

2007

INTERIM REPORT 2007-2008



Four Seas Food Investment Holdings Limited

The Board of Directors (the “Board”) of Four Seas Food Investment Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Note	Unaudited Six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000
Turnover	3	244,227	275,024
Cost of sales	5	(224,880)	(259,370)
Gross profit		19,347	15,654
Other gains	4	15,339	1,891
Selling and distribution expenses	5	(1,714)	(1,972)
Administrative expenses	5	(14,310)	(12,604)
Operating profit before finance income and costs		18,662	2,969
Finance income and costs	6	(865)	(304)
Share of profits of associated companies		15,568	14,543
Profit before tax		33,365	17,208
Income tax expense	7	(3,255)	(338)
Profit attributable to equity holders of the Company		30,110	16,870
Dividends	8	2,596	2,596
Earnings per share for profit attributable to the equity holders of the Company during the period			
– basic	9	HK11.60 cents	HK6.50 cents
– diluted	9	HK11.60 cents	HK6.50 cents

The notes on pages 6 to 13 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2007

		Unaudited	Audited
		As at	As at
		30 September	31 March
		2007	2007
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	54,626	55,516
Leasehold land	<i>10</i>	31,485	31,770
Interests in associated companies		247,372	236,582
Deferred income tax assets		2,342	2,966
		<u>335,825</u>	<u>326,834</u>
Current assets			
Inventories		74,545	44,512
Trade receivables	<i>11</i>	44,355	37,981
Prepayments, deposits and other receivables		7,454	988
Financial assets at fair value through profit or loss	<i>12</i>	16,000	17,959
Due from associated companies		23	19
Cash and cash equivalents		59,731	51,368
		<u>202,108</u>	<u>152,827</u>
Total assets		<u>537,933</u>	<u>479,661</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>13</i>	25,959	25,959
Reserves		399,823	371,453
Proposed dividend		2,596	7,788
Total equity		<u>428,378</u>	<u>405,200</u>

The notes on pages 6 to 13 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET (*Continued*)

AS AT 30 SEPTEMBER 2007

	<i>Note</i>	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		161	161
		161	161
Current liabilities			
Trade and bills payables	14	13,752	5,906
Other payables and accrued charges		9,868	9,926
Due to associated companies		28	–
Borrowings	15	80,171	55,524
Current income tax liabilities		5,575	2,944
		109,394	74,300
Total liabilities		109,555	74,461
Total equity and liabilities		537,933	479,661
Net current assets		92,714	78,527
Total assets less current liabilities		428,539	405,361

The notes on pages 6 to 13 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share of other reserves of associated companies HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2007	25,959	90,557	579	5,504	282,601	405,200
Movement in fair value of available-for-sale financial assets	-	-	-	(1,115)	-	(1,115)
Transfer to income statement on disposal of available-for-sale financial assets	-	-	-	(860)	-	(860)
Exchange and other reserves	-	-	-	2,831	-	2,831
Profit for the period	-	-	-	-	30,110	30,110
Dividend	-	-	-	-	(7,788)	(7,788)
At 30 September 2007	<u>25,959</u>	<u>90,557</u>	<u>579</u>	<u>6,360</u>	<u>304,923</u>	<u>428,378</u>

	Unaudited					
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share of other reserves of associated companies HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2006	25,959	90,557	579	901	258,183	376,179
Movement in fair value of available-for-sale financial assets	-	-	-	265	-	265
Transfer to income statement on disposal of available-for-sale financial assets	-	-	-	58	-	58
Exchange and other reserves	-	-	-	1,154	-	1,154
Profit for the period	-	-	-	-	16,870	16,870
Dividend	-	-	-	-	(7,788)	(7,788)
At 30 September 2006	<u>25,959</u>	<u>90,557</u>	<u>579</u>	<u>2,378</u>	<u>267,265</u>	<u>386,738</u>

The notes on pages 6 to 13 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(31,576)	7,449
Net cash generated from/(used in) investing activities	23,079	(8,167)
Net cash generated from financing activities	16,860	5,096
	<hr/>	<hr/>
Increase in cash and cash equivalents	8,363	4,378
Cash and cash equivalents at 1 April	51,368	52,235
	<hr/>	<hr/>
Cash and cash equivalents at 30 September	59,731	56,613
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	59,731	56,613
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 6 to 13 form an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

This unaudited condensed consolidated financial information for the six months ended 30 September 2007 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim financial reporting’. This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2007.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2007, as described in the annual financial statements for the year ended 31 March 2007.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 March 2008.

