

CHAIRMAN'S STATEMENT

Dear Shareholders,

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 2005.

For the year ended 31 December 2005, the Group recorded a turnover of RMB432,652,000 (2004: RMB434,122,000 (restated)), representing a slight drop of approximately 0.3% when compared to 2004. Profit attributable to shareholders amounted to RMB113,461,000 (2004: RMB119,853,000 (restated)), a decrease of approximately 5.3% from the previous year. Basic earnings per share was RMB0.124 (2004: RMB0.133 (restated)). The Board does recommend the payment of a final dividend of HK\$0.015 per share (equivalent to approximately RMB0.0156), resulting in a dividend payout ratio of 12.7%.

In the second half of 2005, a harmful substance "Malachite Green" found in the PRC-exported eel products inevitably affected nearly all food producers and processors in the PRC. Though the Group was being affected by the prohibition of eel products promulgated by the mainland authorities in this incident, such harmful substance was not being found in the Group's roasted eel products and thereby its export has been fully resumed afterwards. Without saying, the "Malachite Green" incident was a "crisis" to the market, however, the Group had overcome this challenge in reliance on its long-established research and development (R&D) capability to enhance inspection facilities and monitor food safety. As a result, the Group is able to turn crisis into its own opportunities. The Group has further consolidated its market position since the unqualified food processors have been gradually eliminated from the market after this incident. For the sake of higher food safety standard, the Group has established a natural sea-water eel cultivation base equipped together with intensified inspection facilities to raise the inspection level. These arrangements enable the Group's products to meet the increasingly stringent inspection processes and standards imposed by different markets (in particular Japan and the US).

Over the years, the enhancement of R&D capability has always been the top priority of the Group. For this purpose, the Group has established an integrated R&D centre in early 2004 and continued to allocate resources to enhance its inspection facilities. Since then, it has allowed the Group to develop a variety of higher-quality and safety food products (including room-temperature stored convenient rice series products) by using these highly-effective inspection facilities. Convenient rice meal packs will become one of the Group's popular products, and the management also expects that this new product line will become a new driving force in the future. Modern people are living with a fast-pace life and they demand of high-quality convenient food products is increasing. In view of this, the Group has specifically leveraged on its modernized techniques to produce a series of convenient rice meal packs and even develop other conceivable food products. In respect of the convenient rice meal packs production, the Group has allocated abundant resources ranging from the choice of rice species to the improvement of rice-drying techniques, in order to enhance the product quality and reduce the costs effectively.

**' Beyond
Food Processing'**

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On the other hand, in line with its long-term business development, the Group has entered into an Information Service Agreement with Interface Protein Technology, Inc. USA to obtain the latest information of international food processing and market demand, which benefits the Group to enhance its market competitiveness in terms of enriching its product structures and diversity. Having our enthusiasm on food processing industry and proactive business approach, the Group is set to scale new heights of development in the coming years.

Appreciation

The valuable achievements in 2005 were attributable to the dedicated efforts and invaluable contributions of the directors, management and all our staff, and I take this opportunity to extend my sincere gratitude to all of them. Also, I would like to express my heartfelt appreciation to all shareholders, investors, customers, business partners and suppliers for their unwavering support and confidence in the Group over the years. I will strive to lead the management and all our staff to spearhead the Group's future business growth, so as to bring more promising returns to our shareholders.

Yeung Chung Lung
Chairman

Hong Kong, 25 April 2006

