



FOUR SEAS eFOOD HOLDINGS LIMITED



Four Seas eFood Centre

四洲食品網匯中心

Interim Report 1999-2000

The Board of Directors (the “Board”) of Four Seas eFood Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2000 as follows:

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000**

		Unaudited Six months ended 30 September	
	<i>Note</i>	2000 HK\$'000	1999 HK\$'000
Turnover	2	289,006	355,200
Cost of sales		(261,303)	(308,696)
Gross profit		27,703	46,504
Other revenue		2,830	602
Gain on disposal of manufacturing operation	3	60,872	–
Selling and distribution expenses		(2,870)	(4,954)
Administrative expenses		(19,678)	(22,355)
Operating profit	4	68,857	19,797
Interest on bank borrowings		(4,315)	(1,309)
Share of profits of associated company		6,448	–
Profit before taxation		70,990	18,488
Taxation	5	(1,442)	(1,597)
Profit after taxation		69,548	16,891
Minority interests		(57)	(449)
Profit attributable to shareholders		69,491	16,442
Dividends		(2,478)	(2,478)
Profit for the year retained		67,013	13,964
Earnings per share – basic	6	28.04 cents	6.64 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2000 HK\$'000	31 March 2000 HK\$'000
	<i>Note</i>		
Fixed assets		103,925	146,702
Investments		113,460	–
Current assets			
Inventories		32,128	68,188
Dividend receivable		2,830	–
Trade receivables	7	86,335	85,173
Prepayments and deposits		854	2,220
Other receivables		572	711
Bank balances and cash		51,568	49,840
		174,287	206,132
Current liabilities			
Trade and bills payables	8	3,679	5,605
Other payables		4,251	967
Accruals		7,155	15,130
Trust receipt loans – secured		83,611	64,050
Taxation		–	2,027
Proposed dividend		6,205	3,717
Bank loan – secured	9	5,712	5,712
		110,613	97,208
Net current assets		63,674	108,924
		281,059	255,626
Financed by:			
Share capital	10	24,782	24,782
Reserves		228,476	188,659
Shareholders' funds		253,258	213,441
Minority interests		–	12,735
Loan from the minority shareholder		–	199
Bank loan – secured	9	27,394	28,822
Deferred taxation		407	429
		281,059	255,626

**CONDENSED CONSOLIDATED CASH FLOW
STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000**

	Unaudited Six months ended 30 September 2000 <i>HK\$'000</i>
Net cash inflow from operating activities	20,407
Net cash outflow from returns on investments and servicing of finance	(3,189)
Total taxation paid	(820)
Net cash outflow from investing activities	(32,803)
Net cash inflow/(outflow) from financing	(1,428)
Increase/(decrease) in cash and cash equivalents	(17,833)
Cash and cash equivalent at 1 April	(14,210)
Effect of foreign exchange rate changes	—
Cash and cash equivalents at 30 September	<u>(32,043)</u>
Analysis of balances of cash and cash equivalents:	
Bank balances and cash	51,568
Trust receipt loans	(83,611)
	<u>(32,043)</u>

**CONDENSED STATEMENT OF RECOGNISED
GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000**

	Unaudited Six months ended 30 September 2000 HK\$'000
Net gains/(losses) not recognised in the profit and loss account	(2,160)
Profit for the period	69,491
Total recognised gains and losses	67,331
Goodwill eliminated directly against reserves	(32,366)
	34,965

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Principal accounting policies

(a) Basis of preparation

These unaudited consolidated condensed interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2000.

(b) Consolidation

Accounting policies in respect of the associated company acquired during the period are set out in paragraphs (i) and (ii) below.

(i) Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity methods of accounting unless, in the opinion of the directors, there have been permanent diminution's in values, when they are written down to values determined by the directors. Where the financial statements are not co-terminous with those of the Group, the Group's share of the results is determined from the latest financial statement available.

(ii) Goodwill/negative goodwill

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates or businesses represents the excess of the purchase consideration paid for subsidiaries/associates/businesses over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. Negative goodwill which represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration is credited to reserves.

Upon the disposal of a subsidiary or associates, the attributable amount of purchased goodwill/negative goodwill which has previously been eliminated against/credited to reserves is charged/credited to the profit and loss account to determine the gain or loss on the sale of the investment.