- HKAS 1 Amendment – Capital Disclosures;
- HKFRS 7 – Financial Instruments: Disclosures;
- HK(IFRIC)-Int 8 – Scope of HKFRS 2;
- HK(IFRIC)-Int 9 – Reassessment of Embedded Derivatives;
- HK(IFRIC)-Int 10 – Interim Financial Reporting and Impairment; and
- HK(IFRIC)-Int 11 – HKFRS 2 – Group and Treasury Share Transactions.

The adoption of the above new standards, amendments to standards and interpretations have no material impact to the condensed consolidated financial information of the Group.

The following new standards and interpretations have been issued but are not effective for the financial year ending 31 March 2008 and have not been early adopted.

- HKAS 23 (Revised) – Borrowing Costs;
- HKFRS 8 – Operating Segments;
- HK(IFRIC)-Int 12 – Service Concession Arrangements;
- HK(IFRIC)-Int 13 – Customer Loyalty Programmes; and
- HK(IFRIC)-Int 14 – HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions.

The Group is in the process of assessing the impact of these new standards and interpretations on the Group’s operations.

3. Turnover and segment information

The Group has only one single business segment which is the trading of frozen meat and the Group's turnover and operating result are substantially derived from the business activities in Hong Kong. Accordingly, no business and geographical segment information is presented.

4. Other gains

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Gross rental income	372	231
Gain on disposals of financial assets at fair value through profit or loss	6,372	–
Dividend income from financial assets at fair value through profit or loss	148	111
Fair value gains/(loss) on financial assets at fair value through profit or loss	8,668	(78)
Exchange (loss)/gain, net	(528)	963
Gain on disposals of property, plant and equipment	1	20
Claims received	63	644
Commission income	243	–
	<u>15,339</u>	<u>1,891</u>

5. Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are presented by nature as follows:

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,410	1,673
Amortisation of leasehold land	285	285
Operating leases of leasehold land and buildings	<u>8,175</u>	<u>9,788</u>

6. Finance income and costs

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Interest expense on bank loans and trust receipt loans	(1,683)	(2,289)
Interest income	818	1,985
	<u>(865)</u>	<u>(304)</u>

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

The amount of income tax expense charged to the condensed consolidated income statement represents:

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Current income tax:		
– Hong Kong profits tax	2,631	–
Deferred income tax relating to the origination and reversal of temporary difference	624	338
Income tax expense	<u>3,255</u>	<u>338</u>

Share of associated companies' income tax for the six months ended 30 September 2007 of HK\$4,324,000 (30 September 2006: HK\$3,127,000) are included in the condensed consolidated income statement as share of profits of associated companies.

8. Dividends

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Proposed interim dividend of HK1.0 cent (2006: HK1.0 cent per ordinary share)	<u>2,596</u>	<u>2,596</u>

Note:

At a meeting held on 19 December 2007 the directors declared an interim dividend of HK1.0 cent per ordinary share for the year ending 31 March 2008. This proposed dividend is not reflected as a dividend payable in this condensed consolidated financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2008.

9. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited	
	Six months ended	
	30 September	
	2007	2006
Profit attributable to equity holders of the Company (HK\$)	30,110,000	16,870,000
Weighted average number of ordinary shares in issue	259,586,000	259,586,000
Basic earnings per share (HK cent per share)	<u>11.60</u>	<u>6.50</u>

The Company had no diluted potential ordinary shares as at 30 September 2006 and 2007.

