTS**

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The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 30 August 2012.

## Other Information

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

As at 30 June 2012, saved as disclosed below and other than certain nominee shares in subsidiaries held by the Directors in trust for the Company, none of the Directors had registered any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) recorded pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"); or (iv) pursuant to the requirement of the Takeovers Code.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES

As at 7 August 2012 (i.e. the day on which the Capital Restructuring became effective), so far as is known to the Provisional Liquidators and the Directors or chief executives, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Regal Splendid Limited	(a)	Beneficial owner	5,208,312 Shares	35.13%
Dunross Investment Ltd.	(b)	Beneficial owner	1,042,125 Shares	7.03%
Dunross International AB	(c)	Interest of controlled corporation	1,042,125 Shares	7.03%
Dunross & Co AB	(c)	Interest of controlled corporation	1,042,125 Shares	7.03%

## Other Information (Continued)

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

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Crosby Active Opportunities Master Fund Limited	(d)	Beneficial owner	992,125 Shares	6.69%
Crosby Active Opportunities Feeder Fund Limited	(e)	Interest of controlled corporation	992,125 Shares	6.69%
Crosby Asset Management (Singapore) Limited	(f)	Interest of controlled corporation	992,125 Shares	6.69%
Crosby Asset Management Limited	(g)	Interest of controlled corporation	992,125 Shares	6.69%
Crosby Asset Management (Holdings) Limited	(h)	Interest of controlled corporation	992,125 Shares	6.69%
Crosby Asset Management Inc.	(i)	Interest of controlled corporation	992,125 Shares	6.69%
The SFP Asia Fund L.P.	(j)	Interest of controlled corporation	611,812 Shares	5.29%
Mr. Huang	(k)	Interest of controlled corporation	370,598,402 Shares	2,500% (equivalent to 96.15% of the total issued share capital after completion of the Open Offer, the Share Subscription and the issue of the Creditors Shares)

## Other Information (Continued)

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

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
The Investor	(k)	Beneficial owner	370,598,402 Shares	2,500% (equivalent to 96.15% of the total issued share capital after completion of the Open Offer, the Share Subscription and the issue of the Creditors Shares)
Yeung Kai Cheung Patrick	(l)	Interest of controlled corporation	103,767,552 Shares (long position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
			103,767,552 Shares (short position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)

## Other Information (Continued)

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

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Master Link Assets Limited	(l)	Interest of controlled corporation	103,767,552 Shares (long position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
			103,767,552 Shares (short position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
Asian Capital Holdings Limited	(l)	Interest of controlled corporation	103,767,552 Shares (long position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
			103,767,552 Shares (short position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)

## Other Information (Continued)

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

Name of shareholder	Notes	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Corporate Wise Limited	(l)	Interest of controlled corporation	103,767,552 Shares (long position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
			103,767,552 Shares (short position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
Asian Capital	(l)	Other	103,767,552 Shares (long position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)
			103,767,552 Shares (short position)	700% (equivalent to 87.50% of the total issued share capital of the Company after completion of the Open Offer)



## Other Information (Continued)

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

*Notes:*

- (a) Regal Splendid Limited ("**Regal Splendid**") is a company incorporated in the BVI with limited liability, which was legally and beneficially owned as to 100% by Mr. Yeung. On 20 January 2010, Sun Hung Kai Structured Finance Limited obtained a charging order against Regal Splendid, which had pledged its holding of the aforesaid 416,665,000 shares (which became 5,208,312 Shares after the Capital Restructuring was effective) (the "**Charged Shares**") and defaulted the loan owed to Sun Hung Kai Structured Finance Limited and Sun Hung Kai Investment Services Limited. Pursuant to the order of Hong Kong Court dated 16 March 2012, provisional liquidators have been appointed to take control of Regal Splendid and they are empowered to, among others, exercise Regal Splendid's rights in the Charged Shares in the best interests of creditors of Regal Splendid including but not limited to the voting rights attached to the Charged Shares for and on behalf of Regal Splendid in all the shareholder's meeting of the Company. The winding up order was granted by the Hong Kong Court on 30 May 2012.
- (b) Dunross Investment Ltd. is a company incorporated in Cyprus which is wholly-owned by Dunross International AB.
- (c) Dunross International AB is a company incorporated in Sweden which is wholly-owned by Dunross & Co AB.
- (d) Crosby Active Opportunities Master Fund Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Active Opportunities Feeder Fund Limited.
- (e) Crosby Active Opportunities Feeder Fund Limited is a company incorporated in the Cayman Islands.
- (f) Crosby Asset Management (Singapore) Limited is a company incorporated in Singapore which is wholly-owned by Crosby Asset Management Limited.
- (g) Crosby Asset Management Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Asset Management (Holdings) Limited.
- (h) Crosby Asset Management (Holdings) Limited is a company incorporated in the Cayman Islands which is wholly-owned by Crosby Asset Management Inc.
- (i) Crosby Asset Management Inc. is a company incorporated in the Cayman Islands.
- (j) The SPF Asia Fund L.P. is a company incorporated in the Cayman Islands.

