FIRST NATURAL FOODS HOLDINGS LIMITED

第一天然食品有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01076)

Annual Report 2012

* *for identification purpose only*

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Kunyan (Chairman)
Mr. Shum Chin Tong Peter
Mr. Yau Dennis Wai Tak

Non-executive Director

Mr. Lee Wa Lun Warren

Independent Non-executive Directors

Mr. Wong Chi Keung
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

CHIEF EXECUTIVE OFFICER

Mr. Mak Tat Ho Louis

EXECUTIVE COMMITTEE

Mr. Huang Kunyan (Chairman)
Mr. Mak Tat Ho Louis
Mr. Shum Chin Tong Peter
Mr. Yau Dennis Wai Tak

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Huang Kunyan (Chairman)
Mr. Wong Chi Keung
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Li Chak Hung

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

LEGAL ADVISORS

Hong Kong
P. C. Woo & Co.

Bermuda
Conyers Dill & Pearman

INDEPENDENT AUDITOR

ANDA CPA Limited

Corporate Information

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

14/F, Bangkok Bank Building
490-492 Nathan Road
Yaumatei, Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

WEBSITE

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

STOCK CODE

01076

Chairman's Statement

I am pleased to report that on 4 September 2012, First Natural Foods Holdings Limited (the "Company") successfully fulfilled its resumption conditions by completing a series of corporate exercises including, but not limited to, capital restructuring, open offer of new shares, subscription of new shares, issue of creditors shares as well as group reorganisation. In addition, the scheme of arrangement with the Company's creditors became effective on 4 September 2012 and the provisional liquidators were discharged accordingly on the same date. The trading of shares of the Company resumed on 6 September 2012.

FINANCIAL REVIEW

The Company and its subsidiaries (the "Group") achieved a turnover of approximately HK$651,562,000 for the year ended 31 December 2012, decreased by approximately HK$229,729,000 or 26.1% as compared with last year while profit attributable to the owners of the Company for the year ended 31 December 2012 was approximately HK$382,858,000, increased by approximately HK$380,116,000 which is mainly due to the one-off exceptional gain of approximately HK$381,258,000 arising from the gain on debts discharged under the scheme of arrangement. The profit from operations for the year ended 31 December 2012 was approximately HK$19,412,000, increased by approximately HK$818,000 as compared with 2011. The management discussion and analysis following this chairman's statement provides a detailed review of operation of the year as well as the business outlook of the Group.

FINAL DIVIDEND

The board (the "Board") of directors (the "Directors") of the Company does not recommend the payment of a final dividend for the year ended 31 December 2012.

APPRECIATION

The Group is well prepared to meet the challenge ahead with our prudent strategy as well as loyalty and professionalism of our staff. I would like to thank the professional advisors, my fellow directors and our shareholders for their support during the year.

Huang Kunyan
Chairman

Hong Kong, 28 March 2013

Management Discussion and Analysis

GROUP RESTRUCTURING AND RESUMPTION OF TRADING OF SHARES

During the year, the Company completed a series of corporate exercises including, but not limited to, capital restructuring, open offer of new shares, subscription of new shares, issue of creditors shares as well as group reorganisation. In addition, the scheme of arrangement with the Company's creditors was effective on 4 September 2012 and the provisional liquidators were discharged on the same date. Accordingly, the resumption conditions of the Company was fulfilled on 4 September 2012 and the trading of shares of the Company was resumed on 6 September 2012.

BUSINESS REVIEW

The core business which is also the only operating segment of the Group is processing and trading of frozen and functional food products which are sold mainly to Canada, the People's Republic of China (the "PRC"), Hong Kong and other South-East Asian countries.

During the year, the Group continued to reap the benefits from the lease of food processing facilities of the food processing plant in Jiangmen, the PRC under an operating lease agreement (the "Sincere Gold Agreement") entered into with an independent third party in previous year. The value added services of the Group continued to be strengthened through the Jiangmen processing plant by taking advantages of the established trading volume already achieved by the Group. With the food processing facilities leased under the Sincere Gold Agreement, certain products of customer orders received by the Group had been processed by the Jiangmen processing plant. In addition, the Group continued to utilise the food processing facilities to provide food processing service to customers and thus derived food processing income during the year which formed part of the important income stream of the Group.

Orient Legend International Limited ("Orient Legend"), an indirect wholly-owned subsidiary of the Company acquired in 2010 and the trading business arm of the Group, delivered satisfactory results for 2012 to the Group. Despite relatively low profit margin for the trading business of Orient Legend, the Company believes that the trading business of Orient Legend enables the Group to extend its geographical coverage and strengthen the scale of operations of the Group.

The management of the Group recognises the market potential of frozen food product in the PRC. Therefore, the Group participated in the food expo, namely 16th FHC China 2012, in Shanghai in November 2012 with a view to increase the Group's coverage by expanding the customer base and supplier network. The feedback from the visitors and other participants in the food expo, mainly food traders, on the products of the Group was positive and encouraging. We believe that the products of the Group are much more known and recognised by the market as a result of the food expo and therefore it is expected that food distribution in the PRC, currently mainly carried out in Beijing, will be further enhanced.

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Results

For the year ended 31 December 2012, the Group achieved a turnover of approximately HK$651,562,000, decreased by approximately HK$229,729,000 or 26.1% with a gross profit increased by approximately HK$847,000 or 3.4%. The decrease in turnover was mainly due to the decrease in sales to the PRC as there was a general decrease in demand, especially frozen meat and poultry, in the PRC. In addition, in view of the risk associated with price fluctuation of frozen food products since last quarter of 2012, the Group had adopted the strategy of turning down low margin trades as the management considered that the puny benefits of those low margin trades would be incommensurate with the risk of and the working capital required for these trades. As a result, despite that there was a decrease in sales as compared with 2011, there was an improvement in gross profit from approximately HK$24,657,000 in 2011 to approximately HK$25,504,000 in 2012 with gross profit margin improved from 2.8% in 2011 to 3.9% in 2012. During the year, the Group continued to provide food processing services to customer by using the processing facilities leased under the Sincere Gold Agreement and derived food processing income of approximately HK$6,810,000 in 2012 (2011: approximately HK$6,633,000). As a result, even there was a drop in turnover, the Group still managed to achieve a profit from operations of approximately HK$19,412,000 for the year ended 31 December 2012, increased by approximately HK$818,000 or 4.4% as compared with last year.

For the year ended 31 December 2012, there were an one-off exceptional gain on debts discharged under the scheme of arrangement amounting to approximately HK$381,258,000 and a restructuring cost incurred for the group restructuring amounting to approximately HK$8,581,000. The Group's profit attributable to owners of the Company increased from approximately HK$2,742,000 in 2011 to approximately HK$382,858,000 in 2012 whereas basic earnings per share for 2012 was HK$2.73 compared to HK$0.18 (restated) in 2011.

Notwithstanding that the independent auditor has issued a qualified opinion on the Company's consolidated financial statements for the year ended 31 December 2012, the Board would like to state that the qualified opinion is due to the gain on debts discharged and the loss arising in the group reorganisation which was completed on 4 September 2012, and the historical figures of the subsidiaries deconsolidated and excluded from the existing Group in the group reorganisation completed on 4 September 2012. The Board confirms that no qualified opinion is expressed by the independent auditor on the financials and operations of the existing companies of the Group.

FINANCIAL REVIEW (Continued)

Significant Investment and Acquisition

Due to the group reorganisation, the Company transferred the entire interests/share capitals of the subsidiaries, namely, First China Technology Limited, First China Technology (Hong Kong) Limited, Smart Dragon International Trading Limited, Fuqing Longyu Food Development Company Limited, Jiajing Commercial (Shanghai) Company Limited and Ningbo Dingwei Food Development Company Limited, to the scheme administrator at a nominal value of HK$1.00. It should be noted that there was no material financial effect from the disposal of the above subsidiaries during this year as either the results, assets and liabilities of these subsidiaries had already been deconsolidated from the Group in previous year or a substantial portion of the assets held by these subsidiaries had already been impaired in previous year.

Apart from the above, there were no material acquisition and disposal of subsidiaries, associated companies and jointly controlled entities in 2012.

Liquidity and Financial Resources

Upon the completion of the group restructuring and debt restructuring exercises, the Group's financial position had been significantly improved. As at 31 December 2012, total assets of the Group was approximately HK$184,486,000 (2011: approximately HK$132,047,000) comprising non-current assets of approximately HK$32,710,000 (2011: approximately HK$35,982,000) and current assets of approximately HK$151,776,000 (2011: approximately HK$96,065,000). In addition, the Group maintained a strong cash balance of approximately HK$66,952,000 as at 31 December 2012 (2011: approximately HK$36,186,000). At 31 December 2012, the liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 6.33 times (2011: 0.17 time). At 31 December 2012, the Group's gearing ratio on the basis of the Group's interest bearing liabilities divided by total equity was nil as the Group did not have any interest bearing bank and other borrowings as at 31 December 2012 due to the discharge of debts under the scheme of arrangement and the repayment of other borrowing. The gearing ratio as at 31 December 2011 was not applicable as the Group had a net deficiency in total equity as at 31 December 2011.

Capital Structure

As part of the group restructuring, the Company completed a series of capital restructuring including, capital reduction, capital cancellation, share consolidation, share premium cancellation and increase in authorised share capital during the year 2012. As a result, the authorised share capital of the Company after the capital restructuring was 800,000,000 shares of HK$0.01 each with total par value of HK$8,000,000.

