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連發國際股份有限公司*

Ever Fortune International Holdings Limited

(Incorporated in Bermuda with limited liability)

(stock code: 875)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

The Board of Directors (the “Board”) of Ever Fortune International Holdings Limited (the “Company”) announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2010, along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
	Note	2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	2	7,065	14,377
Cost of sales		(6,258)	(12,859)
Gross profit		807	1,518
Selling and distribution expenses		(291)	(542)
Staff costs		(513)	(797)
Depreciation		(176)	(230)
Administrative and other operating expenses		(3,944)	(4,303)
Loss from operations before taxation		(4,117)	(4,354)
Income tax	4	—	(12)
Loss for the period	3	(4,117)	(4,366)
Attributable to:			
Owners of the Company		(4,117)	(4,366)
Dividends	6	—	—
Earnings/(loss) per share	7		
Basic and diluted		(HK0.16 cents)	(HK0.17 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		As at 30 June 2010 <i>HK\$'000</i> (unaudited)	As at 31 December 2009 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		30	205
Current assets			
Trade and other receivables	8	2,727	6,704
Cash and cash equivalents		1,033	103
		<u>3,760</u>	<u>6,807</u>
Current liabilities			
Trade and other payables	9	65,109	65,464
Other borrowings	10	4,736	3,486
		<u>69,845</u>	<u>68,950</u>
Net current liabilities		<u>(66,085)</u>	<u>(62,143)</u>
Net liabilities		<u>(66,055)</u>	<u>(61,938)</u>
Equity			
Equity attributable to owners of the Company			
Share capital		25,325	25,325
Reserves		(91,380)	(87,263)
Total Equity		<u>(66,055)</u>	<u>(61,938)</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34 “Interim Financial Reporting” and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting periods of the Group. We believe the adoption of these new and revised HKFRSs will not have a material impact on the Group’s financial position or results of operations.

2. TURNOVER

Turnover represented revenue arising on net amounts received and receivable from trading of agricultural produce, less sale returns and trade discounts as follows:

	Six months ended 30 June	
	2010	2009
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Trading of agricultural produce	<u>7,065</u>	<u>14,377</u>

3. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

(a) Finance costs

No finance costs were incurred for the six months ended 30 June 2010 (2009: Nil).

(b) Staff costs (including directors’ emoluments)

	2010	2009
	HK\$’000	HK\$’000
	(unaudited)	(unaudited)
Salaries, wages and other benefits	499	776
Contributions to defined contributed retirement plans	14	21
	<u>513</u>	<u>797</u>

(c) Other items

	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Depreciation for property, plant and equipment	176	230
Operating lease charges: minimum lease payments	910	1,214
Auditors' remuneration – audit services	230	200
– other services	–	150
Legal and professional fees	462	1,210
Cost of sales	6,258	12,859

4. INCOME TAX

	Six months ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Hong Kong profits tax	–	12
Overseas profits tax	–	–
	–	12

Hong Kong profits tax has not been provided as there are no estimated assessable profits for the interim period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

There was no significant unprovided deferred tax charge in respect of the period.

5. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Business segments

The Group comprises the following main business segments:

- (a) Assets holding: Assets holding
- (b) Agricultural produce: Trading of agricultural produce

There were no inter-segment sales and transfer during the current and prior period.

An analysis of the Group's turnover, contribution to loss from operations for the period ended 30 June 2010 and 2009 and certain assets, liabilities and expenditure information regarding business segments are as follows:

	Six months ended 30 June					
	Assets holding		Agricultural produce		Total	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue:						
External sales	–	–	7,065	14,377	7,065	14,377
Inter-segment sales	–	–	–	–	–	–
Total revenue	<u>–</u>	<u>–</u>	<u>7,065</u>	<u>14,377</u>	<u>7,065</u>	<u>14,377</u>
Results:						
Segment result and loss before taxation	(3,343)	(4,429)	(774)	75	(4,117)	(4,354)
Income tax	–	–	–	(12)	–	(12)
Loss for the period	<u>(3,343)</u>	<u>(4,429)</u>	<u>(774)</u>	<u>63</u>	<u>(4,117)</u>	<u>(4,366)</u>
Other information: Capital expenditure						
– segment	–	–	–	–	–	–
– unallocated	1	11	–	–	1	11
Depreciation and amortisation						
– segment	<u>176</u>	<u>230</u>	<u>–</u>	<u>–</u>	<u>176</u>	<u>230</u>

