FIRST NATURAL FOODS
HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

The board of directors (the "Board") of First Natural Foods Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Note	**2005** **RMB'000**	2004 RMB'000 (restated)
Turnover	3	**232,570**	227,714
Cost of sales		**(118,988)**	(119,290)
Gross profit		**113,582**	108,424
Other revenue	5	**956**	1,032
Distribution costs		**(1,967)**	(1,325)
Administrative expenses		**(14,038)**	(14,659)
Other operating expenses		**(1,783)**	(1,917)
Profit from operations		**96,750**	91,555
Finance costs	6(a)	**(3,538)**	(3,376)
Profit from ordinary activities before taxation	6	**93,212**	88,179
Taxation	7(a)	**(24,866)**	(24,768)
Profit attributable to shareholders		**68,346**	63,411
Dividends	8	**29,207**	19,090
Earnings per share			
— Basic	9(a)	**RMB7.44 cents**	RMB7.14 cents
— Diluted	9(b)	**RMB7.15 cents**	RMB6.95 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited & restated)
NON-CURRENT ASSETS			
Fixed assets	10	**164,191**	171,406
Prepaid lease payments		**8,940**	9,052
Deferred tax assets		**—**	1,211
Prepaid rentals		**21,626**	16,126
		194,757	197,795
CURRENT ASSETS			
Inventories	11	**50,980**	35,358
Trade and other receivables	12	**94,949**	67,536
Cash and cash equivalents		**500,021**	494,950
		645,950	597,844
CURRENT LIABILITIES			
Trade and other payables	13	**30,977**	18,023
Bank loans		**63,760**	63,760
Coupon bonds	14	**31,566**	30,541
Taxation	7(b)	**9,825**	6,050
Provision for staff welfare benefit		**13,276**	14,109
		149,404	132,483
NET CURRENT ASSETS		**496,546**	465,361
TOTAL ASSETS LESS CURRENT LIABILITIES		**691,303**	663,156
NON-CURRENT LIABILITIES			
Bank loans		**19,080**	30,210
Deferred tax liabilities	7(c)	**987**	1,166
		20,067	31,376
NET ASSETS		**671,236**	631,780
CAPITAL AND RESERVES			
Share capital	15	**48,679**	48,679
Reserves	15	**622,557**	583,101
		671,236	631,780

CONDENSED CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
		(restated)
Net cash inflow from operating activities	**50,049**	19,432
Net cash outflow from investing activities	**(11,862)**	(10,786)
Net cash (outflow)/inflow from financing activities	**(33,116)**	19,987
Increase in cash and cash equivalents	**5,071**	28,633
Cash and cash equivalent at 1 January	**494,950**	414,466
Cash and cash equivalent at 30 June	**500,021**	443,099

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

	Note	**For the six months ended 30 June 2005**		For the six months ended 30 June 2004 (restated)	
		RMB'000	**RMB'000**	RMB'000	RMB'000
Shareholders' equity at 1 January					
At previously reported			**626,281**		473,734
Effect of adopting HKAS 32 and 39	2(c), 15		**5,499**		7,192
Shareholders' equity at 1 January (as restated)			**631,780**		480,926
Net profit for the period			**68,346**		63,411
Dividend approved during the period			**(29,207)**		(19,090)
Reversal of deferred tax liability on amortization of equity component of coupon bonds	15		**179**		179
Movement in shareholders' equity arising from capital transactions					
— Shares issued		**—**		5,194	
— Net premium received		**—**		44,539	
— Equity settled share-based transactions	2(a), 15	**138**		—	
			138		49,733
Shareholders' equity at 30 June			**671,236**		575,159

1. BASIS OF PREPARATION

This unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2005 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 April 2005.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs. which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2005, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this unaudited interim financial report.

The adoption of these new HKFRSs has resulted in substantial changes to the Group's accounting policies and has been reflected in this interim financial report in the following areas:

(a) Employee share option scheme (HKFRS 2, Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

No adjustments to the opening balances as at 1 January 2005 are required as options existed at that time which had vested before 1 January 2005.

The amount of prior period adjustments and the effect on the results for the six months ended 30 June 2005, and the reserves as of that date, are set out in note 15.

The adoption of HKFRS 2 by the Group has result in the following:

	For the six months ended 30 June	
	2005 **RMB'000** **(unaudited)**	2004 RMB'000 (unaudited & restated)
Increase in administrative expenses	**138**	—

Details of the employee share option scheme can be found in the company's annual report for the year ended 31 December 2004.

(b) Leasehold land and buildings held for own use (HKAS 17, Leases)

In prior years, the land use right as included in fixed assets was stated at cost less accumulated amortisation and impairment. The adoption of revised HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land from fixed assets to operating leases. The up-front prepayments made for the land use right are initially stated at cost and expensed in the income statement on a straight-line basis over the period of the leases or where there is impairment, the impairment is expensed in the income statement.

