



**FIRST NATURAL FOODS HOLDINGS LIMITED**  
**第一天然食品有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1076)**

**GENERAL DISCLOSURE ANNOUNCEMENT**

**Termination of Interest Rate Swap Agreement**

The Board of Directors (the “Board”) of First Natural Foods Holding Limited (the “Company”) and its subsidiaries (collectively the “Group”) announces that on 3 November 2008, the USD interest rate swap agreement entered into by the Company with Deutsche Bank AG, Singapore (the “Bank”) is terminated as a result of a notice of early termination dated 3 November 2008 served by the Bank.

Presently, the Swap is the only outstanding derivative financial instrument of the Company. After termination of the Swap, the Company will not have any derivative financial instruments outstanding.

This announcement is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong.

Reference is made to the annual report of the Company for the year ended 31 December 2007 (the “2007 Annual Report”) and the interim report of the Company for the period ended 30 June 2008 (the “2008 Interim Report”).

In April 2007, the Company entered into an interest rate swap contract (the “Swap”) in respect of a notional amount of USD100,000,000 with the Bank, under which an upfront payment of USD10,000,000 was received at the inception of the Swap. This was initially recognised as a derivative financial liability in the balance sheet of the Company set out in the 2007 Annual Report. According to the terms of the Swap, the Company would continue to receive an ongoing fixed interest payments from the Bank of 8%, while the Company was required

\* *For identification purposes only*

to pay interest on the notional amount to the Bank at a variable interest rate calculated based on a prescribed formula determined according to the Deutsche Bank Pan-Asian Forward Rate Bias Index as published on Bloomberg. The respective interest obligations were netted on the relevant interest payment date yielding an amount to be paid by one party to the other. The Swap was scheduled to mature in year 2012.

On 4 July 2008, the Bank issued a payment advice to the Company (with an alleged payment date of 6 May 2008) requesting the Company to pay USD2,500,000 (the "Payment Advice"). The Company has taken legal advice in respect of representations made by the Bank to the Company at the time of entering into the Swap which the Company relied upon and which induced the Company to enter into the Swap. The Company is of the view that the Swap is not enforceable by reason of these representations, therefore the Company decided that it was not its interest to settle the Payment Advice.

The Bank issued a notice of early termination to the Company on 3 November 2008 in respect of the Swap (the "Notice of Early Termination"). Accordingly, the Swap is terminated on 3 November 2008 (the "Termination"). Pursuant to the Notice of Early Termination, the amount alleged to be payable by the Company to the Bank is to be determined.

The Company is continuing to take legal advice concerning the Swap and circumstances in which the Swap was promoted and sold to the Company. The Company has written to the Bank to expressly reserve all its rights and remedies against the Bank.

Presently, the Swap is the only outstanding derivative financial instrument of the Company. After termination of the Swap, the Company will not have any derivative financial instruments outstanding.

By Order of the Board  
**First Natural Foods Holdings Limited**  
**CHAI Chung Wai**  
*Company Secretary*

Hong Kong, 3 November 2008

*The Board as of the date of this announcement comprises Mr. Yeung Chung Lung, Mr. Yang Le, Mr. Ni Chao Peng and Mr. Yip Tze Wai, Albert as the executive directors of the Company and Mr. Wong Chi Keung, Mr. Lu Ze Jian and Mr. Leung Chiu Shing as the independent non-executive directors of the Company.*