10. Capital expenditure

	Unaudited	
	Property, plant and equipment <i>HK\$'000</i>	Leasehold land <i>HK\$'000</i>
Opening net book amount as at 1 April 2007	55,516	31,770
Additions	520	–
Disposals	–	–
Depreciation/amortisation charge (<i>Note 5</i>)	(1,410)	(285)
Closing net book amount as at 30 September 2007	<u>54,626</u>	<u>31,485</u>
Opening net book amount as at 1 April 2006	57,417	32,340
Additions	2,068	–
Disposals	(612)	–
Depreciation/amortisation charge (<i>Note 5</i>)	(1,673)	(285)
Closing net book amount as at 30 September 2006	57,200	32,055
Additions	41	–
Disposals	(233)	–
Depreciation/amortisation charge	(1,492)	(285)
Closing net book amount as at 31 March 2007	<u>55,516</u>	<u>31,770</u>

11. Trade receivables

The Group has a credit policy with general credit terms ranging from 30 days to 90 days. As at 30 September 2007 and 31 March 2007, the ageing analysis of the trade receivables were as follows:

	Unaudited As at 30 September 2007 <i>HK\$'000</i>	Audited As at 31 March 2007 <i>HK\$'000</i>
0 – 30 days	32,768	30,116
31 – 60 days	10,617	6,740
Over 60 days	970	1,125
	<u>44,355</u>	<u>37,981</u>

12. Financial assets at fair value through profit or loss

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Equity securities listed in Hong Kong at market value	<u>16,000</u>	<u>17,959</u>

13. Share capital

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Authorised 400,000,000 (31 March 2007: 400,000,000) ordinary shares of HK\$0.10 each	<u>40,000</u>	<u>40,000</u>
Issued and fully paid 259,586,000 (31 March 2007: 259,586,000) ordinary shares of HK\$0.10 each	<u>25,959</u>	<u>25,959</u>

14. Trade and bills payables

As at 30 September 2007 and 31 March 2007, the ageing analysis of the trade and bills payables were as follows:

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
0 – 30 days	13,736	5,902
31 – 60 days	3	4
Over 60 days	13	–
	<u>13,752</u>	<u>5,906</u>

15. Borrowings

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Amounts due within 12 months:		
Trust receipt loans, secured	<u>80,171</u>	<u>55,524</u>

The trust receipt loans of the Group are secured by corporate guarantees of the Company.

The effective annual interest rates of borrowings at the respective balance sheet dates are as follows:

	Unaudited As at 30 September 2007	Audited As at 31 March 2007
Trust receipt loans, secured	<u>5.32%</u>	<u>4.90%</u>

The carrying amount of borrowings approximates their fair value.

The Group's borrowings were all denominated in Hong Kong dollars.

16. Operating lease commitments

At 30 September 2007, the Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings as follows:

	Unaudited As at 30 September 2007 HK\$'000	Audited As at 31 March 2007 HK\$'000
Within one year	<u>111</u>	<u>333</u>

17. Contingent liabilities

At 30 September 2007, the Group did not have any material contingent liabilities.

18. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a) Transactions with related parties

	<i>Note</i>	Unaudited	
		Six months ended	
		30 September	
		2007	2006
		HK\$'000	HK\$'000
Rental and building management fees received from related companies	<i>(i)</i>	158	101
Commission received from a related company	<i>(ii)</i>	243	–
		<u>401</u>	<u>101</u>

Notes:

- (i) Tenancy agreements were entered into with related parties to lease. The leases were extended and renewed until terminated by either party. The leases were entered into on mutually agreed terms.
- (ii) Commission income was charged based on normal commercial terms and in the ordinary course of business.

(b) Key management compensation

	Unaudited		
	Six months ended		
		30 September	
		2007	2006
		HK\$'000	HK\$'000
Salaries and other short-term employee benefits		3,308	2,868
Pension costs – defined contribution plan		200	206
		<u>3,508</u>	<u>3,074</u>

19. Seasonality of interim operations

The effect of seasonal fluctuation on the Group's interim operations was immaterial.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.0 cent (2006: HK1.0 cent) per ordinary share for the period ended 30 September 2007, payable to shareholders whose names appear in the register of members of the Company on 24 January 2008. The dividend will be payable on 4 February 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 January 2008 to 24 January 2008 (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, Tricor Abacus Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 17 January 2008.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 September 2007, the Group's turnover was HK\$244,227,000 (2006: HK\$275,024,000). The profit attributable to equity holders increased by approximately 78% to HK\$30,110,000 (2006: HK\$16,870,000).