The adoption of this revised accounting policy had no material impact on the Group's consolidated income statement and the impact on the Group's consolidated balance sheet are as follows:

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited & restated)
Decrease in fixed assets	**(9,165)**	(9,277)
Increase in prepaid lease payments	**8,940**	9,052
Increase in trade and other receivables	**225**	225

(c) Financial instruments (HKAS 32, Financial instruments: Disclosure and presentation and HKAS 39, Financial instruments: Recognition and measurement)

In prior years, the accounting policies for certain financial instruments were as follows:

— equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision;

— other non-current investments were stated at fair value with changes in fair value recognised in the income statement;

— derivative financial instruments entered into by management to hedge the foreign currency risk of a committed future transaction were recognised on a cash basis; and

— convertible notes issued were stated at amortised cost (including transaction costs).

With effect from 1 January 2005 and in accordance with HKAS 32 and 39, the following new accounting policies are adopted for the financial instruments mentioned above:

— Convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the capital reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits).

— The adoption of HKAS 32 and 39 by the Group has result in the following:

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Decrease in retained profits	**(3,589)**	(1,538)
Increase in finance costs	**1,025**	1,025

3. TURNOVER

The principal activities of the Group are manufacturing and sales of food products.

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax and is after deduction of any goods returns and trade discounts.

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segment. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises the following main business segments:

Frozen marine food products marine	:	The manufacture and sales of frozen food products
Frozen functional food products	:	The manufacture and sales of frozen functional food products
Frozen seasoned convenient food products	:	The manufacture and sales of frozen seasoned and convenient food products

	For the six months ended 30 June (unaudited)							
	Frozen marine food products		Frozen functional food products		Frozen seasoned convenient food products		Consolidated	
	2005 **RMB'000**	2004 RMB'000	**2005** **RMB'000**	2004 RMB'000	**2005** **RMB'000**	2004 RMB'000	**2005** **RMB'000**	2004 RMB'000 (restated)
Revenue from external customers	**104,587**	117,208	**126,479**	110,506	**1,504**	—	**232,570**	227,714
Segment result	**51,687**	59,608	**61,161**	48,816	**734**	—	**113,582**	108,424
Unallocated operating income and expenses							**(16,832)**	(16,869)
Profit from operations							**96,750**	91,555
Finance costs							**(3,538)**	(3,376)
Taxation							**(24,866)**	(24,768)
Profit attributable to shareholders							**68,346**	63,411

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the destination of delivery of goods.

	For the six months ended 30 June (unaudited)							
	Japan		United States of America		Others		Consolidated	
	2005 **RMB'000**	2004 RMB'000	**2005** **RMB'000**	2004 RMB'000	**2005** **RMB'000**	2004 RMB'000	**2005** **RMB'000**	2004 RMB'000 (restated)
Revenue from external customers	**165,417**	158,031	**54,947**	59,940	**12,206**	9,743	**232,570**	227,714

5. OTHER REVENUE

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
Subsidy income*	**100**	56
Interest income from banks	**836**	976
Others	**20**	—
	956	1,032

* Subsidy income represents discretionary grants received from a PRC local government authority in respect of the development of agricultural products carried out by Fuqing Longyu Food Development Co., Ltd. a wholly owned subsidiary of the Company.

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging:

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
(a) Finance costs		
Interest on borrowings wholly repayable within five years		
— bank loans	**2,048**	1,886
— coupon bond	**465**	465
— interest accrued	**1,025**	1,025
	3,538	3,376
(b) Other items		
Cost of inventories#	**118,988**	119,290
Staff costs#	**4,605**	4,699
Depreciation of fixed assets and prepaid lease payments#	**8,025**	6,080
Operating lease charges in respect of premises	**6,866**	6,983
Provision for obsolete and slow moving inventories	**764**	750
Provision for bad and doubtful debts	**1,726**	1,800

\# Cost of inventories includes staff costs of approximately RMB2,777,000 (2004 (restated): RMB2,450,000) and depreciation expenses of approximately RMB6,978,000 (2004 (restated): RMB5,219,000) that have also been included in the respective total amounts disclosed separately above.

7. TAXATION

(a) Taxation in the condensed consolidated income statement represents:

	For the six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
	(unaudited)	(unaudited & restated)
PRC enterprise income tax	**24,866**	24,768

Note:

(i) Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group had no estimated assessable profits arising in or derived from Hong Kong (2004: Nil).

(ii) PRC enterprise income tax

Fuqing Longyu Food Development Co., Ltd. a wholly owned subsidiary established in the Coastal Open Economic Area of PRC, is subject to PRC enterprise income tax at a rate of 24%.

Hence, the PRC enterprise income tax for the six months ended 30 June 2005 presented was at the rate of 24% (2004: 24%) on the estimated assessable profit.

(iii) Deferred taxation

No further provision for deferred taxation has been recognized for the period ended 30 June 2005 as there has been no material temporary difference for tax purpose.