FINANCIAL REVIEW (Continued)

Open offer, subscription of shares by the Investor and issue of creditor shares

As part of the group restructuring and after the capital restructuring, the Company completed an open offer of issuing 103,767,552 shares of HK$0.5622 each share and raised a gross proceeds of fund of approximately HK$58,300,000. In addition, Groupwill Holdings Limited (the "Investor"), now the "Controlling Shareholders" of the Company also subscribed for 266,830,850 shares of the Company at HK$0.5622 per share with a total amount of approximately HK$150,000,000. Moreover, after the completion of the open offer and the subscription of shares by the Investor, the Company issued 14,823,936 creditor shares at the deemed issue price of HK$0.5622 per creditor share of total value of approximately HK$8,334,000 credited as fully paid to the Company's creditors pursuant to the scheme of arrangement.

Risk of Foreign Exchange Fluctuation

The business transactions of the Group are mainly carried in Hong Kong dollars and United States dollars meaning that it will be subject to minimal exchange rate exposure. However, the Group will closely monitor this risk exposure and would take prudent measures as appropriate.

Contingent Liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities (2011: Nil)

Pledge of Assets

As at 31 December 2012, the Group did not have any pledge of assets. As at 31 December 2011, all the assets of Supreme Wit Limited ("Supreme Wit"), a direct wholly-owned subsidiary of the Company, were pledged to the Investor by way of a floating charge to secure the working capital facility and the additional working capital facility granted by the Investor to the Group. The floating charge was released on 4 September 2012.

EMPLOYEES AND REMUNERATION POLICIES

Including the Directors, the total number of staff of the Group as at 31 December 2012 was 24 (2011: 18). Total staff costs, including Directors' emoluments, amounted to approximately HK$2,897,000 (2011: approximately HK$3,823,000). Remuneration packages are reviewed annually and determined by reference to market scale and individual performance. In addition to salary payments, the Group also provides other employment benefits such as provident fund.

BUSINESS OUTLOOK AND STRATEGY

Upon the completion of the group restructuring and the debt restructuring of the Company as well as the open offer of shares and share subscription by the Investor, the financial position of the Group is significantly improved. However, the world economy continues to remain uncertain and it is expected that there are risks and challenges ahead. The Group remains cautiously optimistic on its core business of processing and trading of frozen and functional foods products especially by utilising the benefits from the capacities of the food processing facilities leased under the Sincere Gold Agreement. With a view to further expand the market coverage, the Group will continue to explore new customers and to diversify the product range and distribution channels. It is expected that the uncertain worldwide economies, keen competition from other food traders and the tightening of standards on foods safety especially in the PRC will inevitably have negative impacts on the selling price and profit margin. However, the Group will continue to prudently implement the above strategies for the benefit of the Group and the shareholders of the Company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

On 6 January 2009, the provisional liquidators were appointed by the High Court of Hong Kong Special Administrative Region (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 Corporate Governance Code ("the CG Code") (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period from 1 January 2012 to 3 September 2012.

On 4 September 2012, the provisional liquidators were discharged. The Company has applied and complied with the applicable code provisions set out in the CG Code as set out in Appendix 14 to the Listing Rules throughout the period from 4 September 2012 to 31 December 2012, except for certain deviations which are summarized below:

– *Code Provision A.1.8*

  Code provision A.1.8 of the CG Code requires an issuer should arrange appropriate insurance cover in respect of legal action against its directors. With regular and timely communications among the Directors and the management of the Group, the Board believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of actual litigation against the Directors is very slim. The Company is reviewing various insurance cover proposals and will make such an arrangement as appropriate.

– *Code Provision A.4.1*

  Code provision A.4.1 of the CG Code requires the non-executive directors should be appointed for a specific term, subject to re-election. The Company has one Non-executive Director ("NED") and three Independent Non-executive Directors ("INEDs"). All of them are not appointed for a specific term, but subject to re-election in accordance with the Bye-laws of the Company.

– *Code Provision A.6.7*

  Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. A Non-executive Director was unable to attend the annual general meeting and special general meeting of the Company held on 28 December 2012 due to other important engagement.

THE BOARD OF DIRECTORS

The Board currently comprises three Executive Directors, one NED and three INEDs. The brief biographic details of Board members is set out in the Biographical Details of Directors and Senior Management on pages 18 to 21 of this Annual Report. The Board has established four board committees, namely Executive Committee, Audit Committee, Nomination Committee and Remuneration Committee. Attendance of the board meetings, the meetings of the board committees and the general meeting for the year ended 31 December 2012 is given below. The respective responsibilities of the Board and board committees are discussed later in this annual report.

	No. of meetings attended/eligible to attend				
	Board Meeting	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**
Executive Directors					
Mr. Huang Kunyan *(appointed on 4 September 2012)*	1/1		0/0		2/2
Mr. Shum Chin Tong Peter *(appointed on 4 September 2012)*	1/1				2/2
Mr. Yau Dennis Wai Tak *(appointed on 4 September 2012)*	1/1				2/2
Non-Executive Director					
Mr. Lee Wa Lun Warren *(re-designated from an Executive Director to a Non-executive Director on 4 September 2012)*	1/3				0/3
Independent Non-Executive Directors					
Mr. Wong Chi Keung	3/3	2/2	0/0	1/1	3/3
Mr. Leung King Yue Alex	3/3	2/2	0/0	1/1	2/3
Mr. Tang Chi Chung Matthew	3/3	2/2	0/0	1/1	2/3

All Directors are regularly updated on governance and regulatory matters. There is an established procedure for all Directors to obtain independent professional advice at the expense of the Company in discharge of their duties.

THE BOARD OF DIRECTORS (Continued)

The Board held meetings from time to time whenever necessary. Notice of at least 14 days has been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all Directors within reasonable time before the Board meeting. Draft minutes of all board meetings are circulated to all Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Details of the chairman, Mr. Huang Kunyan, and the chief executive officer, Mr. Mak Tat Ho Louis, are set out in the Biographical Details of the Directors and Senior Management. The roles of the chairman and the chief executive officer were segregated throughout the period from 4 September 2012 to 31 December 2012.

NON-EXECUTIVE DIRECTORS

The Board currently has one NED and three INEDs, two of the INEDs hold appropriate professional qualifications, or accounting or related financial management expertise under Rule 3.10 of the Listing Rules.

Each of the INEDs has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all INEDs are independent and meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Under code provision A.6.5 of the CG Code, Directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills. Each newly appointed Director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before board meeting.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT (Continued)

During the year, the Company has arranged for all directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant.

DELEGATION BY THE BOARD

The Board sets the Group's objectives and strategies and monitors its performance. The Board also decides on matters such as annual and interim results, major transactions, director appointments, and dividend and accounting policies and monitors the internal controls of the Group's business operation. The Board has delegated the authority and responsibility of overseeing the Group's day to day operations to management executives.

When the Board delegates aspect of its management and administration functions to management, clear directions would be given as to the power of management, in particular, the circumstances where management should report back to the Board before making decision or entering into any commitments on behalf of the Group.

Principal functions that are specifically delegated by the Board to the management include (i) implementation of corporate strategy and policy initiatives; (ii) provision of management reports to the Board in respect of Group's performance, financial position and prospects; and (iii) day-to-day management of the Group.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee to ensure that there are formal and transparent procedures for setting policies on the remuneration of Directors. The Remuneration Committee comprises the three INEDs, namely Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew. The Remuneration Committee is chaired by Mr. Wong Chi Keung.

During the year, one Remuneration Committee meeting was held to review the remuneration packages of the Directors. The Remuneration Committee ensures that no Director is involved in deciding his own remuneration. The terms of reference of the Remuneration Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code.

NOMINATION COMMITTEE

The Company has set up a Nomination Committee to ensure fair and transparent procedures for the appointment, re-election and removal of Directors to the Board. The Nomination Committee comprises the Board's chairman, Mr. Huang Kunyan and three INEDs, namely Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew. The Nomination Committee is chaired by the Board's chairman, Mr. Huang Kunyan.

In selecting and recommending candidates for directorship, the Nomination Committee will consider the experience, qualification and suitability of the candidates. The Board will approve the recommendations based on the same criteria. The terms of reference of the Nomination Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs, namely Mr. Wong Chi Keung, Mr. Leung King Yue Alex and Mr. Tang Chi Chung Matthew. The Audit Committee is chaired by Mr. Wong Chi Keung.

The principal duties of the Audit Committee are to review and provide supervision over the financial reporting process and internal controls of the Group. During the year, two Audit Committee meetings were held to review the financial reporting matters and internal control procedures of the Group. The terms of reference of the Audit Committee, a copy of which is posted on the Company's website, are consistent with the terms set out in the relevant section of the CG Code.

EXECUTIVE COMMITTEE

The Executive Committee comprises three EDs, namely Mr. Huang Kunyan, Mr. Shum Chin Tong Peter and Mr. Yau Dennis Wai Tak and the chief executive officer, Mr. Mak Tat Ho Louis. The Executive Committee is chaired by Mr. Huang Kunyan.