Frozen Meat Business

During the period under review, frozen meat trading environment was still facing with the impact of rising cost. Being affected by persistently increasing worldwide demand in frozen meat products, the shortage of supply of pork in Mainland China and the substantial price increase for major feeds such as corns, the cost of frozen meat continued to soar. Nevertheless, leveraging on the long standing good reputation, sophisticated and solid frozen meat trading experience, comprehensive distribution network, close relationship with vendors and implementation of prudent purchasing strategy, the Group improved its overall operation to enhance its competitiveness leading to improved gross profit and reducing the influence of decreasing turnover to profits.

Investment in Food Business

During the period, the Group has continued to hold equity interests in Four Seas Mercantile Holdings Limited ("FSMHL") which enables the Group to have a diversified business portfolio and enjoy the share of profit from FSMHL to stabilise the Group's earnings. As at 30 September 2007, the Group held approximately 28.19% equity interests in FSMHL and shared a profit after tax of HK\$15,568,000.

Food distribution is FSMHL's core business. Through its extensive and comprehensive distribution network, FSMHL introduces high quality foods from worldwide and has actively developed business in the Mainland China and Hong Kong markets. During the period, the continual outstanding performance has won numerous awards for FSMHL which included the "Flying Dragon Award", "Flying Brand Award" and the "Best Relationship" supplier award granted by 7-Eleven this year. Being an effective promotion and advertising platform for trendy snack foods, Okashi Land continued to introduce trendy snack foods and Four Seas brand products proactively and enhance professional training for frontier staff. By adopting unique marketing strategies, Okashi Land is much welcome by customers in Mainland China and Hong Kong and was honored with "The Hong Kong Top Service Brand", "The Fourth Hong Kong & Macau Integrity Award", and "The Most Favorite MTR Shops" by MTR Corporation Limited.

With regard to the food manufacturing business, FSMHL now has 18 manufacturing plants, producing various high value-added quality foods in Mainland China and Hong Kong, which have won numerous awards. Recently, the manufacturing plant for instant noodles, Li Fook (Qingdao) Foods Company Limited, was accredited as one of the "Top Ten Instant Noodles Manufacturers in China". In addition, FSMHL focuses on enhancing quality and management standards in each factory. Meanwhile, Shenzhen Matchless Food Company Limited and Kanro Four Seas Foods (Shantou) Company Limited were awarded ISO 9001:2000 and ISO 22000 HACCP accreditation, being an assertion of the excellent management that achieved internationally recognised standards. Every manufacturing plant put continuous efforts to further develop innovative and premium products. In due course, FSMHL will launch a brand new product, the "Four Seas POP Seaweed" series, which is much likely to create a heat wave of the town.

In the period under review, FSMHL has greatly augmented the Four Seas Brand equity and overall image through organising and sponsoring a series of activities in Mainland China and Hong Kong, including the fourth "Four Seas Cup" Cantonese Opera Contest and the title sponsorship of "Jay Chou World Tour 07-08 Hong Kong"; all of these received overwhelming market response and positively reinforced the Four Seas Brand image. Riding on the motto of "Leading in trend, Winning in quality", Four Seas Brand has won many industrial accolades in Mainland China and Hong Kong. Subsequent to being honoured with "Hong Kong Corporate Branding Award 2007 - Judging Panel Merit Prize" and the "Top Ten Favorite Brands 2007" of the Four Seas Crackers by Wellcome Supermarket, FSMHL was again awarded with the "Hong Kong Outstanding Enterprise Award 2007".

Benefited from the favourable economic climate in Hong Kong, the development of the catering business was encouraging during the period. Pokka Café, a joint venture with Pokka Corporation of Japan, achieved satisfactory performance. The market leader in vegetarian cuisines “Kung Tak Lam Shanghai Vegetarian Cuisine Restaurant”, has regularly been introducing innovative food menu to strengthen customer loyalty. FSMHL consistently utilises different mass media to launch various forms of advertising campaigns, including sponsorship of a popular TV program “A Vegan’s Gourmet Notebook”, hence reinforcing positively to the brand name of “Kung Tak Lam”. Furthermore, the longstanding renowned Panxi Restaurant acquired last year is currently under renovation. New Kondo Trading Company Limited, a Japanese catering food materials supplier, continued to perform satisfactorily during the period.