(b) Taxation in the consolidated balance sheet represents:

	At 30 June 2005	At 31 December 2004
	RMB'000	RMB'000
	(unaudited)	(audited & restated)
PRC enterprise income tax	**9,825**	6,050

(c) Movement of deferred tax liabilities in the consolidated balance sheet is as follows:

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited & restated)
Balance brought forward	**1,166**	1,524
Credited to equity for amortization of equity component of coupon bonds	**(179)**	(358)
Balance carried forward	**987**	1,166

8. DIVIDENDS

(a) The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: Nil).

(b) Dividends attributable to the financial year ended 31 December 2004, approved and paid during the period:

	For the six months ended 30 June	
	2005 RMB'000 (unaudited)	2004 RMB'000 (unaudited & restated)
Final dividend paid HK$0.03 (equivalent to approximately RMB0.0318) per ordinary share (2004 (restated): HK$0.02 equivalent to approximately RMB0.0212)	**29,207**	19,090

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately RMB68,346,000 (2004 (restated): RMB63,411,000) and the weighted average of 918,472,000 (2004: 888,142,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2005 is based on the profit attributable to shareholders of approximately RMB68,346,000 (2004 (restated): RMB63,411,000) and the weighted average number of 955,921,000 (2004: 911,980,000) ordinary shares after adjusting for the effects of all dilutive ordinary potential shares.

(c) **Reconciliations**

	2005 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**918,472,000**
Deemed issue of ordinary shares	
— shares options	**4,121,000**
— warrants	**33,328,000**
Weighted average number of ordinary shares used in calculating diluted earnings per share	**955,921,000**

10. ADDITION TO FIXED ASSETS

During the period, the Group spent approximately RMB213,000 (six months ended 30 June 2004: RMB846,000) on the acquisition of furniture and equipment, motor vehicles and construction in progress and approximately RMB485,000 (six months ended 30 June 2004: RMB10,916,000) on the manufacturing plant and machinery in PRC in order to enlarge the Group's production capacities respectively.

11. INVENTORIES

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited & restated)
Raw materials	**4,580**	1,366
Finished goods	**49,381**	36,210
	53,961	37,576
Less: Provision for obsolete and slow moving inventories	**(2,981)**	(2,218)
	50,980	35,358

There were no inventories carried at net realizable value as at 30 June 2005 and 31 December 2004.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited & restated)
Trade receivables aged as follows:		
0 to 1 month	**53,211**	38,825
1 to 3 months	**37,985**	19,042
3 to 6 months	**35**	48
	91,231	57,915
Less: General provision for bad and doubtful debts	**(4,558)**	(2,833)
Trade receivables, net	**86,673**	55,082
Other receivables, deposits and prepayments	**8,276**	12,454
	94,949	67,536

The Group generally does not grant any pre-determined credit terms to customers. Debts are usually settled within 3 months from the date of billing. Debtors with balance that are more than 3 months are requested to settle all outstanding balance before any further credit is granted.

13. TRADE AND OTHER PAYABLES

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited & restated)
Trade payables aged as follows:		
Due within 1 month or on demand	**1,528**	1,206
Due after 1 month but within 3 months	**1,215**	720
Due after 3 months but within 6 months	**101**	232
Due after 6 months	**239**	58
Total trade payables	**3,083**	2,216
Accruals and other payables	**13,222**	11,683
Due to a director	**14,672**	4,124
	30,977	18,023

14. COUPON BONDS

(a) The 2.5% coupon bonds (the "Bonds") with detachable warrants attached, having an aggregate principal amount of US$4,500,000 (approximately equivalent to RMB37,206,000), were issued on 10 April 2003 and will mature on 9 April 2008. Each Bond is in the denomination of US$5,000 with a warrant attached. The Bonds bear interest at the coupon rate of 2.5% per annum, payable annually in arrears on 9 April each year.

The net proceeds received from the issue of the Bonds have been split between the liability element and an equity component, representing the fair value of the embedded warrant to convert the liability into equity of the Group, as follows:

	RMB'000 (restated)
Nominal value of coupon bonds issued	37,206
Equity component (net of deferred tax)	(8,459)
Deferred tax liability	(1,795)
Liability component at date of issue on 10 April 2003	26,952

During the period ended 30 June 2005, no bonds were redeemed, and as at 30 June 2005 and 31 December 2004, the liability component of coupon bonds was analyzed as follows:

	At 30 June 2005 Liability component RMB'000 (unaudited)	At 31 December 2004 Liability component RMB'000 (audited & restated)
Balance brought forward	**30,541**	28,491
Amount accrued	**1,025**	2,050
Balance carried forward	**31,566**	30,541

(b) The holders of the Bonds (the "Bondholders") may elect to redeem the Bonds at par in accordance with the following schedule in (i)

(i)

Date of redemption	**RMB'000**
9 April 2004	11,162
9 April 2005	11,162
9 April 2006	7,441
9 April 2007	7,441
	37,206

In the event that if the Bondholders do not elect to redeem the Bonds in accordance with the schedule mentioned above, the Company shall redeem the Bonds at par in accordance with the following schedule in (ii):

(ii)

Date of redemption	RMB'000
9 April 2006	11,162
9 April 2007	11,162
9 April 2007	7,441
9 April 2008	7,441
	37,206

In consideration of any Bonds being redeemed in (ii) above, the Company shall issue, subject to obtaining all relevant approval, to each Bondholder, one new warrant for each Bond. Further details of the warrants are set out in note 17.