The Executive Committee is vested with all the general powers of management and control of the activities of the Company and its subsidiaries as are vested in the Board, save and except for the approval of the Company's half yearly and annual reports and accounts, matters requiring a public announcement or discloseable or major transactions or other major disposals or acquisitions or corporate actions outside the ordinary and usual course of business of the Group which shall require the Board's approval.

The Executive Committee may exercise all such other powers and perform all such other acts as may be exercised and performed by the Board, save and except for those powers that may only be exercised by the Board pursuant to the Companies Act 1981 of Bermuda, the Listing Rules or the Company's Bye-laws.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Board approved the revised terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee, the shareholders' communication policy, procedures for election of a director and revised corporate governance practices of the Company. The Board also approved that the corporate governance duties were delegated to the Audit Committee.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct for securities transactions by the Directors. Following a specific enquiry, all Directors confirmed they have complied with the standards set out in the Model Code throughout the year ended 31 December 2012.

To comply with the code provision A.6.4 of the CG Code, the Company has also adopted the Model Code as the code of conduct for securities transactions by relevant employees of the Group to regulate the dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of unpublished price sensitive information of the Company.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility for preparing the financial statements of the Group. As at 31 December 2012, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

For the year under review, the Board considered that the Group's internal control systems are adequate and effective and the Group has complied with the code provisions on internal control of the CG Code and Report except for the deviations previously disclosed.

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, the independent auditor of the Company provided audit and non-audit services to the Company and the Group.

The auditor's remuneration in relation to the audit and non-audit services for the year amounted to HK$450,000 and HK$300,500 respectively.

The statement of the auditor of the Company regarding their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 29 to 31.

COMPANY SECRETARY

Mr. Li Chak Hung was appointed as company secretary of the Company on 4 September 2012. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Li has undertaken not less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

Pursuant to bye-law 58 of the Company's Bye-laws, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so.

SHAREHOLDERS' RIGHTS (Continued)

Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary at the Company's office in Hong Kong at 14/F, Bangkok Bank Building, 490-492 Nathan Road, Yaumatei, Kowloon, Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

As regards proposing a person for election as a director, please refer to the procedures available on the websites of the Company at www.equitynet.com.hk/1076 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Making Enquiry to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the company secretary at the Company's office in Hong Kong at 14/F, Bangkok Bank Building, 490-492 Nathan Road, Yaumatei, Kowloon, Hong Kong.

INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself, its shareholders and investors, including answering questions through the annual general meeting, the publications of annual and interim reports, notices, announcements and circulars on the website of the Company at www.equitynet.com.hk/1076. During the year, the Board is not aware of any significant changes in the Company's constitutional documents.

On behalf of the Board
Huang Kunyan
Chairman

Hong Kong, 28 March 2013

Biographical Details of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Kunyan ("Mr. Huang"), aged 43, was appointed as an Executive Director with effect from 4 September 2012. Mr. Huang has many years of experience in corporate management and wholesale business of subagricultural products in the PRC.

Mr. Shum Chin Tong Peter ("Mr. Shum"), aged 69, was appointed as an Executive Director with effect from 4 September 2012. Mr. Shum is also the general manager of Supreme Wit. Mr. Shum has previously worked in Jardine Marketing Service Company under the division of customer products, in which capacity he has accumulated years of experience in promotion, sales, marketing and purchase in food industries.

Mr. Yau Dennis Wai Tak ("Mr. Yau"), aged 54, was appointed as an Executive Director with effect from 4 September 2012. Mr. Yau has years of experience in accounting, finance and administration. Before joining the Company, he was the executive director/chief financial officer of The Rising Peak Group, a PRC properties developer based in Hong Kong. Prior to that, Mr. Yau was involved in the properties and shipping industry, where he worked as finance director/general manager of the finance department at the Hong Kong United Dockyards Group (HUD). Mr. Yau holds a Bachelor's Degree in Economics from the Macquarie University in Australia, and is a member of the Australian Society of Certified Practicing Accountants.

Biographical Details of the Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Lee Wa Lun Warren, ("Mr. Lee") aged 49, joined the Group in December 2008 as an Executive Director and was re-designated as a Non-executive Director since 4 September 2012. He is the Chairman of SHK Hong Kong Industries Limited (formerly known as Yu Ming Investments Limited), which is listed on the Main Board of the Stock Exchange and a director and a responsible officer of Yu Ming Investment Management Limited, which is a licensed corporation regulated by the SFO to carry out activities of dealing in securities, advising on securities, advising on corporate finance and asset management. From December 2006 to May 2007, he was the chief executive officer of Nam Tai Electronics, Inc., an electronics manufacturing services provider listed on the New York Stock Exchange. From March 2004 to February 2006, Mr. Lee was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited ("NTEEP"), and from February 2006 to April 2007, he was re-designated as a non-executive director of NTEEP. From January 2007 to April 2007, he was also a non-executive director of J.I.C. Technology Company Limited ("JIC"). Both of NTEEP and JIC were listed on the Main Board of the Stock Exchange. Mr. Lee is also a non-executive chairman of Rotol Singapore Limited since November 2007. Rotol Singapore Limited was listed on the Main Board of the Singapore Exchange Limited until August 2011.

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

Biographical Details of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chi Keung ("Mr. Wong"), aged 58, joined the Group in November 2007. He is an Independent Non-executive Director. He obtained a master degree in business administration from the University of Adelaide in Australia in 1986. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Chartered Association of Certified Accountants and CPA (Australia), an associate member of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants. He is a responsible officer for asset management, advising on securities and corporate finance for Greater China Capital Limited Inc. (formerly known as Sinox Fund Management Limited) under the SFO. He is currently an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which are listed on the Stock Exchange. Mr. Wong was formerly an independent non-executive director of FU JI Food and Catering Services Holdings Limited (Provisional Liquidators Appointed), Great Wall Motor Company Limited and International Entertainment Corporation, all of which are listed on the Stock Exchange.

Mr. Leung King Yue Alex ("Mr. Leung"), aged 35, joined the Group in December 2008. He holds a bachelor degree in Commerce specialising in Economics and Finance from the University of Melbourne in Australia and is a Chartered Financial Analyst of the United States of America. He started his career in investment banking in 2000 focusing on private equity projects, corporate finance advisory, merger and acquisition transactions and listed equities. Mr. Leung then joined JK Capital Management Limited in 2003 as a portfolio manager specialising in investments in global high yield fixed income securities and listed Chinese equities. He is licensed by the SFO to carry out securities advisory, corporate finance advisory and asset management activities. He is currently a responsible officer of both JK Capital Management Limited and Asian Asset Management Limited. Mr. Leung was an executive director of Mastermind Capital Limited (formerly known as Apex Capital Limited) during the period from 9 March 2007 to 12 May 2010, and was an executive director of UBA Investments Limited during the period from 17 July 2007 to 1 December, 2008. Both of the above two companies are listed on the Main Board of the Stock Exchange. He was an executive director of Coolpoint Energy Limited (formerly known as GreaterChina Technology Group Limited) during the period from 14 July 2008 to 23 June 2010, a company listed on the Growth Enterprise Market of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Tang Chi Chung Matthew ("Mr. Tang"), aged 52, joined the Group in December 2008. He has 20 years of extensive experience in fresh produce marketing. He started his career in fresh produce business as a business development manager of Polly Peck International (Hong Kong) Limited, the then shareholder of Del Monte Fresh Produce (HK) Limited. Between 1992 and 2002, Mr. Tang worked for a number of fresh produce marketing companies, including the position of general manager of Fresh Produce Department of Dah Chong Hong, Limited, and business development director of Del Monte Fresh Produce (HK) Limited. Since 2002, He worked for Linkage Holdings Limited developing fresh fruits and vegetables business in the PRC and overseas.

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

CHIEF EXECUTIVE OFFICER

Mr. Mak Tat Ho Louis ("Mr. Mak"), aged 61, joined the Group in June 2011 as the Group's chief executive officer. Mr. Mak has years of experience in food sourcing, processing, trading and distribution business. He graduated from the University of Hong Kong with a Bachelor's Degree in Science.

Report of the Directors

The Board of the Company hereby present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the principal subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover, revenue and segment information for the year ended 31 December 2012 is set out in note 9 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 32 of this annual report.

The Board do not recommend the payment of a final dividend for the year ended 31 December 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reasons and up to the date of this annual report are set out in note 32 to the consolidated financial statements.

RESERVES

As at 31 December 2012, the Directors were of the opinion that the distributable reserves of the Company was approximately HK$122,730,000.

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and in the "Consolidated Statement of Changes in Equity" on page 34, respectively.

SHARE OPTION SCHEME

On 4 June 2004, a share option scheme (the "Share Option Scheme") was adopted by the Company, the principal terms of which were set out in the Company's annual report 2009.

During the year under review, no options were granted, cancelled or lapsed. As at 31 December 2012, no option under the Share Option Scheme remained outstanding.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes are set out in note 20 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save for the open offer and subscription of shares as detailed in the Company's circulars dated 12 July 2012 and 10 August 2012, and the announcement dated 4 September 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's 5 largest customers accounted for approximately 62.20% of the total sales for the year and sales to the largest customer accounted for approximately 18.50% of the total sales for the year. Purchases from the Group's 5 largest suppliers accounted for approximately 68.90% of the total purchases for the year and purchases from the largest supplier accounted for approximately 36.61% of the total purchases for the year.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers and suppliers during the year.