	Assets holding		Agricultural produce		Total	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Assets:						
Segment assets	1,163	1,411	2,627	5,601	3,790	7,012
Unallocated corporate asset	—	—	—	—	—	—
	<u>1,163</u>	<u>1,411</u>	<u>2,627</u>	<u>5,601</u>	<u>3,790</u>	<u>7,012</u>
Consolidated total assets	<u>1,163</u>	<u>1,411</u>	<u>2,627</u>	<u>5,601</u>	<u>3,790</u>	<u>7,012</u>
Liabilities:						
Segment liabilities	69,757	66,155	88	2,795	69,845	68,950
Unallocated corporate asset	—	—	—	—	—	—
	<u>69,757</u>	<u>66,155</u>	<u>88</u>	<u>2,795</u>	<u>69,845</u>	<u>68,950</u>
Consolidated total liabilities	<u>69,757</u>	<u>66,155</u>	<u>88</u>	<u>2,795</u>	<u>69,845</u>	<u>68,950</u>

6. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss for the period of HK\$4,117,000 (six months ended 30/6/2009: loss of HK\$4,366,000) and the number of ordinary shares of 2,532,543,083 (six months ended 30/6/2009: 2,532,543,083).

Diluted loss per share equal to basic loss per share as there are no dilutive potential ordinary shares outstanding during both periods presented.

8. TRADE AND OTHER RECEIVABLES

	30 June 2010 <i>HKD'000</i> (unaudited)	31 December 2009 <i>HKD'000</i> (audited)
Trade receivables – note	1,944	5,259
Prepayments and deposits	783	1,445
	<u>2,727</u>	<u>6,704</u>

note: Trade receivables

Trade receivables are due within 60 days from date of billing. At 30 June 2010 and 31 December 2009, the ageing analysis of the trade receivables was as follows:

	30 June 2010 <i>HKD'000</i> (unaudited)	31 December 2009 <i>HKD'000</i> (audited)
Current	–	3,574
1 to 3 months overdue	1,944	1,685
	<u>1,944</u>	<u>5,259</u>

9. TRADE AND OTHER PAYABLES

	30 June 2010 <i>HKD'000</i> (unaudited)	31 December 2009 <i>HKD'000</i> (audited)
Trade payables	82	2,029
Other payables and accruals	2,248	2,903
Due to related companies – note	59,041	57,041
Due to directors – note	3,738	3,491
	<u>65,109</u>	<u>65,464</u>

note: These amounts are unsecured, interest free and repayable on demand.

At 30 June 2010 and 31 December 2009, the ageing analysis of the trade payables was as follows:

	30 June 2010 HKD'000 (unaudited)	31 December 2009 HKD'000 (audited)
Within 1 year or on demand	<u>82</u>	<u>2,029</u>
	<u>82</u>	<u>2,029</u>

10. OTHER BORROWINGS

	30 June 2010 HKD'000 (unaudited)	31 December 2009 HKD'000 (audited)
Other loan, unsecured (note (a))	86	86
Other loan, secured (note (b))	<u>4,650</u>	<u>3,400</u>
	<u>4,736</u>	<u>3,486</u>

At 30 June 2010 and 31 December, 2009, other borrowings were repayable as follows:

	30 June 2010 HKD'000 (unaudited)	31 December 2009 HKD'000 (audited)
Within 1 year or on demand	<u>4,736</u>	<u>3,486</u>

Notes:

- (a) No interest is charged on the outstanding balance of HK\$86,000.
- (b) On 9 January 2009, Trade Front Limited ("Trade Front"), a wholly-owned subsidiary company of the Group, has entered into a loan agreement with Right Day Holdings Limited ("Right Day") an independent potential investor. Right Day agrees to provide a loan facility of up to HK\$10,000,000 for the working capital of Trade Front and Trade Day to reactivate the Group's previously discontinued agricultural product trading business. The loan facility is secured by the entire issued share capital of each of Trade Front, Trade Day and their immediate holding company, First Novel. As at 30 June 2010, HK\$4,650,000 was drawn under the loan facility. No interest is charged on the outstanding amount.