## Other Information (Continued)

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

Notes: (Continued)

- (k) The Investor is wholly-owned by Mr. Huang. Accordingly, Mr. Huang is deemed to have an interest in the 370,598,402 Shares of the Company to be subscribed by the Investor pursuant to the Restructuring Agreement.
- (l) Asian Capital is the Underwriter to the Open Offer under the Underwriting Agreement, pursuant to which, Asian Capital has agreed to underwrite 103,767,552 Offer Shares. Asian Capital is wholly owned by Corporate Wise Limited, a wholly owned subsidiary of Asian Capital Holdings Limited which, in turn, is owned as to 43.75% by Master Link Assets Limited, a company the entire issued share capital of which is owned by Mr. Yeung Kai Cheung Patrick.

Saved as disclosed above, so far as is known to the Provisional Liquidators and the Directors as at 7 August 2012 (i.e. the day on which the Capital Restructuring became effective), no person had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the headings "DIRECTORS' INTERESTS OR SHORT POSITIONS IN SECURITIES, UNDERLYING SHARES AND DEBENTURES" above, to the best knowledge of the Board, at no time during the period there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### SHARE OPTION SCHEME

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

During the period under review, no options were granted, cancelled or lapsed. As at 30 June 2012, no option under the Share Option Scheme remained outstanding.

## Other Information (Continued)

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the period under review.

### **DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

On 21 July 2006, the Company had entered into a loan agreement (the "**Loan Agreement**") with a syndicate of banks for a 3-year term loan facility of up to HK\$195,000,000. Under the Loan Agreement, it would be an event of default if (i) Mr. Yeung, a former Director, and his family members cease to be the beneficial owner of at least 35% of the entire issued share capital and ownership interest of the Company; or (ii) Mr. Yeung ceases to be the chairman of the Company and to be the single largest shareholder of the Company or no longer actively involved in the management and business of the Group (being the Company, the guarantors and their respective subsidiaries); or (iii) the Company fails at any time to beneficially own (directly or indirectly) the entire issued share capital of any of the guarantors.

On 19 December 2008, the agent of the syndicate of banks gave notice to the Company that certain events of default have occurred and demanded immediate repayment of all outstanding monies owed by the Company.

As at 30 June 2012, the outstanding amount owed by the Company in respect of this loan facility was approximately HK\$100,395,000 (equivalent to approximately RMB81,647,000 (31 December 2011: approximately HK\$98,606,000 (equivalent to approximately RMB80,624,000))).

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **SUSPENSION OF TRADING**

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

## Other Information (Continued)

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the end of the reporting period of the Group are set out in note 23 to the unaudited condensed consolidated interim financial statements.

### CORPORATE GOVERNANCE

As at 30 June 2012, there were four Directors, of which one was executive Director, namely Mr. Lee Wa Lun, Warren and three of them were independent non-executive Directors, namely Mr. Wong Chi Keung, Mr. Leung King Yue, Alex and Mr. Tang Chi Chung, Matthew. Mr. Wong Chi Keung was also the chairman of the Company.

#### *Remuneration Committee*

The members of the remuneration committee of the Company during the six months ended 30 June 2012 and up to the date of this report were:

Wong Chi Keung (Chairman)  
Leung King Yue, Alex  
Tang Chi Chung, Matthew

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

#### *Audit Committee*

The members of the Audit Committee of the Company during the six months ended 30 June 2012 and up to the date of this report were:

Wong Chi Keung (Chairman)  
Leung King Yue, Alex  
Tang Chi Chung, Matthew

# Other Information (Continued)

## **CORPORATE GOVERNANCE (CONTINUED)**

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group and discussing auditing, internal control and financial reporting matters with the management. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 have been reviewed by the Provisional Liquidators and the Audit Committee. However, as the consolidated financial statements of the Group for each of the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 were disclaimed by the auditor of the Company, and the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared based on the books and records available to the Group, the Provisional Liquidators and the Audit Committee cannot assure the existence, presentation, accuracy and completeness of the opening balances and corresponding figures shown in the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012.

On 6 January 2009, the Provisional Liquidators were appointed by the Hong Kong Court to, among others, take control and possession of the assets of the Group, accordingly, the current Board is unable to comment as to whether the Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012.

After the Stock Exchange approves the resumption of trading in the Shares and the Provisional Liquidators are discharged, appropriate personnel will be appointed to the Board and arrangement will be made to comply with the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors, they have confirmed that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

On behalf of the Board

**First Natural Foods Holdings Limited**

(Provisional Liquidators Appointed)

**Wong Chi Keung**

*Chairman*

30 August 2012

\* *For identification purpose only*