RELATED PARTY TRANSACTIONS

Related party transactions during the year are disclosed in note 38 to the consolidated financial statements.

RESUMPTION OF TRADING

Trading in the shares on the Main Board of the Stock Exchange has been suspended since 15 December 2008. Upon the grant from the Stock Exchange, trading in the shares of the Company was resumed on 6 September 2012.

EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

DIRECTORS

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

Executive Directors

Mr. Huang Kunyan (Chairman)	(appointed on 4 September 2012)
Mr. Shum Chin Tong Peter	(appointed on 4 September 2012)
Mr. Yau Dennis Wai Tak	(appointed on 4 September 2012)

Non-executive Directors

Mr. Lee Wa Lun Warren	(redesignated from an Executive Director to a Non-executive Director on 4 September 2012)

Independent Non-executive Directors

Mr. Wong Chi Keung
Mr. Leung King Yue Alex
Mr. Tang Chi Chung Matthew

Pursuant to bye-law 87(1) of the Company's Bye-laws, Mr. Yau Dennis Wai Tak, Mr. Lee Wa Lun Warren and Mr. Tang Chi Chung Matthew shall retire from office by rotation at the forthcoming annual general meeting and being eligible, offer themselves for re-election as Executive Director, Non-executive Director and Independent Non-executive Director respectively.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographic details of the Directors and Senior Management are set out on pages 18 to 21 of this annual report.

DIRECTORS' SERVICES CONTRACTS

Each of the Executive Directors has entered into a contract of employment with the Company with no fixed terms. The contracts of employment may be terminated by any party at any time by giving not less than 90 days' prior written notice of payment in lieu.

Each of the Non-executive Directors has not entered into any service contract with the Company and has not been appointed for a specific term. All Directors' appointments are subject to the Bye-laws of the Company and the applicable Listing Rules. Their emoluments will be determined based on the prevailing market conditions and their roles and responsibilities.

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors has any interest in competing business to the Group during the year.

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

At 31 December 2012, the Directors and chief executive of the Company have the following interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code:

Long positions in the ordinary shares/underlying shares of the Company:

Name of Director	Type of interest	Number of ordinary shares held	Approximate percentage of issued share capital
Mr. Huang Kunyan	Controlled corporation	300,182,154 *(Note)*	74.99%

Note: These shares are held by Groupwill Holdings Limited ("Groupwill"), a company incorporated in the British Virgin Islands ("BVI"). Mr. Huang Kunyan beneficially own 100% of the entire issued share capital of Groupwill.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests 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 SFO, as recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

To the best knowledge of the Board, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDER

As at 31 December 2012, in accordance with the register of the substantial shareholders kept by the Company under Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules, the following person was interested (including short positions) in the shares or underlying shares of the Company:

Long positions in the ordinary shares/underlying shares of the Company:

Name of shareholder	Capacity	Number of shares	Approximate percentage of interest
Groupwill *(Note)*	Beneficial owner	300,182,154	74.99%

Note: Groupwill is an investment holding company incorporated in the BVI and its entire issue share capital is beneficially owned by Mr. Huang Kunyan.

Save as disclosed above, as at 31 December 2012, no person, other than the Directors, whose interests are set out in the section "Directors' and the Chief Executive's Interests or Short Positions in Securities, Underlying Shares and Debentures" above, had registered an interest or short position in the securities or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 10 to 17 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this annual report.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been changed to 14/F, Bangkok Bank Building, 490 to 492 Nathan Road, Yaumatei, Kowloon, Hong Kong with effect from 4 September 2012.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2012 were audited by ANDA CPA Limited. A resolution for the re-appointment of ANDA CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Huang Kunyan
Chairman

Hong Kong, 28 March 2013

Independent Auditor's Report

ANDA
CPA Limited
安達會計師事務所有限公司

TO THE SHAREHOLDERS OF
FIRST NATURAL FOODS HOLDINGS LIMITED
第一天然食品有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of First Natural Foods Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 32 to 77, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

1. Opening balances and corresponding figures

   Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 (the "2011 Financial Statements"), which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty in relation to going concern, details of which are set out in our audit report dated 30 March 2012. Accordingly, we were then unable to form an opinion as to whether the 2011 Financial Statements gave a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's results and cash flows for the year then ended.

2. Deconsolidation of the subsidiaries

   Certain subsidiaries of the Company were deconsolidated from the Group since 1 July 2008. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of the subsidiaries since 1 July 2008 and throughout the year ended 31 December 2011 and the period from 1 January 2012 to 3 September 2012, the date immediately before the group reorganisation being completed.

   Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the year ended 31 December 2011 and for the period from 1 January 2012 to 3 September 2012 and the Group's financial positions as at 31 December 2011 and 3 September 2012.

3. Gain on debts discharged under the scheme of arrangement

   As explained in note 11 to the consolidated financial statements, upon the scheme of arrangement of the Company becoming effective on 4 September 2012, the Company recognised a gain on debts discharged under the scheme of arrangement of approximately HK$381,258,000 for the year ended 31 December 2012.

   No sufficient evidence has been provided to satisfy ourselves as to certain liabilities of the Company being discharged under the scheme of arrangement. As a result, we are unable to satisfy ourselves as to the gain on debts discharged under the scheme of arrangement of approximately HK$381,258,000 included in the consolidated profit or loss.

BASIS FOR QUALIFIED OPINION (CONTINUED)

4. Loss on group reorganisation

   As explained in note 11 to the consolidated financial statements, upon completion of the group reorganisation on 4 September 2012, the Company recognised a loss on group reorganisation of approximately HK$260,000 for the year ended 31 December 2012.

   No sufficient evidence has been provided to satisfy ourselves as to the net assets amount of the subsidiaries transferred out of the Group due to the group reorganisation. As a result, we are unable to satisfy ourselves as to the loss on group reorganisation of approximately HK$260,000 included in the consolidated profit or loss.

Any adjustments to the matters as described from points 1 to 4 above might have a consequential effect on the Group's results for the two years ended 31 December 2011 and 2012, the Group's cash flows for the two years ended 31 December 2011 and 2012 and the financial position of the Group as at 31 December 2011, and the related disclosures thereof in the consolidated financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters as described in the basis for qualified opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the results and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong, 28 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7 & 9	**651,562**	881,291
Cost of sales		**(626,058)**	(856,634)
Gross profit		**25,504**	24,657
Other income	8	**13,237**	9,662
Selling and distribution expenses		**(6,293)**	(2,106)
Administrative expenses		**(13,036)**	(13,619)
Profit from operations		**19,412**	18,594
Restructuring costs	10	**(8,581)**	(3,755)
Gain on debts discharged under the scheme of arrangement	11	**381,258**	–
Loss on group reorganisation	11	**(260)**	–
Finance costs	12	**(6,629)**	(8,872)
Profit before tax	13	**385,200**	5,967
Income tax expense	14	**(2,342)**	(3,225)
Profit and total comprehensive income for the year attributable to owners of the Company	17	**382,858**	2,742
Earnings per share attributable to owners of the Company			(Restated)
Basic and diluted (HK$ per share)	19	**2.73**	0.18

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	21	**237**	256
Prepayments, deposits and other receivables	26	**26,375**	29,375
Goodwill	22	**6,098**	6,098
Deferred tax assets	23	**–**	253
		32,710	35,982
Current assets			
Inventories	24	**3,444**	4,187
Trade receivables	25	**72,318**	47,787
Prepayments, deposits and other receivables	26	**8,134**	7,905
Bank and cash balances	27	**66,952**	36,186
Current tax assets		**928**	–
		151,776	96,065
Current liabilities			
Trade and bills payables	28	**15,867**	16,811
Accruals, other payables and deposits received	29	**8,015**	319,664
Bank and other borrowings	30	**–**	215,597
Financial guarantee liabilities	31	**–**	15,325
Current tax liabilities		**106**	1,879
		23,988	569,276
Net current assets/(liabilities)		**127,788**	(473,211)
Total assets less current liabilities		**160,498**	(437,229)
Non-current liabilities			
Deferred tax liabilities	23	**10**	–
		10	–
NET ASSETS/(LIABILITIES)		**160,488**	(437,229)
Capital and reserves			
Share capital	32	**4,002**	59,296
Reserves	33	**156,486**	(496,525)
TOTAL EQUITY/(DEFICIENCY OF TOTAL EQUITY)		**160,488**	(437,229)

The consolidated financial statements on pages 32 to 77 were approved and authorised for issue by Board of Directors on 28 March 2013 and are signed on behalf by:

