



**“In search for enormous  
business opportunities for  
the Group”**

On behalf of the Board of Directors (the “Board” or the “Directors”) of First Natural Foods Holdings Limited (the “Company”), I am pleased to present the annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2003.

For the year ended 31 December 2003, the Group recorded a turnover of approximately RMB378,378,000, representing an increase of approximately 12% as compared to that of the last year. Profit attributable to shareholders was approximately RMB110,457,000, representing an increase of 1.7% as compared to that of the last year. The growth in Group’s turnover was mainly attributable to the increased number of sales orders of frozen marine foods. In addition, the Group has implemented vertical integration to lease aqua farm in order to secure the supply of raw materials and reduce the overall production costs.

The Board recommends the payment of a final dividend of HK\$0.02 per share together with a bonus issue of shares of HK\$0.05 each on the basis of two shares for every one hundred shares held by members registered on the register members of the company on 4 June 2004.

Recently, the Avian Influenza has affected Asia and which resulted in the serious attention from the governments in those countries. The Governments of the infected regions were determined to prevent the diseases from being widespread in their respective community. Common measures taken are destroying all poultry in infected areas and the suspension of importing live chicken. Such disaster raised the public concern over the issue of food safety. During the year under review, the Group successfully obtained the EU workshop approval number, together with its existing stringent food processing control procedures, are able to strengthen customers' satisfaction on food safety requirements.

The Group took advantage of its listing status to raise capital in the way of issuing convertible bonds for the expansion of its production scale during the year under review. The Group leased another new aqua farm in Bei Hai, Guangxi where it will supply a variety of raw materials to accommodate the Group's future development.

The Group has continued its efforts in expanding the production plant of frozen marine foods. The construction of the new integrated research and development center is expected to be completed in May 2004. The purposes of the research and development center are to continuously develop the new products and to increase the number of Group's products. This enhanced research and development capacity would bring the Group in a better position to diversify its business development to meet the distinct needs of different customers.

The Group has successfully developed a series of new high end products namely the convenient/microwavable seafood pasta products, eel sushi, grilled horse mackerel with salt and other new healthy products. On the other hand, the Group has modified the packages to create the excellence of its products. For example the Group uses vacuum-sealed bag to pack the monkfish liver. Besides, the Group also printed the nutrition facts about the products on its package.

In addition to the improvements in the production procedures, the Group was also resolved to expand its sales network. The Group has been focusing on overseas customers and its quality products are highly recognized and recommendable among them. In the light of the overseas recognitions, the Group's production pattern becomes stable. The Group has recently received enquiries from several large-scale domestic wholesale and trading companies about the feasibility of selling the Group's products in their domestic market. Given the rising living standard of major cities in the PRC, such as Beijing and Shanghai, the demand for quality food would elevate accordingly. The Group anticipated that the growth of sales orders from the PRC customers will be remarkable in the future.

In respect of investors' relations, the management has been sparing no efforts in identifying assorted channels to enhance the corporate image, attracting potential investors and raising the level of transparency of the Group. By proactively providing the existing and potential investors with information about the corporate competitiveness and development potentials, the Group is determined to maximize the shareholders' value and in hope for earning recognition from investors.

The Group commits to the belief of optimizing the returns to shareholders, and promises to seize every opportunity to sustain the business growth by leveraging on its diversified products, stable product quality and solid research and development capability in the future.

On behalf of the Board, I would like to express my gratitude towards all valuable shareholders, customers and dedicated staff members for their precious assistance and support. I would also like to thank every director, the management and staff member for their devotion, commitment and meaningful contribution to the Group. The enduring concerted efforts of directors, the management and staff members would enable the Group to attain predominant results in the future.

**Yeung Chung Lung**

*Chairman*

Hong Kong, 26 April 2004