Prospects

Looking ahead, the Group continues to bring in more high quality products and diversify product ranges. At the same time, the Group keeps on striving to improve its operational efficiency through prudent purchasing management and flexible sales strategy so as to increase the Group’s competitiveness in the market which in turn reducing the impact of unfavourable external market factors. Meanwhile, the long-term investment of equity interests in FSMHL will continue to provide stable earnings to the Group.

SHARE OPTION SCHEME

The Company did not have any outstanding options at the beginning and at the end of the period. During the period, no options have been granted under the share option scheme adopted by the Company on 2 September 2002.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2007, the interests and short positions of the directors and chief executives of the Company (including those interests and short positions which were taken or deemed to have been taken under the provisions of the Securities and Futures Ordinance (the “SFO”)) in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company 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 Issuers (the “Model Code”) were as follows:

(a) Interests in shares of the Company

Name of director	Number of shares held			Total interests as % of the relevant issued share capital	
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests		
TAI Tak Fung, Stephen	6,730,000	53,095,177 ⁽ⁱ⁾	30,914,000 ⁽ⁱⁱ⁾	90,739,177	34.95%
YIP Wai Keung	736,360	–	–	736,360	0.28%
TAI Chun Leung	–	–	30,914,000 ⁽ⁱⁱⁱ⁾	30,914,000	11.91%
CHAN Kay Cheung	800,000	–	–	800,000	0.31%
LAN Yee Fong, Steve John	800,000	–	–	800,000	0.31%

Notes:

- (i) Out of the 53,095,177 shares, 187,927 shares, representing 0.072% of the Company's issued share capital, are beneficially owned by Four Seas Mercantile Holdings Limited ("FSMHL"). Special Access Limited ("SAL") and Careful Guide Limited ("CGL") in aggregate hold more than one-third of the issued share capital of FSMHL. SAL is wholly owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly; whereas CGL is owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. Accordingly, Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in those 187,927 shares of the Company's issued share capital held by FSMHL. The remaining 52,907,250 shares, representing 20.38% of the Company's issued share capital, are owned by SAL, and Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are therefore deemed to have interests therein.
- (ii) 30,914,000 shares, representing 11.91% of the Company's issued capital, are owned by CGL whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. Thus Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests therein.
- (iii) Such interests in the shares are held by CGL, a company controlled by the Tai Family Trust under which Mr. TAI Chun Leung is a discretionary beneficiary. As Director of the Company, Mr. TAI Chun Leung is taken to have a duty of disclosure in relation to such shares under the SFO.

(b) Interests in shares of the associated corporation

Directors' interests in the equity of FSMHL are as follows:

Name of director	Number of shares held			Total interests as % of the relevant issued share capital	
	Personal interests (held as beneficial owner)	Corporate interests (interests of corporation)	Trust and similar interests		
TAI Tak Fung, Stephen	–	193,878,000 ⁽ⁱ⁾	82,000,000 ⁽ⁱⁱ⁾	275,878,000	69.05%
YIP Wai Keung	680,000	–	–	680,000	0.17%
TAI Chun Leung	–	–	82,000,000 ⁽ⁱⁱⁱ⁾	82,000,000	20.52%

Notes:

- (i) Of which, 81,250,000 shares, representing approximately 20.34% of the issued share capital of FSMHL, are owned by SAL, which in turn is wholly-owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. Another 112,628,000 shares, representing 28.19% of the issued share capital of FSMHL, are owned by Capital Season Investments Limited, a company wholly-owned by Advance Finance Investments Limited (“AFIL”). Since AFIL is wholly owned by the Company, which in turn Dr. TAI Tak Fung, Stephen, SAL, CGL and FSMHL in aggregate hold more than one-third of the issued share capital of the Company. Therefore, Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in 112,628,000 shares of FSMHL.
- (ii) The shares, which represent 20.52% of the issued share capital of FSMHL, are owned by CGL whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. Thus Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests therein.
- (iii) Such interests in the shares are held by CGL, a company controlled by the Tai Family Trust under which Mr. TAI Chun Leung is a discretionary beneficiary.