11. COMMITMENTS

Operating lease arrangements

At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payables as follows:

	30 June 2010 <i>HKD'000</i> (unaudited)	31 December 2009 <i>HKD'000</i> (audited)
Within 1 year	105	919
After 1 year but within 5 years	–	4
	105	923

The Group leases one property from an independent party under operating leases. The lease runs for a period of two years, with an option to terminate the lease after 12 months.

Capital Commitment

The Group and the Company did not have any significant capital commitments for the current and prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

A loss of HK\$4,117,000 was recorded by the Group in respect of the six months ended 30 June 2010. The Directors reactivated the business of trading in agricultural produce in March 2009 and the turnover during the period amounted to HK\$7 million which represents a drop of 51% when compared to the corresponding period. Such decrease was due to certain environmental factors affecting supply.

As recently announced, the Group is making further acquisition into agricultural business to expand operation base and such acquisition will be incorporated into the revised resumption proposal, which will be submitted to the Stock Exchange shortly.

Liquidity and financial resources

The Group financed the operations primarily from advance from shareholders and a loan from investor. As at 30 June 2010, the Group had cash and bank balances of HK\$1,033,000 (31 December 2009: HK\$103,000). As at 30 June 2010, the Group's current ratio was 0.05 (31 December 2009: 0.10).

Charges on assets

On 19 January 2009, Trade Front entered into a loan agreement with the Investor whereby a loan facility of up to HK\$10,000,000 would be provided by the Investor to First Novel and Trade Front and extended to Trade Day. The entire issued share capital of each of Trade Front, Trade Day and their immediate holding company, First Novel, has been pledged to the Investor as a security.

Save as disclosed, the Group had not pledged any other asset as at 30 June 2010.

Gearing Ratio

The Group's gearing ratio as at 30 June 2010 was 18.43 (31 December 2009: 9.83), which was arrived at by dividing the total liabilities by total assets.

Contingent liabilities and guarantees

As at 30 June 2010, the Group had not provided any guarantees in favor of any third party nor were there any significant contingent liabilities.

Exposure to foreign exchange risk

During the half-year period to 30 June 2010, the Group conducted its business transactions principally in Hong Kong dollars. Therefore, there is no significant foreign exchange risk for the Group.

Capital expenditure

During the six months ended 30 June 2010, there has not been any material capital expenditure.

Material acquisitions

On 23 February, 2010, announcement was made regarding the followings:

- (a) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with an independent party for the acquisition of the entire equity interest in Natural Farm, which is the supplier of Trade Day and engaged in vegetable trading business and operates a vegetable processing centre in Dongguan, at a total consideration of HK\$48,750,000. The total consideration of HK\$48,750,000 will be satisfied by (a) HK\$15,000,000 in cash; and (b) HK\$33,750,000 by the issue of preference shares of the Company at an issue price of HK\$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Natural Farm for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (a) If the average net profit after tax of Natural Farm for the years ending 31 March 2011 and 2012 is less than HK\$7,500,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (b) If the net asset value (plus shareholder's loan of HK\$20,000,000 assigned to the Company) of Natural Farm as at the completion of the acquisition is less than HK\$20,717,313.06, the shortfall will be paid by the vendor to the Company in cash.
- (b) On 23 December 2009, the Company has entered into a conditional sale and purchase agreement with two independent parties for the acquisition of the entire equity interest in Polygold, which is engaged in vegetable retailing business and is one of the major vegetables suppliers to Wellcome supermarkets in Hong Kong, at a total consideration of HK\$16,250,000. The total consideration of HK\$16,250,000 will be satisfied by (a) HK\$5,000,000 in cash; and (b) HK\$11,250,000 by the issue of preference shares of the Company at an issue price of HK\$0.15. The preference shares shall be issued in two phases: each of 50% shall be issued after the issue of the audited financial statements of Polygold for the years ending 31 March 2011 and 2012 respectively. The consideration of the acquisition is subject to the following adjustments: (a) If the average net profit after tax of Polygold for the years ending 31 March 2011 and 2012 is less than HK\$2,500,000, the shortfall will be adjusted by reducing the number of preference shares to be issued; and (b) If the net asset value of Polygold as at the completion of the acquisition is less than HK\$1,871,890.60, the shortfall will be paid by the vendors to the Company in cash.