The Company may redeem all or part of the Bonds at any time following two and a half years after 9 April 2003 at par.

(c) On 9 April 2005, the due dates for redemption of two tranches of the bonds in aggregate principal amount of US$2,700,000 (equivalent to approximately RMB22,324,000) ("A Bond" and "B Bond" collectively), the holders of A Bond and B Bond did not exercise their right to redeem their bonds and accordingly the redemption date of A and B Bonds were extended to 9 April 2006 and 9 April 2007 respectively. The Company did not issue Bonus Warrants in the equivalent amount of US$2,700,000 (equivalent to approximately RMB22,324,000) to the holders of A Bond and B Bond in respect of which the redemption dates have been extended. Under such circumstances, the Bondholders can require the Company to redeem all the Bonds on demand. Hence, the Bonds were classified as current liabilities.

15. RESERVES

	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory reserve fund RMB'000	Enterprise reserve fund RMB'000	Employee share-based compensation reserve RMB'000	Coupon bonds equity component RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2005	48,679	147,319	41,421	20,767	10,081	—	—	358,014	626,281
Effect of adopting HKAS 32 and 39 (note 2(c))	—	1,840	—	—	—	—	7,248	(3,589)	5,499
At 1 January 2005 as restated	48,679	149,159	41,421	20,767	10,081	—	7,248	354,425	631,780
Profit for the period	—	—	—	—	—	—	—	68,346	68,346
Dividend approved in respect of previous year (note 8(b))	—	—	—	—	—	—	—	(29,207)	(29,207)
Reversal of deferred tax liability on amortization of equity component of coupon bonds	—	—	—	—	—	—	179	—	179
Equity settled share-based transactions (note 2(a))	—	—	—	—	—	138	—	—	138
At 30 June 2005	48,679	149,159	41,421	20,767	10,081	138	7,427	393,564	671,236
At 1 January 2004	43,485	102,780	41,421	20,767	10,081	—	—	255,200	473,734
Effect of adopting HKAS 32 and 39 (note 2(c))	—	1,840	—	—	—	—	6,890	(1,538)	7,192
At 1 January 2004 as restated	43,485	104,620	41,421	20,767	10,081	—	6,890	253,662	480,926
Premium on the issuance of shares by									
— a private placement	4,240	50,032	—	—	—	—	—	—	54,272
— bonus issue of shares	954	(954)	—	—	—	—	—	—	—
Shares issue expenses	—	(4,539)	—	—	—	—	—	—	(4,539)
Reversal of deferred tax liability on amortization of equity component of coupon bonds	—	—	—	—	—	—	179	—	179
Dividend approved in respect of previous year (note 8(b))	—	—	—	—	—	—	—	(19,090)	(19,090)
Profit for the period	—	—	—	—	—		—	63,411	63,411
At 30 June 2004	48,679	149,159	41,421	20,767	10,081	—	7,069	297,983	575,159

16. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2005 not provided for in the financial statements were as follows:

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited)
Acquisition of fixed assets		
— authorized and contracted for	—	—
— authorized but not contracted for	2,800	—
	2,800	—

(b) At 30 June 2005, the total future minimum lease payments under non-cancellable operating leases in respect of premises are payable as follows:

	At 30 June 2005 RMB'000 (unaudited)	At 31 December 2004 RMB'000 (audited)
Within 1 year	12,510	12,873
After 1 year but with 5 years	66,840	67,012
After 5 year	134,970	150,540
	214,320	230,425

17. WARRANTS

The Company issued the coupon bonds (see note 14) with detachable warrants attached. The holders of warrants (the "Warrantholders") can exercise the subscription rights attaching to the warrants, in whole or in part, at any time from 10 April 2003 to 9 April 2008 (both days inclusive) to subscribe for the shares of the Company ("Subscription Shares") by either (i) delivering the bonds, so long as the bonds are not redeemed or (ii) paying the amount for the subscription, at an exercise price subject to adjustment ("Subscription Price").

The number of Subscription Shares to which a Warrantholder will be entitled for each warrant will be calculated by dividing the nominal amount of US$5,000 by the Subscription Price.