All the interests stated above represent long positions in the shares of the Company. Save as disclosed above, as at 30 September 2007, none of the directors or chief executives of the Company had, or were deemed under the SFO to have, any interest or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation" and "Share Option Scheme" above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2007, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the directors and chief executives of the Company) had interests, being 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company:

Name	Number of shares held				Total interests	Total interests as % of the relevant issued share capital
	Direct/ Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Trust and similar interests		
SAL	52,907,250 ⁽ⁱ⁾	-	-	-	52,907,250	20.38%
CGL	-	-	-	30,914,000 ^(iv)	30,914,000	11.91%
WU Mei Yung, Quinly	-	6,730,000 ⁽ⁱⁱⁱ⁾	53,095,177 ⁽ⁱⁱⁱ⁾	30,914,000 ^(iv)	90,739,177	34.95%
HSBC International Trustee Limited	-	-	-	30,914,000 ^(v)	30,914,000	11.91%

Notes:

- (i) SAL is wholly owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".
- (ii) The shares, which represent 2.59% of the issued share capital of the Company, are beneficially held by Dr. TAI Tak Fung, Stephen. Therefore, his spouse Dr. WU Mei Yung, Quinly is deemed to have interests therein. This interest is also included as personal interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

- (iii) Out of the 53,095,177 shares, 187,927 shares, representing 0.072% of the Company's issued share capital, are beneficially owned by FSMHL. SAL and CGL in aggregate hold more than one-third of the issued share capital of FSMHL. SAL is wholly-owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly; whereas CGL is owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. Accordingly, Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in those 187,927 shares of the Company's issued share capital held by FSMHL. The remaining 52,907,250 shares, representing 20.38% of the Company's issued share capital, are owned by SAL, and Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are therefore deemed to have interests therein. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".
- (iv) CGL is owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. TAI Tak Fung, Stephen and Dr. WU Mei Yung, Quinly. This interest is also included as trust and similar interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".
- (v) HSBC International Trustee Limited is the trustee of the discretionary trust, the Tai Family Trust, referred to in Note (iv) above.

All the interests stated above represent long positions in the shares of the Company. Other than as disclosed above, as at 30 September 2007, the Company had not been notified of any persons (other than the directors or chief executives of the Company) who had an interests or short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's borrowings are primarily denominated in Hong Kong dollars and US dollars. The Group has no significant exposure to foreign exchange fluctuations.

LIQUIDITY AND FINANCIAL RESOURCES

Operating revenue was the Group's major source of funds during the financial period. As at 30 September 2007, the Group had cash and cash equivalents of approximately HK\$60 million whilst trade credit facilities were utilised to the extent of approximately HK\$80 million representing approximately 16% of the total banking facilities of HK\$492 million.

The Group had a gearing ratio of 0.19 as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' funds.

As at 30 September 2007, bank borrowings of the Group comprised trust receipt loans which were denominated in Hong Kong dollars. Risk in exchange rate fluctuations will not be material. The trust receipt loans were obtained to finance the purchase of meat products from overseas.

STAFF EMPLOYMENT

Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. At 30 September 2007, the Group employed a total of 57 full-time employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the six months ended 30 September 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has met the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period for the six months ended 30 September 2007, except for the following deviations:

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election.

Currently, all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Code Provision A.4.2

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. 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 Articles of Association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all directors of the Company, the directors of the Company have confirmed that they have complied with the required standard as set out in the Model Code throughout the period for the six months ended 30 September 2007.

The Company has also established the Code for Securities Transaction by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Chan Kay Cheung (Chairman of the audit committee), Mr. Lan Yee Fong, Steve John and Mr. Lui Shing Ming, Brian. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Company's interim report for the six months ended 30 September 2007.

APPRECIATION

The Board of Directors of the Company would like to take this opportunity to thank our shareholders for their continued support and the fellow directors and our staff for their contributions to the Group.

THE BOARD

As at the date of this report, the Board of the Company comprises Dr. TAI Tak Fung, Stephen, Mr. Takeshi NOMAGUCHI, Mr. MAN Wing Cheung, Ellis, Mr. YIP Wai Keung, Mr. TSE Siu Wan, Mr. LAI Yuk Chuen and Mr. TAI Chun Leung as executive directors, Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian as independent non-executive directors.

On behalf of the Board
Dr. TAI Tak Fung, Stephen, *SBS, JP*
Chairman

Hong Kong, 19 December 2007