2. Segmental information

An analysis of the group's turnover and profit before taxation for the period by principal activities and markets is as follows:

	Turnover Six months ended 30 September		Profit before taxation Six months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<i>Principal activities</i>				
Sale of frozen meat, seafood and vegetables	263,335	259,916	1,489	10,622
Manufacturing and sale of ham and ham related products (Note 3)	25,671	95,284	2,181	7,866
	<u>289,006</u>	<u>355,200</u>	<u>3,670</u>	<u>18,488</u>
<i>Principal markets</i>				
Hong Kong	201,659	257,432	2,547	14,115
Mainland China ("PRC")	78,895	89,329	1,017	4,214
Macau	8,452	8,439	106	159
	<u>289,006</u>	<u>355,200</u>	<u>3,670</u>	<u>18,488</u>

3. Gain on disposal of manufacturing operation

As approved by its shareholders on 25 May 2000, the Group disposed of its manufacturing operation to its then major shareholder, Four Seas Mercantile Holdings Limited. The amount represents the gain arising from the disposal.

4. Operating Profit

Operating profit is arrived at after charging depreciation of HK\$1,684,000 (1999 : HK\$781,000).

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year. The People's Republic of China ("PRC") income tax has been calculated on the estimated assessable profit for the year of a subsidiary at the rate of taxation prevailing in the area in which the subsidiary operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended	
	30 September	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Hong Kong profits tax	326	1,506
PRC taxation	11	91
	<hr/> 337	<hr/> 1,597
Associates:		
Hong Kong	1,080	–
PRC	25	–
	<hr/> 1,105	<hr/> –
Tax charge for the year	<hr/> 1,442	<hr/> 1,597

6. Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$69,491,000 (1999: HK\$16,442,000) and the weighted average number of 247,820,000 (1999: 247,781,749) ordinary shares in issue during the year.

Fully diluted earnings per share is not presented as there is no dilution effect had all the outstanding share options been exercised in full.

7. Trade receivables

Details of the aging of trade receivables are as follows:

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Current	58,474	63,991
1 to 2 months	22,974	13,450
over 3 months	4,887	7,732
	<u>86,335</u>	<u>85,173</u>

The majority of the Group's sales are with credit terms of 30-90 days.

8. Trade payables

Included in the trade and bills payables are trade payables of HK\$710,000 (at 31 March 2000 : HK\$868,000). Details of the aging trade payables are as follows:

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Current	—	—
1 to 2 months	—	185
Over 3 months	710	683
	<u>710</u>	<u>868</u>

9. Bank loan

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Bank loan		
Wholly repayable within five years	—	—
Not wholly repayable within five years	33,106	34,534
	<u>33,106</u>	<u>34,534</u>
Current portion of bank loan	(5,712)	(5,712)
	<u>27,394</u>	<u>28,822</u>

As at 30 September 2000, the Group's bank loan was repayable as follows:

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Within first year	5,712	5,712
In the second year	5,712	5,712
In the third to fifth year	17,136	17,136
After the fifth year	4,546	5,974
	<u>33,106</u>	<u>34,534</u>

10. Share capital

There were no movements in the share capital of the Company since the last balance sheet date to the current reporting date.

As at 30 September 2000, a total of 7,050,000 (at 31 March 2000: 7,260,000) share options granted and exercisable between 8 October 1998 and 26 November 2002 at HK\$0.62 per share remained outstanding.

11. Related party transactions

	Six months ended 30 September 2000 HK\$'000	1999 HK\$'000
Rental and building management fee received from related companies	<u>990</u>	<u>–</u>

Two related companies of the Company, entered into tenancy agreements with a subsidiary of the Company to lease warehouse, office space and parking spaces for periods varying from 10 months to 2 years. The rentals were entered into on normal commercial terms according to the advice from a firm of professional valuers.

12. Contingent liabilities

	30 September 2000 HK\$'000	31 March 2000 HK\$'000
Guarantees for banking facilities to subsidiaries (a)	204,000	204,000
Issued irrevocable letters of credit (b)	5,506	1,721
Issued shipping guarantees (b)	–	158
	<u>209,506</u>	<u>205,879</u>

- (a) Corporate guarantees were provided by the Company to its subsidiaries for obtaining general banking facilities.
- (b) Irrevocable letters of credit were issued to suppliers and shipping guarantees were given to bankers for purchases of goods.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1 cent (1999: HK1 cent) per share for the period ended 30 September 2000, payable to shareholders whose names appear in the register of members of the Company on 1 February 2001. The dividend will be payable on 8 February 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 January 2001 to 1 February 2001 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share registrars, Abacus Share Registrars Limited at 2401 Prince's Building, Central, Hong Kong not later than 4:00 p.m. on 23 January 2001.

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group disposed of its ham manufacturing operation and gained a profit of approximate HK\$61 million. Consequently, sales from ham manufacturing operation were no longer accounted for by the Group after the disposal and thus reduced the Group's turnover for the period under review. Operating profit of the Group also decreased as a result of sluggish spending sentiment, deflation, high unemployment rate, price competition and the increase in the costs of frozen meat.