Terms of unexpired and unexercised warrants:

		Number of warrants	
Date of grant	**Exercise period**	**At 30 June 2005 (unaudited)**	At 31 December 2004 (audited)
10 April 2003	10 April 2003 to 9 April 2008	710	710

18. CONTINGENT LIABILITIES

At 30 June 2005, the Group had contingent liabilities in respect of banking facilities utilized by a wholly owned subsidiary and guaranteed by the Company amounting to RMB41,500,000 (At 31 December 2004: RMB41,500,000).

19. POST BALANCE SHEET EVENTS

On 15 July 2005, the Company held a special general meeting of the shareholders (the "SGM") and an extraordinary general meeting of the warrantholders of the Company (the "EGM") in respect of the proposed issue of additional warrants (the "Resolution"). The Resolution was not passed at the SGM although it was passed at the EGM. According to the terms of the subscription agreements, the issue of additional warrants is subject to having obtained all relevant approvals, which include the approvals of both shareholders and warrantholders. Therefore, additional warrants have not been issued. Further details of the meetings are set out in an announcement dated 15 July 2005.

20. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to comply with the new and revised HKFRSs' requirements and confirm with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a steady increase in both turnover and net profit in the first half of 2005 despite being affected by the rising costs of raw materials. For the six months ended 30 June 2005, the Group recorded a turnover of approximately RMB232,570,000, representing an increase of approximately 2% as compared with the corresponding period in 2004. The Group's profit attributable to shareholders was approximately RMB68,346,000, representing an increase of approximately 7.78% as compared with the corresponding period in 2004. The satisfactory results were due to the fast rising demand for marine products by the global market and the effective control of costs by the Group, which mitigated the negative impact brought by other unfavourable factors.

BUSINESS REVIEW

Frozen Marine Food Products

The turnover recorded for the six months ended 30 June 2005 was approximately RMB104,587,000 which represented about 45% of the Group's total turnover. In comparison with the corresponding period in 2004, a slight fall in revenue was the result of the deferred recording of sales orders for shellfish to the second half of 2005.

Frozen Functional Food Products

Turnover from the frozen functional food products division amounted to approximately RMB126,479,000, which represented about 54% of the Group's total turnover. The robust growth of turnover resulted in an increase of 14% over the corresponding period in 2004. Benefiting from the rises in demand and increases in selling prices from roasted eels products, in terms of turnover, it generated the largest contribution to the Group.

Frozen Seasoned Convenient Food Products

Currently, the Group's principal products in this division are spring rolls. Turnover was approximately RMB1,504,000 which represented about 1% of the Group's total turnover. The Group anticipates that the growth potential in this division will be one of the key drivers of its future profitability.

GEOGRAPHICAL ANALYSIS

During the period under review, Japan and the US recorded the highest contributions. Strong demand for high quality frozen functional food products in Japan, resulted in becoming the Group's largest export market. Turnover contributed by the Japanese market was approximately RMB165,417,000, accounting for about 71% of the Group's total turnover and representing an increase of about 5% as compared with the corresponding period in 2004. The Group continued to maintain its market shares in the US market. Turnover from the US market was approximately RMB54,947,000 representing about 24% of the Group's turnover. Turnover from other regional markets also recorded RMB12,206,000 representing about 5% of the Group's turnover. It showed an increase of 25% over the corresponding period in 2004. These positive results were reflecting the Group's marketing efforts in diversification.

Huge Demand from Global Market

The export of marine products reached a total of US$2.917 billion and 1.115 million tons during the period from January to May 2005, showing a growth of 21.9% and 18.1% respectively as compared to the same period last year, according to the statistics from China Customs. The principal export markets for the PRC are Japan and Korea comprising 42.0% and 15.3% of its total export respectively, and total export of marine products to Japan, the US, Korea and European Union made up 82.4% of the total export from the PRC. Roasted eels remain the main export product, with US$366 million exported in the first half of 2005, representing 12.5% of the total exported marine products from the PRC.

Competitive Strategies

In the first half of 2005, the manufacturing sector in the PRC was rampant with the mounting pressure on costing. The Group also recorded a slight increase in the price of raw materials. The Group has carried out various effective cost control measures in order to minimize the impact on its performances. Firstly, the Group's leased aqua farms has provided stable supply of raw materials and allowed the Group to control its costs more effectively. Secondly, the Group has been providing technical trainings and inspection assistance to the farmers in the aqua farms. Benefits are the enhanced quality and higher survival rate which in turn reduce the Group's cost successfully.

Due to the relentless surge in crude oil price, the Group's cost is inevitably affected. As the majority of the Group transactions are priced under Freight-on-Board (FOB) terms, this allows the Group to exclude any liability for the long distance sea transportation costs. In respect of the delivery of raw materials, the Group has been retaining the services from external logistic providers which offer competitive rate. Other measures include optimizing the usage of electricity and enhancing the production output level.

On the customer side, the Group has taken active steps to negotiate with its customers and passed the incremental cost to them.