Huang Kunyan	**Yau Dennis Wai Tak**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Notes	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		59,296	299,181	38,900	(837,348)	(439,971)
Total comprehensive income for the year		–	–	–	2,742	2,742
At 31 December 2011		59,296	299,181	38,900	(834,606)	(437,229)
At 1 January 2012		**59,296**	**299,181**	**38,900**	**(834,606)**	**(437,229)**
Total comprehensive income for the year		**–**	**–**	**–**	**382,858**	**382,858**
Capital reduction	32 (i)	**(59,148)**	**(299,181)**	**–**	**358,329**	**–**
Share subscription	32 (ii)	**2,668**	**147,344**	**–**	**–**	**150,012**
Transaction costs related to the share subscription	32 (ii)	**–**	**(75)**	**–**	**–**	**(75)**
Open offer	32 (iii)	**1,038**	**57,300**	**–**	**–**	**58,338**
Transaction costs related to the open offer	32 (iii)	**–**	**(1,750)**	**–**	**–**	**(1,750)**
Issue of creditors shares	32 (iv)	**148**	**8,186**	**–**	**–**	**8,334**
Group reorganisation	11	**–**	**–**	**(38,900)**	**38,900**	**–**
At 31 December 2012		**4,002**	**211,005**	**–**	**(54,519)**	**160,488**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Profit before tax		**385,200**	5,967
Adjustments for:			
Depreciation	13 & 21	**92**	86
Other operating lease charges on Sincere Gold Agreement	13 & 26	**3,000**	2,625
Gain on debts discharged under the scheme of arrangement	11	**(381,258)**	–
Loss on deconsolidation of subsidiaries	11	**260**	–
Loss on property, plant and equipment written-off	13	**5**	–
Finance costs	12	**6,629**	8,872
Interest income	8	**(84)**	(39)
Operating cash flows before working capital changes		**13,844**	17,511
Change in inventories		**743**	457
Change in trade receivables		**(24,531)**	(8,334)
Change in prepayments, deposits and other receivables		**(229)**	(32,157)
Change in trade and bills payables		**(944)**	(5,167)
Change in accruals, other payables and deposits received		**(11,141)**	5,694
Cash used in operations		**(22,258)**	(21,996)
Income taxes paid		**(5,044)**	(2,883)
Net cash flows used in operating activities		**(27,302)**	(24,879)
Cash flows from investing activities			
Interest received		**84**	39
Purchase of property, plant and equipment	21	**(78)**	(296)
Net cash outflow on deconsolidation of subsidiaries	11	**(62)**	–
Net cash flows used in investing activities		**(56)**	(257)
Cash flows from financing activities			
Net proceeds from issuance of shares		**127,570**	–
Interest paid	12 & 34	**(446)**	(215)
Repayments of other borrowing		**(7,000)**	–
Other borrowing raised	30	**–**	7,000
Fund from the Investor	29	**–**	38,662
Net cash outflow on scheme of arrangement	11	**(62,000)**	–
Net cash flows generated from financing activities		**58,124**	45,447
Net increase in cash and cash equivalents		**30,766**	20,311
Cash and cash equivalents at beginning of year		**36,186**	15,875
Cash and cash equivalents at end of year		**66,952**	36,186
Analysis of cash and cash equivalents			
Bank and cash balances	27	**66,952**	36,186

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is 14th Floor, Bangkok Bank Building, 490-492 Nathan Road, Yaumatei, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in the processing and trading of food products mainly including frozen and functional food products. The principal activities of its subsidiaries are set out in note 40 to these consolidated financial statements.

In the opinion of the directors (the "Directors") of the Company, as at the date of issue of these consolidated financial statements, Groupwill Holdings Limited (the "Investor" and now the "Controlling Shareholder"), a company incorporated in the British Virgin Islands, is the ultimate holding company and Mr. Huang Kunyan is the ultimate controlling party. The Controlling Shareholder does not produce financial statements available for public use.

2. BASIS OF PREPARATION

Completion of the restructuring of the Group and resumption of trading in the shares of the Company

Trading in the shares of the Company (the "Shares") was suspended on the Main Board of the Stock Exchange at the request of the Company on 15 December 2008.

On 6 January 2009, a winding-up petition (the "Petition") and the application for the appointment of the joint and several provisional liquidators of the Company (the "Provisional Liquidators") were presented to and filed with the High Court of Hong Kong Special Administrative Region (the "Hong Kong Court") by the Company. On the same day, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai were appointed as the Provisional Liquidators by the Hong Kong Court. The Petition was filed with the Court on 7 January 2009 to effect the appointment. The Provisional Liquidators took control and possession of the assets of the Company.

Since then, the Provisional Liquidators had commenced restructuring the Company. On 30 July 2009 and 21 September 2010, an exclusivity agreement and a supplemental exclusivity agreement respectively were entered into among the investor, Mr. Huang Kunyan, the Company and the Provisional Liquidators to grant the Investor an exclusive right to prepare and submit a resumption proposal to the Stock Exchange with the view to resume trading of the Company's shares.

2. BASIS OF PREPARATION (CONTINUED)

Completion of the restructuring of the Group and resumption of trading in the shares of the Company (Continued)

Since the second half of 2009, with the working capital facility (the "Working Capital Facility") provided by the Investor, the Group has restored its trading business operation by establishing the special purpose vehicles to carry out the food trading and processing business. In October 2010, the Group completed the acquisition of the entire issued share capital of Orient Legend International Limited ("Orient Legend") for an aggregate cash consideration of HK$10,000,000, pursuant to which the trading of food products were strengthened further. In the same month, the Group entered into an operating lease agreement (the "Sincere Gold Agreement") with an independent third party. According to the terms of the Sincere Gold Agreement, the independent third party who has a processing plant in Jiangmen, will provide the processing of food products service for the Group. Leveraging on the large customers base and trading volume of Orient Legend, the Sincere Gold Agreement further strengthens the processing of food products business of the Group.

On 5 January 2012, the Company, the Provisional Liquidators, the Investor and Mr. Huang Kunyan as the guarantor entered into a formal restructuring agreement to implement the proposed restructuring of the Company which included, inter alia, (i) capital restructuring; (ii) open offer; (iii) subscription of new shares; (iv) issue of creditors shares; (v) implementation of the scheme of arrangement; and (vi) group reorganisation. On 4 September 2012, the proposed restructuring was completed. With effect from 4 September 2012, the Provisional Liquidators were discharged and the petition for winding-up of the Company was dismissed by the Hong Kong Court. Upon the grant from the Stock Exchange, trading in the shares of the Company was resumed on 6 September 2012.

Change in presentation currency

The Company and the Group changed their presentation currency from Renminbi to Hong Kong dollars during the year because the Directors consider that choosing Hong Kong dollars as the presentation currency best suits the needs of the shareholders and investors.

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

In the current year, the Group has adopted for the first time the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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

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

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

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

HKFRS 1 Amendments	Government Loans[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 Amendments	Amendments to HKFRS 9 Financial Instruments and HKFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements and HKFRS 12 Disclosure of Interests in Other Entitles: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 Amendments	Amendments to HKFRS 10 Consolidated Financial Statements, HKFRS 12 Disclosure of Interests in Other Entitles and HKAS 27 Separate Financial Statements: Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 1 Amendments	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[1]
HKAS 32 Amendments	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

In the meantime, there are Annual Improvement to HKFRSs 2009-2011 Cycle on HKFRS 1 and HKASs 1, 16, 32 and 34 for annual periods beginning on or after 1 January 2013.

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.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

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

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

Consolidation

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

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. Where assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRS).

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

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

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

Business combination and goodwill

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

a) Functional and presentation currency

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

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

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

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

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

c) Translation on consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

c) Translation on consolidation (Continued)

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

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

Property, plant and equipment

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

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

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

Leasehold improvement	5 years
Furniture and equipment	5 years
Computer hardware and software	3 years

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

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

Operating leases

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Trade and other receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Financial guarantee contract liabilities

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

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

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

Trade and other payables

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

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

Food processing income is recognised when the food processing services are rendered.

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

Storage fee income is recognised based on the time period of which the merchandise is stored in the Group's leased warehouses.

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

Employee benefits

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

Borrowing costs

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

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

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

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(B) An entity is related to the Group (reporting entity) if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

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

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

Impairment of assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets (Continued)

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. KEY ESTIMATES

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

a) Impairment of goodwill

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

b) Impairment loss for bad and doubtful debts

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

c) Allowance for slow-moving inventories

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

6. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

(i) Trade receivables

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At 31 December 2012, the Group has a certain concentration of credit risk of approximately HK$23,492,000 (2011: approximately HK$12,121,000) and approximately HK$44,892,000 (2011: approximately HK$21,596,000) out of the total trade receivables of approximately HK$72,318,000 (2011: approximately HK$47,787,000) as at 31 December 2012, which was arising from the Group's largest debtor and the two largest debtors respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 25.

(ii) Deposit in relation to the Sincere Gold Agreement

Regarding the Sincere Gold Agreement as disclosed in notes 2 and 26 to these consolidated financial statements, the Group places a refundable security deposit of HK$20,000,000 as at 31 December 2012. The Group has been closely working with the recipients under the Sincere Gold Agreement and through which the Group monitors cautiously the financial situation of the recipients to assess the recoverability of the security deposit.

(iii) Deposits with financial institutions

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

As at 31 December 2012, the Group has no concentration of credit risk (2011: nil) of total cash and cash equivalents.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars and United States dollars ("US dollars"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure should the need arise.

Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank deposits and bank and other borrowings. As the Group has no significant interest-bearing assets and liabilities as at 31 December 2012, the Group's operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2011, if interest rates on the bank and other borrowings at that date had been 1% lower/higher with all other variables held constant, the consolidated profit after tax for the year would have been approximately HK$2,156,000 higher/lower, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

Fair value

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

7. TURNOVER

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

	2012	2011
	HK$'000	HK$'000
Sales of goods	**651,562**	881,291

8. OTHER INCOME

	2012	2011
	HK$'000	HK$'000
Food processing income	**6,810**	6,633
Commission income	**840**	1,603
Storage fee income	**5,486**	1,361
Interest income	**84**	39
Sundry income	**17**	26
	13,237	9,662

9. SEGMENT INFORMATION

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

The accounting policies of the operating segment are the same as those described in note 4 to the financial statements. Segment profits or losses do not include finance costs arising from bank and other borrowings, restructuring costs and unallocated corporate income and expenses. Segment liabilities do not include bank and other borrowings, financial guarantee liabilities, deferred tax liabilities and amounts due to related parties. Segment non-current assets do not include financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

9. SEGMENT INFORMATION (CONTINUED)

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

	Frozen and functional food products	
	2012	2011
	HK$'000	HK$'000
Years ended 31 December		
Revenue from external customers	**621,562**	881,291
Segment profit	**20,892**	20,006
Interest income	**58**	9
Finance costs arising from bank overdraft	**–**	5
Depreciation	**87**	77
Income tax expense	**2,342**	3,225
Additions to segment non-current assets	**78**	296
As at 31 December		
Segment assets	**178,388**	117,082
Segment liabilities	**23,538**	99,398

Reconciliations of reportable segment profit or losses, assets and liablities:

	Year ended 31 December	
	2012	2011
	HK$'000	HK$'000
Profit or losses		
Profit of reportable segment	**20,892**	20,006
Unallocated amounts:		
Unallocated corporate income and expenses	**(1,480)**	(1,417)
Gain on debts discharged under the scheme of arrangement	**381,258**	–
Loss on group reorganisation	**(260)**	–
Restructuring costs	**(8,581)**	(3,755)
Finance costs arising from bank and other borrowings excluding bank overdraft	**(6,629)**	(8,867)
Consolidated profit before tax	**385,200**	5,967

9. SEGMENT INFORMATION (CONTINUED)

	As at 31 December	
	2012	2011
	HK$'000	HK$'000
Assets		
Total assets of reportable segment	**178,388**	117,082
Unallocated amounts:		
Deferred tax assets	**–**	264
Goodwill	**6,098**	6,098
Unallocated corporate assets	**–**	8,603
Consolidated total assets	**184,486**	132,047
Liabilities		
Total liabilities of reportable segment	**23,538**	99,398
Unallocated amounts:		
Deferred tax liabilities	**10**	11
Bank borrowings	**–**	208,597
Financial guarantee liabilities	**–**	15,325
Unallocated corporate liabilities	**450**	245,945
Consolidated total liabilities	**23,998**	569,276

Geographical information:

	Turnover Year ended 31 December		Non-current assets As at 31 December	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Canada	**37,321**	38,316	**–**	–
Mainland China	**542,058**	775,516	**–**	–
Hong Kong	**72,183**	54,856	**32,710**	35,729
Others	**–**	12,603	**–**	–
Consolidated total	**651,562**	881,291	**32,710**	35,729

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

9. SEGMENT INFORMATION (CONTINUED)

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	2012
	HK$'000
Customer A	**120,517**
Customer B	**101,779**
Customer C	**70,809**

	2011
	HK$'000
Customer A	283,886
Customer B	146,368
Customer C	105,620

10. RESTRUCTURING COSTS

Restructuring costs of approximately HK$8,581,000 (2011: approximately HK$3,755,000) mainly included the legal fees, fee to the financial advisor and the Provisional Liquidators and other professional fees for implementing the proposed restructuring of the Company. Such expenses were financed by the Investor and non-recurring in nature.

11. THE SCHEME OF ARRANGEMENT AND GROUP REORGANISATION

Gain on debts discharged under the scheme of arrangement

On 26 April 2012, the majority of the scheme creditors approved a scheme of arrangement under which all indebtedness owed by the Company to the scheme creditors on the date for determination of entitlement of the scheme creditors were released, discharged and fully settled on 4 September 2012.

The scheme of arrangement was sanctioned by the Hong Kong Court and the Supreme Court of Bermuda on 16 May 2012 and 18 May 2012 respectively. The total indebtedness admitted by the scheme administrator under the scheme of arrangement was discharged in full and settled by way of a combination of the cash payment of HK$62,000,000 and issuance of 14,823,936 creditors shares credited as fully paid. As a result, a gain on debts discharged under the scheme of arrangement of approximately HK$381,258,000 (2011: Nil) was recognised during the year ended 31 December 2012, being calculated as follows:

	HK$'000
Debts discharged:	
Bank borrowings	208,597
Financial guarantee liabilities	15,325
Accruals, other payables and deposit received	227,670
	451,592
Satisfied by:	
Cash consideration	(62,000)
Issue of creditors shares (at fair value)	(8,334)
	(70,334)
Gain on debts discharged under the scheme of arrangement	381,258

11. THE SCHEME OF ARRANGEMENT AND GROUP REORGANISATION (CONTINUED)

Loss on group reorganisation

On 4 September 2012, the Group completed the restructuring agreement where Smart Dragon International Trading Limited, First China Technology Limited and First China Technology (Hong Kong) Limited, which are the former immediate subsidiaries of the Company, (the "Former Immediate Subsidiaries"), and Fuqing Longyu Food Development Company Limited, Jiajing Commercial (Shanghai) Company Limited and Ningbo Dingwei Food Development Company Limited, which are the subsidiaries of the Smart Dragon International Trading Limited or First China Technology Limited and had been deconsolidated from the Group since 1 July 2008 (details of the deconsolidation were disclosed in note 2 and 10 to the consolidated financial statements of the Company's 2008 annual report dated 22 January 2010), were transferred out of the Group to the nominee of the administrators of the aforesaid scheme of arrangement.

	HK$'000
Net assets of the Former Immediate Subsidiaries at the date of disposal of were as follows:	
Deferred tax assets	264
Bank and cash balances	62
Accruals, other payables and deposits received	(66)
	260
Loss on group reorganisation	(260)
Total consideration satisfied by cash	–
Net cash outflow arising on group reorganisation:	
Cash and cash equivalents of the subsidiaries disposal of	(62)

As the result of the group reorganisation, the merger reserve of approximately HK$38,900,000 included in the consolidated statement of changes in equity was transferred to the accumulated losses of the Group during the year.

12. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expenses on:		
Bank borrowings wholly repayable within 1 year or on demand	**6,183**	8,657
Other borrowing wholly repayable within 1 year	**446**	210
Bank overdraft interest	**–**	5
	6,629	8,872

13. PROFIT BEFORE TAX

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

	2012 HK$'000	2011 HK$'000
Directors' emoluments		
As directors	270	275
For management	147	–
	417	275
Auditor's remuneration		
Current year	450	504
Staff costs including directors' emoluments		
Salaries, bonus and allowances	2,748	3,700
Retirement benefits scheme contributions	149	123
	2,897	3,823
Acquisition-related costs (included in restructuring expenses)	–	52
Cost of inventories sold	626,058	856,634
Depreciation	92	86
Loss on property, plant and equipment written-off	5	–
Net exchange (gain)/losses	(401)	306
Other operating lease charges on Sincere Gold Agreement (note 26(a))	3,000	2,625
Operating lease charges on land and buildings	899	833

14. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	2,372	3,211
Under-provision in prior years	–	3
Over-provision in prior years	(29)	–
	2,343	3,214
Deferred tax (note 23)	(1)	11
	2,342	3,225

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

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.

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

	2012 HK$'000	2011 HK$'000
Profit before tax	385,200	5,967
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	63,558	985
Tax effect of income not taxable and expenses not deductible	(61,246)	9
Tax effect of tax losses not recognised	59	2,228
Under-provision in prior years	–	3
Over-provision in prior years	(29)	–
	2,342	3,225

15. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments of each Director and the Chief Executive Officer were as follows:

		Fees HK$'000	Basic salaries, allowances and benefits in-kind HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of executive directors/chief executive officer						
Huang Kunyan	(note (a))	–	3	–	–	3
Shum Chin Tong Peter	(note (a))	–	80	–	–	80
Yau Wai Tak Dennis	(note (a))	–	64	–	–	64
Mak Tat Ho Louis	(note (d))	–	240	–	12	252
		–	387	–	12	399
Name of non-executive directors						
Lee Wa Lun Warren	(note (b))	–	–	–	–	–
		–	–	–	–	–
Name of independent non-executive directors						
Leung King Yue Alex		60	–	–	–	60
Tang Chi Chung Matthew		60	–	–	–	60
Wong Chi Keung		150	–	–	–	150
		270	–	–	–	270
Total for 2012		270	387	–	12	669

		Fees HK$'000	Basic salaries, allowances and benefits in-kind HK$'000	Share-based payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Name of executive directors/chief executive officer						
Lee Wa Lun Warren	(note (b))	–	–	–	–	–
Mak Tat Ho Louis	(note (d))	–	134	–	7	141
		–	134	–	7	141
Name of independent non-executive directors						
Leung King Yue Alex		60	–	–	–	60
Tang Chi Chung Matthew		60	–	–	–	60
Lo Wai On	(note (c))	5	–	–	–	5
Wong Chi Keung		150	–	–	–	150
		275	–	–	–	275
Total for 2011		275	134	–	7	416

15. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (CONTINUED)

Notes:

(a) Appointed with effect from 4 September 2012

(b) Re-designated with effect from 4 September 2012

(c) Resigned with effect from 31 January 2011

(d) Mr. Mak Tat Ho, Louis is the Chief Executive Officer of the Group but not a Director of the Company. The amounts disclosed above included those for services rendered by him as the Chief Executive Officer.

16. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals in the Group during the year included 1 (2011: nil) Director and the Chief Executive Officer (2011: nil), details of whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2011: 5) individual are set out below:

	2012 HK$'000	2011 HK$'000
Basic salaries and allowances	918	2,655
Retirement benefit scheme contributions	38	115
	956	2,770

The emoluments of the 3 individuals (2011: 5) fall within the following band:

	Number of individuals	
	2012	2011
HK$ Nil – HK$1,000,000	3	5

During the years ended 31 December 2012 and 2011, no emoluments were paid or payable to the five highest paid individuals (including Directors and other employees) as an inducement to join the Group or as a compensation for loss of office.

17. PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of approximately HK$371,446,000 (2011: loss of approximately HK$13,123,000) which has been dealt with in the financial statements of the Company.

18. DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

19. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$382,858,000 (2011: approximately HK$2,742,000) and the weighted average number of approximately 140,139,000 ordinary shares (2011: approximately 14,824,000 ordinary shares) in issue during the year which has been adjusted resulting from the share consolidation, the subscription of new shares and the open offer.

Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2012 and 2011 is the same as the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the years.

20. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 from June 2012, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of comprehensive income.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2012 in respect of the retirement benefits of its employees.

21. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture and equipment HK$'000	Computer hardware and software HK$'000	Total HK$'000
Cost				
At 1 January 2011	–	827	–	827
Additions	130	86	80	296
At 31 December 2011 and 1 January 2012	130	913	80	1,123
Additions	–	49	29	78
Written off	–	(800)	–	(800)
At 31 December 2012	130	162	109	401
Accumulated depreciation				
At 1 January 2011	–	781	–	781
Charge for the year	22	40	24	86
At 31 December 2011 and 1 January 2012	22	821	24	867
Charge for the year	26	33	33	92
Written off	–	(795)	–	(795)
At 31 December 2012	48	59	57	164
Carrying amount				
At 31 December 2012	82	103	52	237
At 31 December 2011	108	92	56	256

22. GOODWILL

	HK$'000
Cost	
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	**6,098**
Accumulated impairment losses	
Recognised for the years ended 31 December 2011 and 2012 and balance as at 31 December 2012	**–**
Carrying amount	
At 31 December 2012	**6,098**
At 31 December 2011	**6,098**

During the year ended 31 December 2010, the Group acquired the entire issued share capital of Orient Legend for an aggregate cash consideration of HK$10 million. Details of which had been disclosed in the 2010 annual report of the Company.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of approximately HK$6,068,000 (2011: approximately HK$6,098,000) had been allocated to sales of food products contributed by Orient Legend.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3.7%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's sales of food products is 15%.

23. DEFERRED TAX

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

	Impairment loss of bad and doubtful debts HK$'000	Other temporary differences HK$'000	Total HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012	**68**	**196**	**264**
Transferred out arising on group reorganisation (note 11)	**(68)**	**(196)**	**(264)**
At 31 December 2012	**–**	**–**	**–**

Deferred tax liabilities	**Other temporary differences HK$'000**
Charged to profit or loss for the year ended 31 December 2011	11
At 31 December 2011 and 1 January 2012	11
Credited to profit or loss for the year ended 31 December 2012	(1)
At 31 December 2012	10

The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes:

	2012 HK$'000	2011 HK$'000
Deferred tax assets	**–**	264
Deferred tax liabilities	**(10)**	(11)
	(10)	253

24. INVENTORIES

	2012 HK$'000	2011 HK$'000
Merchandise	**3,444**	4,187

25. 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 date, and net of allowance, is as follows:

	2012	2011
	HK$'000	HK$'000
Within 1 month	**19,216**	5,594
More than 1 month but within 3 months	**23,619**	27,320
More than 3 months but within 6 months	**12,522**	12,057
More than 6 months but within 1 year	**8,594**	2,640
More than 1 year	**8,367**	176
	72,318	47,787

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

	2012	2011
	HK$'000	HK$'000
Not past due	**42,835**	32,914
More than 3 months but within 6 months	**12,522**	12,057
More than 6 months but within 1 year	**8,594**	2,640
More than 1 year	**8,367**	176
	72,318	47,787

Receivables that were past due but not impaired relate to a number of independent customers for whom there was no recent history of default.

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

	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**18,020**	4,324
US dollars	**54,298**	41,754
Canadian dollars	**–**	1,709
	72,318	47,787

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Non-current assets		
Prepayment and deposit for Sincere Gold Agreement (note (a))	**26,375**	29,375
Current assets		
Prepayment and deposit for Sincere Gold Agreement (note (a))	**3,000**	3,000
Deposit for the S&P Agreement (note (b))	**–**	500
Advances to suppliers	**4,327**	3,756
Rental and other deposits	**807**	649
	8,134	7,905

Notes:

(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 are 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 commenced since mid-February 2011 and HK$3,000,000 (2011: HK$2,625,000) was charged to profit or loss of the Group for the year ended 31 December 2012. As a result, the Group had remaining balances of rental prepayment and security deposit of HK$9,375,000 and HK$20,000,000 as at 31 December 2012, in which HK$3,000,000 of the rental prepayment is classified as a current asset and the remaining rental prepayment of HK$6,375,000 and the security deposit of HK$20,000,000 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 sale and purchase agreement (the "S&P Agreement") pursuant to which Pacific Prosper conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of the New Profit Global Limited at the consideration of HK$4.5 million in cash. In June 2011, HK$500,000 was paid. On 4 January 2012, the Group announced that the S&P Agreement lapsed pursuant to its terms. Accordingly, the deposit for the S&P Agreement was refunded.

27. BANK AND CASH BALANCES

	2012 HK$'000	2011 HK$'000
Cash at bank and in hand	**66,952**	36,186

As at 31 December 2012 and 2011, the bank and cash balances of the Group were denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	**57,001**	16,309
US dollars	**3,782**	8,619
Renminbi	**4,975**	4,913
Euro	**1,194**	6,339
Others	**–**	6
	66,952	36,186

28. TRADE AND BILLS PAYABLES

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

	2012 HK$'000	2011 HK$'000
Within 1 month	**4,694**	5,062
More than 1 month but within 3 months	**8,702**	10,905
More than 3 months but within 6 months	**2,129**	8
More than 6 months but within 1 year	**–**	813
More than 1 year	**342**	23
	15,867	16,811

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

	2012 HK$'000	2011 HK$'000
Hong Kong dollars	**3,878**	2,435
US dollars	**11,989**	14,068
Euro	**–**	308
	15,867	16,811

29. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2012	2011
	HK$'000	HK$'000
Finance costs payable	**–**	27,983
Accruals and other payables	**3,770**	12,196
Deposits received	**3,427**	2,386
Claim arising from derivative financial instrument (note (a))	**–**	124,321
Amount due to a former director of the Company (note (b))	**–**	68,250
Amount due to a director of the subsidiaries (note (b))	**683**	5,530
Amount due to the Investor (note (c))	**135**	78,998
	8,015	319,664

Notes:

(a) Included in the accruals, other payables and deposits received of the Group as at 31 December 2011 is a claim arising from the derivative financial instrument with a carrying amount of US$15,979,544 (equivalent to approximately HK$124,320,851). The claim is arising from a notice of early termination of a US$ interest rate swap agreement dated 3 November 2008 served by a commercial bank. These liabilities of the Company had been discharged under the scheme of arrangement of the Company which became effective on 4 September 2012.

(b) The amount due to a former director of the Company had been discharged under the scheme of arrangement of the Company which became effective on 4 September 2012. The amount due to a director of the subsidiaries is unsecured, non-interest bearing and has no fixed terms of repayment.

(c) The amount due to the Investor as at 31 December 2012 is unsecured, non-interest bearing and has no fixed repayment terms.

The outstanding balance as at 31 December 2011 included an advancement (the "Advancement") and an earnest money (the "Earnest Money") paid by the Investor pursuant to the Exclusivity Agreement. The Advancement was used for payment of the restructuring fees and other professional fees during the restructuring process. In addition, there was a loan (the "Loan") from the Investor pursuant to the Working Capital Facility and for the use of operation of Supreme Wit Limited ("Supreme Wit'), a direct wholly-owned subsidiary of the Company, and its operating subsidiaries. The Loan was secured by the floating charge on all the assets of Supreme Wit and had no fixed terms of repayment.

Upon the completion of the restructuring on 4 September 2012, the Earnest Money, the Advancement and the Loan formed part of the subscription proceeds paid by the Investor.

30. BANK AND OTHER BORROWINGS

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

	2012 **HK$'000**	2011 HK$'000
Within 1 year or on demand		
Bank borrowings	–	208,597
Other borrowing	–	7,000
	–	215,597

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

	2012 **HK$'000**	2011 HK$'000
Hong Kong dollars	–	176,697
US dollars	–	38,900
	–	215,597

Upon the Scheme of arrangement being effective on 4 September 2012, the bank borrowings of approximately HK$208,597,000 had been discharged.

31. FINANCIAL GUARANTEE LIABILITIES

In 2008, a bank borrowing of equivalent to approximately HK$15,325,000 was maintained by Fuqing Longyu Food Development Company Limited which was deconsolidated from the consolidated financial statements of the Company since 1 July 2008. Since the Company provided a corporate guarantee for this bank borrowing, the Company was therefore liable to the financial guarantee liabilities of HK$15,325,000 (2011: HK$15,325,000). This liability had been discharged under the scheme of arrangement of the Company which became effective on 4 September 2012.