Despite the weak economy, sluggish spending power and keen competition in the market, sales volume of frozen meat in both the PRC and Hong Kong remained stable during the period. This was attributable to the Group's solid foundation in the frozen meat trading, good reputation and extensive sales network.

The Group disposed of its manufacturing operation during the period in exchange for an interest holding in Four Seas Mercantile Holdings Limited ("FSMHL"), representing approximately 22% of their shareholdings. The Group will hold the shares in FSMHL as a long-term investment. FSMHL is a unique food company listed on the Stock Exchange of Hong Kong, operating in food distribution and retailing, food manufacturing, "Four Seas" brand products marketing and Pokka Cafe chain and restaurants operations. Currently, FSMHL distributes more than four thousand kinds of products from manufacturers in Japan and around the world. FSMHL is

running 15 food factories in Hong Kong and the PRC, mostly in the form of joint venture with major Japanese manufacturers, to produce potato chips, ice-cream, beverage, candy and cakes. “Four Seas” brand products, particularly snack seaweed, milk candy, seaweed corn crisp, cakes, mini cup noodle, etc., have established a very popular brand in the PRC and Hong Kong. FSMHL also has a 49% interest in Pokka Cafe chain and restaurants. Since 1991, the Pokka Cafe chain has expanded to 17 outlets located in the PRC, Hong Kong and Macau. Due to its well established brand name, Pokka Cafe chain is well liked by the younger generation. Capitalising on its thirty years experience, FSMHL has a leading position in the food market. The Group has full confidence in the future business development of FSMHL and of a good return from this investment.

Looking ahead, the Group will continue to focus on developing the frozen meat trading business by aggressively introducing more high quality products. The Group has also started to develop frozen seafood during the period in order to expand its product range. The Group believes that it provides an excellent investment opportunity to broaden its exposure in food business and continue its participation in the development of manufacturing business, through its shareholding in FSMHL. Moreover, the Group will be able to secure a steady stream of profit. The Board is confident of the Group’s future business development.

DIRECTORS’ INTERESTS IN SHARES OR DEBENTURES

As at 30 September 2000 the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) or as notified to the Company were as follows:

	Number of shares held			
	Personal Interest	Family Interest	Corporate Interest	Other Interest
TAI Tak Fung, Stephen	–	–	53,849,177 <i>(note i)</i>	30,160,000 <i>(note ii)</i>
YIP Wai Keung	256,360	–	–	– <i>(note iii)</i>
LO Ka Sing, Kassim	100,000	–	–	–

Notes:

- (i) 187,927 shares, representing 0.076% of its issued capital are beneficially owned by Four Seas Mercantile Holdings Limited (“FSML”). Mr. TAI Tak Fung, Stephen and Mr. YIP Wai Keung are the directors of FSML. 53,661,250 shares, representing 21.65% of its issued capital are owned by Special Access Limited, a company wholly-owned by Mr. TAI Tak Fung, Stephen and his spouse Madam WU Mei Yung, Quinly.

- (ii) 30,160,000 shares, representing 12.17% of its issued capital are owned by Careful Guide Limited whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Mr. TAI Tak Fung, Stephen and his spouse Madam WU Mei Yung, Quinly.
- (iii) 680,000 shares in FSML, representing 0.2% of its issued share capital, are owned by Mr. YIP Wai Keung.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, as at 30 September 2000, no directors and their associates have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations required to be disclosed pursuant to the SDI Ordinance.

Apart from the aforesaid, as at 30 September 2000, the Company has not been notified of any interests amounting to 10% or more of the issued share capital of the Company required to be disclosed pursuant to the SDI Ordinance.

DIRECTORS' BENEFIT FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under a share option scheme approved by the shareholders of the Company previously, the directors of the Company may, at their discretion, invite executive directors and key employees of the Group, to take up options to subscribe for shares in the Company subject to terms and conditions stipulated therein. As at 30 September 2000, share options granted to the Company's directors were as follows:

Director	Date of grant	Exercise price per option share	Number of share options granted and outstanding at 30 September 2000
Takeshi NOMAGUCHI	25 September 1997	HK\$0.62	1,000,000
MAN Wing Cheung, Ellis	25 September 1997	HK\$0.62	700,000
YIP Wai Keung	25 September 1997	HK\$0.62	700,000
TSE Siu Wan	25 September 1997	HK\$0.62	500,000
LAI Yuk Chuen, Philip	25 September 1997	HK\$0.62	500,000

The share options are exercisable from 8 October 1998 to 26 November 2002.

Apart from the aforesaid, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire shares in or debentures of the Company or any other body corporate and none of the directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the period under review.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30 September 2000.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters to prepare these unaudited interim results for the six months ended 30 September 2000.

On behalf of the Board
TAI Tak Fung, Stephen
Chairman

Hong Kong, 21 December 2000