Since the first half of 2004, the Group has implemented a modern scientific management system to monitor human resources, staff training and bonus remuneration. The Group has since created a harmonious atmosphere to cultivate a team of excellent staff. The result is effectively improving staff turnover rate. In addition, the Group has been increasing the automation in the production lines so as to ease the demand on human labour force.

Premier Products, Excellent Services to Secure Existing Markets

The ensuing negative media reports on the quality of food products uncovered in the first half of 2005 inevitably result in short-term adverse effects on the Group's operation. Nevertheless, these challenges also create new opportunities for the Group because the market gradually eliminates unqualified food processors, following the rise in awareness of food safety in domestic and overseas markets.

The Group has been inviting experts from State Administration for Entry-Exit Inspection & Quarantine as well as professionals from suppliers of laboratory equipment, to exchange knowledge and provide trainings on the latest techniques on quality control to the technicians of the Group. On these occasions, the Group's technicians are able to further update their knowledge on the application of the facilities and integrated inspections techniques, such as medicine, chemical residual and micro-organisms testing. To widen the scope of their testing and increase the accuracy and sensitivity of the data, the technicians are required to use gas chromatography and liquid chromatography techniques which have already been in place in Group's laboratory. Those inspections level can be reached 2ppb, beyond the EU and Japan hygienic requirements. Given that the accomplishment of higher level of food safety, the Group has every reason to affirm itself as a leading food processor in Fujian province.

Recently, it was the third time for the Group to participate in the comparative tests organized by State Administration for Entry-Exit Inspection & Quarantine of China which the Group had gained satisfactory results and positive commentary from the authority.

New Specialized Products

In the first half of the year, the Group rolled out new specialized products such as microwavable vegetarian spring rolls and shrimp rolls in New Zealand through its distributor JFC New Zealand Ltd. Having achieved a very satisfactory performance, the Group has confidence of continuously developing more specialized food products.

PROSPECTS

In the second half of the year, the Group will implement the following development plans:

Expansion of Consumer Markets by New Product Mix

The uncertainty of the export of roasted eel requires the Group to re-develop its product structure. According to the survey, the market for convenient rice packs has been developing at an annual growth rate of 15% in Japan, the US and the EU, and anticipating that it will reach US$16 billion within 3 years, reflecting huge potential for these convenient rice packs in the global market. Principal products include frozen rice, frozen arid rice, bacteria-free packaged rice, and popped rice, topped up with premier meat, seafood, vegetable and other ingredients. Upon soaking the food product in hot water for a short moment, the food will soon recover its original taste, smell and appearance and its freshness will be no different from that of fresh home-cooked meals. Convenient rice is set to become the prime product in the market of convenience food, with its advantages of tastiness, convenience, and high hygiene level.

The Group has entered into a mutual agreement with the US-based Select-brands USA LLC, which is the inventor for retort packing. Select-brands USA LLC is fully responsible for the technical skills involved, technical information to the Group and market promotion in the North American market, whilst the Group is responsible for the capital expenditure related to the production plant. The first-year capital expenditure is approximately RMB10 million. This project is kicking start in the second half of 2005 and the products will be launched in the market by January 2006. Upon completion of the project, the anticipated Group's production capacity will reach 5,000 tons of convenient rice products per year.

Installation of Sophisticated Inspection Equipments

Following the issue of exported eel products from the PRC containing "Malachite Green" chemical, an immediate restriction on the export of eels from the PRC has been imposed. The Group has been stepping up stringent inspections for "Malachite Green" chemical on all its existing inventories, as well as actively negotiating with local government authorities on all possible solutions and implementing internationally recognizable examination system, so as to well-prepare for its export business. Source of raw materials are indispensable factors to the quality of eel products, and therefore the Group plans to build its own sea water breeding eel farm. Sea water breeding is still a relatively new cultivation method and the solely-owned farm can assure the higher quality of eels and also strengthen the confidence of the customers.

In line with the effort of raising food safety, the Group plans to purchase an advanced liquid chromatography inspection equipment from Agilent, which is an inspection equipment widely-used in the industry. Not only the available data from the equipment is ready for comparison, its built-in functions also expands the scope of the inspection process with quicker speed and higher accuracy of data collected. Upon the installation of this liquid chromatography, the Group will become the largest investor into product quality enhancement for a domestic frozen food processor and the only manufacturer in Fujian Province equipped with such inspection capabilities. This will certainly lift the Group's inspection standards to that of international level.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2005, the Group's total borrowings were approximately RMB114,406,000. They included a 3-year term loan from Hong Kong and Macau banks with an outstanding balance of approximately RMB41,340,000, and this term loan was subject to a floating rate of 1.75% margin over 3-month HIBOR rate. The Group also had term loans of approximately RMB41,500,000 from a PRC bank which were charged at a fixed rate of 5.841% per annum.

As at 30 June 2005, the Group maintained a gearing ratio of 14% (2004: 16%). The ratio is computed as interest bearing liabilities divided by total assets.