32. SHARE CAPITAL

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

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

32. SHARE CAPITAL (CONTINUED)

	2012 HK$'000	2011 HK$'000
Authorised:		
800,000,000 ordinary shares of HK$0.01 each (2011: 2,000,000,000 ordinary shares of HK$0.05 each) (Note (i))	**8,000**	100,000
Issued and fully paid:		
400,246,274 ordinary shares of HK$0.01 each (2011: 1,185,914,889 ordinary shares of HK$0.05 each)	**4,002**	59,296

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

Movement of the number of shares issued and the share capital during the current year is as follows:

	Number of shares issued '000	Share Capital HK$'000
At 1 January 2011, 31 December 2011 and 1 January 2012	**1,185,915**	**59,296**
Capital restructuring (Note (i))	**(1,171,091)**	**(59,148)**
	14,824	**148**
Share subscription (Note (ii))	**266,831**	**2,668**
Open offer (Note (iii))	**103,767**	**1,038**
Issue of creditors shares (Note (iv))	**14,824**	**148**
At 31 December 2012	**400,246**	**4,002**

Notes:

(i) The capital restructuring of the Company became effective on 7 August 2012 which comprised the following:

Capital reduction

The capital reduction involved a reduction of the par value of each share from HK$0.05 each to HK$0.000125 each which gave rise to a credit of approximately HK$59,148,000 on the basis of 1,185,914,889 shares in issue. Such credit was permitted by the Companies Act 1981 of Bermuda to set off part of the accumulated losses of the Company.

Capital cancellation

Immediately following the capital reduction, the remaining authorised but unissued share capital of the Company of 814,085,111 unissued shares of par value of HK$0.05 each amounting to an aggregate of approximately HK$40,704,000 was cancelled in its entirety resulting in the authorised and issued share capital of the Company being reduced to approximately HK$148,000, divided into 1,185,914,889 shares of par value of HK$0.000125 each.

32. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(i) (Continued)

Share consolidation

The share consolidation was implemented to consolidate every 80 issued shares of par value of HK$0.000125 each into one share of par value of HK$0.01 each. As a result, 1,185,914,889 issued shares of the Company were consolidated into 14,823,936 shares of HK$0.01 each.

Share premium cancellation

The entire amount of approximately HK$299,181,000 standing to the credit of the share premium account of the Company as at 31 December 2011 was cancelled and applied to set off part of the accumulated losses of the Company as at 31 December 2011 permitted by the Companies Act 1981 of Bermuda.

Increase in authorised share capital

The authorised share capital of the Company was increased from HK$148,000 to approximately HK$8,000,000 by the creation of approximately 785,200,000 new shares of HK$0.01 each.

(ii) Share subscription

Completion of the share subscription took place on 4 September 2012 pursuant to which 266,830,850 subscription shares were issued to Groupwill Holdings Limited (now the Controlling Shareholder of the Company) at the subscription price of HK$0.5622 per subscription share with the par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$2,668,000 and its share premium account was increased by approximately HK$147,344,000. The transaction costs related to the share subscription was approximately HK$75,000.

(iii) Open offer

Completion of the open offer took place with 103,767,552 offer shares issued under the open offer on the basis of seven offer shares for every one share held by the qualifying shareholders after completion of the capital restructuring at the subscription price of HK$0.5622 per offer share with the par value of HK$0.01 each. Accordingly, the Company's issued share capital was increased by approximately HK$1,038,000 and its share premium account was increased by approximately HK$57,300,000. The transaction costs related to the open offer was approximately HK$1,750,000. The offer shares were issued on 4 September 2012.

(iv) Issue of creditors shares

The scheme of arrangement with the Company's creditors became effective on 4 September 2012 upon the sanction by the Hong Kong Court and the Supreme Court of Bermuda held on 16 May 2012 and 18 May 2012 respectively, pursuant to which approximately 14,824,000 creditors shares were issued to the nominee of scheme administrators of the aforesaid scheme of arrangement at the issue price of HK$0.5622 per creditors share with the par value of HK$0.01 each. Accordingly, the Company's share capital was increased by approximately HK$148,000 and its share premium amounts was increased by approximately HK$8,186,000.

33. RESERVES

a) Group

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

b) Company

	Notes	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011		299,181	(804,927)	(505,746)
Total comprehensive loss for the year		–	(13,123)	(13,123)
At 31 December 2011		299,181	(818,050)	(518,869)
At 1 January 2012		299,181	(818,050)	(518,869)
Total comprehensive income for the year		**–**	**371,446**	**371,446**
Capital reduction	32 (i)	**(299,181)**	**358,329**	**59,148**
Share subscription	32 (ii)	**147,344**	**–**	**147,344**
Transaction costs related to the share subscription	32 (ii)	**(75)**	**–**	**(75)**
Open offer	32 (iii)	**57,300**	**–**	**57,300**
Transaction costs related to the open offer	32 (iii)	**(1,750)**	**–**	**(1,750)**
Issue of creditors shares	32 (iv)	**8,186**	**–**	**8,186**
At 31 December 2012		**211,005**	**(88,275)**	**122,730**

c) Nature and purpose of reserves of the Group

(i) Share premium

According to the Bermuda Companies Act 1981, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

Merger reserve represents the difference between the nominal value of the share/registered capital of the subsidiaries acquired, pursuant to the reorganisation scheme which rationalising the structure of the Group for the listing of the Company's shares on the Stock Exchange over the nominal value of the share capital of the Company issued in exchange therefore. Upon completion of the restructuring agreement on 4 September 2012, the whole amount of the merger reserve of approximately HK$38,900,000 was transferred to accumulated losses of the Group.

34. MAJOR NON-CASH TRANSACTION

During the year, change in the amount of accruals, other payables and deposits received as shown in the operating activities of the consolidated statement of cash flows included an amount of approximately HK$6,183,000 (2011: approximately HK$8,657,000) relating to the finance costs of bank borrowings. The amount due to investor as at 31 December 2011 as included in note 29 to the consolidated financial statements was applied to form part of the share subscription by the Investor totally 266,830,850 subscription shares at subscription price of HK$0.5622 per subscription share.

35. COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital commitments		
The consideration in relation to the S&P Agreement (note 26(b))	**–**	4,000

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:

	2012 **HK$'000**	2011 HK$'000
Within 1 year	**824**	869
After 1 year but within 5 years	**543**	360
	1,367	1,229

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

36. CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities (2011: nil)

37. PLEDGE OF ASSETS

As at 31 December 2012, the Group did not have any pledge of assets. As at 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 and the additional working capital facility granted by the Investor to the Group. The floating charge had been released on 4 September 2012.

38. RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the Chief Executive officers as disclosed in note 15 and all of the highest paid employees as disclosed in note 16, is as follows:

	2012	2011
	HK$'000	HK$'000
Short-term employee benefits	**1,575**	2,930
Post-employment benefits	**50**	115
	1,625	3,045

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Listing Rules.

39. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

40. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2012 were as follows:

Name	Place of incorporation/ registration	Issued and paid-up capital/ registration capital	Percentage of ownership interest/voting power/ profit sharing		Principal activities
			2012	2011	
Supreme Wit Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Investment holding
Trendy Leader Limited	Hong Kong	1 ordinary share of HK$1 each	**100%***	100% *	Trading and processing of food products
Highest Rich Limited	Hong Kong	1 ordinary share of HK$1 each	**100%***	100% *	Inactive
Pacific Prosper Limited	Hong Kong	1 ordinary share of HK$1 each	**100%***	100% *	Investment holding
Orient Legend International Limited	Hong Kong	10 ordinary share of HK$1 each	**100%***	100% *	Trading of food products

* These subsidiaries were indirectly held by the Company.

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

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		–	11
Investment in subsidiaries	40	–	–
		–	11
Current assets			
Prepayments, deposits and other receivables		–	241
Amount due from a subsidiary *		127,182	1,687
Cash and cash equivalents		–	8,300
		127,182	10,228
Current liabilities			
Accruals, other payables and deposits received		450	121,570
Bank and other borrowings		–	332,917
Financial guarantee liabilities	31	–	15,325
		450	469,812
Net current liabilities		126,732	(459,584)
NET LIABILITIES		126,732	(459,573)
Capital and reserves			
Share capital	32	4,002	59,296
Reserves	33	122,730	(518,869)
TOTAL EQUITY		126,732	(459,573)

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

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2013.

Five Year Financial Summary

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

RESULTS

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	527,769	2,882	162,197	881,291	**651,562**
Profit/(loss) before tax	(1,536,982)	(16,052)	(3,557)	5,967	**385,200**
Income tax expense	(52,298)	–	(1,260)	(3,225)	**(2,342)**
Profit/(loss) for the year attributable to owners of the Company	(1,589,280)	(16,052)	(4,817)	2,742	**382,858**

ASSETS AND LIABILITIES

	As at 31 December				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,595	10,449	74,128	132,047	**184,486**
Total liabilities	(420,693)	(445,595)	(514,099)	(569,276)	**(23,998)**
Net assets/(liabilities)	(419,098)	(435,146)	(439,971)	(437,229)	**160,488**