Employees and remuneration policies

As at 30 June 2010, the Group has a total of 4 (2009: 4) employees. It is the corporate policy of the Group to set the remuneration of its employees at a level commensurate with their responsibilities, experience and qualification and in line with market conditions.

The Company has adopted a share option scheme (the "Scheme") in June 2002. Eligible participants under the Scheme include, among others, the Company's directors, independent non-executive directors and other directors/employees of the Group. As at 30 June 2010, there are no outstanding options under the Scheme.

Prospects

As announced, the Group has already made certain strategic acquisitions, which will be incorporated in the revised resumption proposal to be submitted to the Stock Exchange shortly.

These acquisitions cover the full range of activities from the planting, sourcing of vegetables to distribution and will form a stable source of income stream for the future growth of the Group. The directors are hopeful that the revised resumption proposal will be approved and the Group's business can be revived on a firm foundation for the benefit of the shareholders.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company has adopted a share option scheme in June 2002. As at 30 June 2010, there are no outstanding option.

CORPORATE GOVERNANCE

To the best knowledge of and so far as is known to the current members of the Board, the Company has complied with the Code Provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules with the exception of Code Provision A.4.2.

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

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

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

Due to the death of Mr. Yim Hing Wah on 14th July, 2009, the Company has not complied with Rule 3.10 that every board of directors must include at least three independent non-executive directors.

Save as disclosed above, please refer to the “Corporate Governance Report” contained in the Company’s 2009 annual report for more information about the corporate governance practices of the Company.

AUDIT COMMITTEE

The current audit committee of the Company comprises Mr. So Hoi Pan and Mr. Zhao Wen, all of whom are independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the condensed consolidated financial statements for the six months ended 30 June 2010.

THE MODEL CODE

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all the directors of the Company, the directors confirmed for the six months ended 30 June 2010 that they have complied with the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 of Listing Rules. The Company has also adopted written guidelines on no less exacting terms than the Model Code for relevant employees. No incident of non-compliance of the employees’ written guidelines by relevant employees was noted by the Company during the period.

RESTRUCTURING OF THE COMPANY

On 16 February 2009, the Company announced that a restructuring agreement (the “Restructuring Agreement”) for the implementation of a new restructuring proposal, involving, among other things, capital reorganisation, debt restructuring, subscription of new shares and subscription of convertible preference shares, was entered into on 19 December 2008 between the Company and the Investor. On 14 January 2009, an addendum to the Restructuring Agreement was executed by the relevant parties.

In January 2009, First Novel and Trade Front were set up by the Company. First Novel is an investment holding company whereas Trade Front is principally engaged in trading of agricultural produce, namely seeds and seedlings including bean seeds and bean sprouts. In February 2009, the Company set up Trade Day as a wholly-owned subsidiary of First Novel to engage in the trading of agricultural produce of a wide range of vegetables. Through First Novel, Trade Front and Trade Day, the Company has recommenced its agriculture business with an initial focus on trading agricultural produce to Hong Kong and the PRC markets.

The Investor will become the controlling shareholder of the Company upon completion of the transactions as contemplated under the Restructuring Agreement, which forms part of the revised resumption proposal to be submitted for approval by the Stock Exchange.

MATERIAL LITIGATIONS

The Company was not involved in any material litigation or arbitration during the reporting period.

DESPATCH OF INTERIM REPORT AND PUBLICATION ON WEBSITE

The interim report containing full details of the Company's unaudited interim results for the six months ended 30 June 2010 will be despatched to all its shareholders and be published on the websites of the Company (www.875.com.hk) and of the Stock Exchange (www.hkexnews.hk) on or before 31 August 2010.

At the request of the Company, trading in the securities of the Company has been suspended since 9:30 a.m. on 28 April, 2005 and will remain suspended until further notice.

By Order of the Board
Zhou Wenjun
Chairman

Hong Kong, 16 August 2010

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Independent Non-Executive Directors:

Mr. Zhou Wenjun

Mr. So Hoi Pan

Mr. Ji Kewei

Mr. Zhao Wen

Mr. Ding Jiangyong

Mr. Dai Jun

Mr. Sun Kejun