The Group had US$4,500,000 (equivalent to approximately RMB37,206,000) coupon bonds with warrants attached due on 9 April 2008. The issuance of the coupon bonds were divided into 4 tranches. Each "A Bond" and "B Bond" were in the nominal amount of US$1,350,000 while the "C Bond" and "D Bond" were in the nominal amount of US$900,000 respectively. The coupon bonds were charged at a fixed rate of 2.5% per annum and payable in arrears from the date of issue.

In accordance with the new regulations under HKAS 32 and HKAS 39, convertible notes issued are required to be split into liability and equity components. The Group determined the fair value of the equity component to be HK$9,673,000 (equivalent to approximately RMB10,253,380). Since the Group has applied the new accounting policies on a retrospective basis from the date of issuance, the liability and equity components of coupon bonds and effective interest accrued therefrom the coupon bonds have been restated.

As at 30 June 2005, the bondholders had not exercised their rights to redeem the "A Bond" and "B Bond" accordingly the redemption dates for tranche "A Bond" and "B Bond" were extended. Pursuant to the terms of the subscription agreement under which the bonds were subscribed, the Company is, subject to having obtained all relevant approvals, required to issue additional warrants in the equivalent amount of US$2,700,000 (equivalent to approximately RMB22,324,000) in circumstances where the redemption dates are extended. In this regard, the Company held a special general meeting of the shareholders ("SGM") and extraordinary meeting of the warrantholders ("EGM") of the Company. The resolution was not passed at the SGM although it was passed at the EGM. Therefore additional warrants were not issued. For this reason, the bondholders may require the Company to redeem all the bonds in the aggregate amount of US$4,500,000 on demand.

Accordingly, the maturity profile for the Group's total borrowings was as follows:

Within 1 year	83%
After 1 year but within 5 years	17%

The directors are of the opinion that the financial resources available to the Group including internally-generated funds and bank borrowings, are sufficient to meet the operations, capital commitment and authorization requirements.

Treasury Policy

As at 30 June 2005, the Group had cash and cash equivalents of approximately RMB500,021,000. The Group had deposited the money in banks in the PRC and licensed banks in Hong Kong. Such a higher liquid cash management allows the Group more flexibility to meet its daily operational requirements.

Employees and Remuneration Policy

As at 30 June 2005, the Group had approximately 700 employees (2004: 700 employees). The Group's employees are paid fixed remunerations. Full-time staff in the Hong Kong office are qualified for Hong Kong Mandatory Provident Fund and the staff in the PRC wholly-owned subsidiary are vested the Group's contribution to the state sponsored retirement plan.

During the period under review, the total staff costs of the Group were approximately RMB4,605,000 (2004: RMB4,699,000).

On 19 January 2005, the Group granted 500,000 share options to Mr. Tsui Chun Chung, Arthur, an independent non-executive director, at the subscription price of HK$0.56 per share.

In accordance with HKFRS 2, the Group also determined the fair value of the above-mentioned share option granted amounted to HK$130,000 (equivalent to approximately RMB138,000).

As at the date of this report, the Company has already granted 33,000,000 share options to the directors and employees under the share option scheme of the Company adopted on 4 June 2004.

The Group provided tailor-made training programs relating to food processing industry to the staff in its PRC plant and annual health checkups to all its workers. Accommodation is also provided to a majority of the plant workers as part of the labor welfare.

Exposure to Fluctuation in Exchange Rates

For the period ended 30 June 2005, the Group conducted its business transactions principally in US dollars and Renminbi. The Group had not experienced any material effects on its operations as a result of fluctuations in currency exchange rates. The recent 2% appreciation of RMB has inevitably affected part of the Group's revenue and also reduced the borrowing costs incurred in terms of foreign currencies. Overall, the impact was very limited. Nevertheless, the Group will continue to monitor the foreign exchange exposure and will take prudent measures as deemed appropriate.

Significant Investment and Acquisition

During the period under review, the Group had made no significant investment nor had it made any material acquisition or disposal of subsidiaries and associates.

Capital Commitment

As at 30 June 2005, in respect of assets acquisition, the Group had only authorized but not contracted for transactions which are described in note 16 to the financial statements.

Charges on Assets

As at 30 June 2005, the Group had not pledged any asset to its bankers to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2005, the Group had contingent liabilities in respect of banking facilities utilized which are described in note 18 to the financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2005, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company

	Number of ordinary shares				
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Percentage of issued share capital**
Yeung Chung Lung	—	—	369,300,000 (Note)	369,300,000	40.21%

Note: Held through Regal Splendid Limited which is wholly-owned by Mr. Yeung Chung Lung.

Save as disclosed above and the director's interest in underlying shares pursuant to the share option scheme disclosed under the heading "Share Option Scheme" below, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

On 4 June 2004, a share option scheme was adopted by the Company, the principal terms of which were set out in the Company's Annual Report 2004.

Movements in the Company's share options during the six months period ended 30 June 2005 were as follows:

	Number of shares in respect of options						
Name or category of participant	Balance as at 1 January 2005	Granted during the period	Outstanding as at 30 June 2005	Date of grant	Exercisable period	Exercise price HK$	Closing price immediately before the date of grant HK$
Directors:							
Yeung Chung Lung	**3,000,000**	—	**3,000,000**	23/07/2004	23/07/2004–22/07/2014	0.489	0.485
Yang Le	**2,000,000**	—	**2,000,000**	23/07/2004	23/07/2004–22/07/2014	0.489	0.485
Ni Chao Peng	**2,000,000**	—	**2,000,000**	23/07/2004	23/07/2004–22/07/2014	0.489	0.485
Yip Tze Wai, Albert	**1,000,000**	—	**1,000,000**	23/07/2004	23/07/2004–22/07/2014	0.489	0.485
Tsui Chun Chung, Arthur	—	**500,000**	**500,000**	19/01/2005	19/01/2005–18/01/2015	0.560	0.550
Employees:							
In aggregate	**24,500,000**	—	**24,500,000**	23/07/2004	23/07/2004–22/07/2014	0.489	0.485
Total	**32,500,000**	**500,000**	**33,000,000**				

Notes:

1. No option has been exercised, lapsed or cancelled during the six months ended 30 June 2005.

2. Since no option has been exercised during the six months ended 30 June 2005, the weighted average closing price immediately before the exercise date (if exercised) is not applicable.

3. The fair value of the options granted on 19 January 2005 is HK$130,000 (equivalent to approximately RMB138,000). The fair value of options granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following parameters:

(a)	Exercise Price	HK$0.560
(b)	10-year Exchange Fund Notes	3.793% p.a.
(c)	Volatility	42.66%
(d)	Expected Dividend Yield	1.7%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2005, so far as is known to the Directors, the following parties (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Regal Splendid Limited (Note 1)	Beneficial owner	369,300,000	40.21%
Wisdom Latch Limited (Note 2)	Beneficial owner	48,197,300	5.25%
Tung Fai (Note 2)	Beneficial owner	48,197,300	5.25%
Value Partners Limited (Note 3)	Investment manager	64,555,000	7.03%
Cheah Cheng Hye (Note 3)	Beneficial owner	1,100,000	
	Interest of child/spouse	300,000	
	Corporation	62,935,000	
		64,335,000	7.00%

Notes:

(1) Regal Splendid Limited is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. Yeung Chung Lung.

(2) Wisdom Latch Limited is a company incorporated in the British Virgin Islands with limited liability which is legally and beneficially owned as to 100% by Mr. Tung Fai.

(3) Value Partners Limited is a company incorporated in the British Virgin Islands with limited liability which is owned as to 31.82% by Mr. Cheah Cheng Hye.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

On 1 December 2003, the Company had entered into a facility agreement (the "Facility Agreement") with a syndicate of banks relating to a 3-year term loan facility of up to HK$60,000,000. Under the Facility Agreement, it would be an event of default if Mr. Yeung Chung Lung, the controlling shareholder of the Company as defined in the Listing Rules, ceases to be the single largest and controlling shareholder of the Company.

As at 30 June 2005, the outstanding amount owed by the Company in respect of this loan facility was approximately HK$39,000,000 (equivalent to approximately RMB41,340,000).

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied with the code provisions in Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") except the following major deviations:

1. Code Provision A.2.1

This code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company have been performed by Mr. Yeung Chung Lung. The Board considered that the non-segregation would not result in considerable concentration of power in one person and has the advantage of a strong and consistent leadership which is conducive to making and implementing decisions quickly and consistently.

2. Code Provision A.4.1

This code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

All independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

3. **Code Provision A.4.2**

This code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Bye-laws of the Company, the chairman of the Board and/or the managing director of the Company shall not be subject to retirement by rotation at annual general meeting.

In order to ensure full compliance with this code, a special resolution will be proposed to amend the relevant Bye-laws of the Company at the annual general meeting to be held in 2006, so that every director shall be subject to retirement by rotation at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of the directors of the Company, all the directors confirmed that they had compiled with the required standards as set out in the Model Code during the six months ended 30 June 2005.

REMUNERATION COMMITTEE

The Board of the Company has established a remuneration committee. The remuneration committee, currently comprising executive director Mr. Yeung Chung Lung, and independent non-executive directors Mr. Tsui Chun Chung, Arthur and Mr. Leung Chiu Shing, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management, as well as review and determine the remuneration of all executive directors and senior management with reference to the Company's objectives from time to time.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company, namely, Mr. Tsui Chun Chung, Arthur, Mr. Lu Ze Jian and Mr. Leung Chiu Shing. The audit committee is responsible to review the Company's accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters with the management. The unaudited interim financial statements of the Company for the six months ended 30 June 2005 have been reviewed by the audit committee.

On behalf of the Board
Yeung Chung Lung
Chairman

Hong Kong, 23 September 2005