

Interim Report
2008-2009

FSFH



Four Seas Food Investment Holdings Limited

Stock Code : 60

The board of directors (the “Board”) of Four Seas Food Investment Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2008	2007
	<i>Notes</i>	Unaudited	Unaudited
		HK\$'000	HK\$'000
REVENUE	3	336,500	244,227
Cost of sales		(321,354)	(224,880)
Gross profit		15,146	19,347
Other income and gains/(losses), net	4	(5,837)	15,339
Selling and distribution expenses		(1,884)	(1,714)
Administrative expenses		(12,840)	(14,310)
Finance costs, net	5	(603)	(865)
Share of profits and losses of associates		8,695	15,568
PROFIT BEFORE TAX	6	2,677	33,365
Tax	7	1,538	(3,255)
PROFIT FOR THE PERIOD		4,215	30,110
DIVIDEND			
Interim	8	2,596	2,596
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic	9	HK1.62 cents	HK11.60 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	56,500	53,377
Leasehold land	10	30,915	31,200
Interests in associates		263,237	260,901
Deferred tax assets		2,961	2,961
Other non-current assets		540	540
Total non-current assets		<u>354,153</u>	<u>348,979</u>
CURRENT ASSETS			
Inventories		83,049	97,406
Trade receivables	11	57,196	48,015
Prepayments, deposits and other receivables		1,244	1,193
Financial assets at fair value through profit or loss	12	18,826	18,339
Due from associates		5	4
Cash and cash equivalents		51,337	57,372
Total current assets		<u>211,657</u>	<u>222,329</u>
CURRENT LIABILITIES			
Trade and bills payables	13	6,221	32,841
Other payables and accruals		13,835	17,364
Derivative financial instruments		266	644
Tax payable		1,517	5,247
Due to associates		1	–
Interest-bearing bank borrowings	14	112,336	79,195
Total current liabilities		<u>134,176</u>	<u>135,291</u>
NET CURRENT ASSETS		<u>77,481</u>	<u>87,038</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>431,634</u>	<u>436,017</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		426	426
Net assets		<u>431,208</u>	<u>435,591</u>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	25,959	25,959
Reserves		402,653	401,844
Proposed dividends		2,596	7,788
Total equity		<u>431,208</u>	<u>435,591</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 SEPTEMBER 2008

	Issued capital Unaudited HK\$'000	Share premium Unaudited HK\$'000	Capital redemption reserve Unaudited HK\$'000	Share of other reserves of associates Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 April 2008	25,959	90,557	579	11,258	307,238	435,591
Changes in fair value of available-for-sale investments	-	-	-	(3,257)	-	(3,257)
Transfer to income statement on disposal of available-for-sale investments	-	-	-	(356)	-	(356)
Exchange fluctuation and other reserves	-	-	-	2,803	-	2,803
Profit for the period	-	-	-	-	4,215	4,215
Dividends	-	-	-	-	(7,788)	(7,788)
At 30 September 2008	<u>25,959</u>	<u>90,557</u>	<u>579</u>	<u>10,448</u>	<u>303,665</u>	<u>431,208</u>
At 1 April 2007	25,959	90,557	579	5,504	282,601	405,200
Changes in fair value of available-for-sale investments	-	-	-	(1,115)	-	(1,115)
Transfer to income statement on disposal of available-for-sale investments	-	-	-	(860)	-	(860)
Exchange fluctuation and other reserves	-	-	-	2,831	-	2,831
Profit for the period	-	-	-	-	30,110	30,110
Dividends	-	-	-	-	(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>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended	
	30 September	
	2008	2007
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(25,450)	(31,576)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(5,938)	23,079
NET CASH INFLOW FROM FINANCING ACTIVITIES	25,353	16,860
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(6,035)	8,363
Cash and cash equivalents at beginning of period	57,372	51,368
CASH AND CASH EQUIVALENTS AT END OF PERIOD	51,337	59,731
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,337	59,731

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008.

Accounting policies

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA that affect the Group and are adopted for the first time for the current period’s financial statements:

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets

The adoption of these new and revised HKFRSs has had no material impact on the results or the financial position of the Group for the current or prior accounting periods.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in these financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 Amendments	HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 Amendments	Share-based Payments – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ²
Improvement to HKFRSs ⁵	

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ The HKICPA has issued Improvements to HKFRSs which sets out 35 amendments to 20 HKFRSs resulting from its annual improvements project. Except for the amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operation which is effective for the annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009.

The Group anticipates that the applications of these new or revised standards, amendments and interpretations would not have a significant impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group has only one single business segment which is the trading of frozen meat and the Group's revenue, representing the invoiced value of goods sold, net of discounts and returns, and operating results are substantially derived from the business activities in Hong Kong. Accordingly, no business and geographical segment information is presented.

4. OTHER INCOME AND GAINS/(LOSSES), NET

	Six months ended 30 September	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Gross rental income	319	372
Gain on disposals of financial assets at fair value through profit or loss	25	6,372
Dividend income from financial assets at fair value through profit or loss	137	148
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	(7,076)	8,668
Exchange losses, net	(8)	(528)
Gain on disposals of items of property, plant and equipment	–	1
Claims received	145	63
Commission income	244	243
Fair value gain on derivative financial instruments	377	–
	<u>(5,837)</u>	<u>15,339</u>

5. FINANCE COSTS, NET

	Six months ended 30 September	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank loans and trust receipt loans wholly repayable within five years	1,435	1,683
Interest income	(832)	(818)
	<u>603</u>	<u>865</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2008	2007
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	1,794	1,410
Amortisation of leasehold land	285	285
Operating leases of leasehold land and buildings	<u>9,922</u>	<u>8,175</u>

7. TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 September 2008 as the Group did not generate any assessable profits arising in Hong Kong during the period. Hong Kong profits tax was provided at the rate of 17.5% for the six months ended 30 September 2007 on the estimated assessable profits during that period.

	Six months ended 30 September	
	2008	2007
	Unaudited HK\$'000	Unaudited HK\$'000
Current		
Charge for the period	–	2,631
Overprovision in prior periods	(1,538)	–
Deferred	–	624
Total tax charge/(credit)	<u>(1,538)</u>	<u>3,255</u>

The share of tax attributable to associates for the six months ended 30 September 2008 of HK\$900,000 (Six months ended 30 September 2007: HK\$4,324,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

8. DIVIDEND

	Six months ended 30 September	
	2008	2007
	Unaudited HK\$'000	Unaudited HK\$'000
Proposed interim dividend of HK1.0 cent (2007: HK1.0 cent) per ordinary share	<u>2,596</u>	<u>2,596</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit for the period by the number of ordinary shares in issue during the period.

	Six months ended 30 September	
	2008	2007
	Unaudited	Unaudited
Profit for the period (HK\$)	4,215,000	30,110,000
Number of ordinary shares in issue	259,586,000	259,586,000
Basic earnings per share (HK cent per share)	<u>1.62</u>	<u>11.60</u>

Diluted earnings per share amounts for the six months ended 30 September 2008 and 2007 have not been disclosed as no diluting events existed during these periods.

10. CAPITAL EXPENDITURE

	Property, plant and equipment Unaudited HK\$'000	Leasehold land Unaudited HK\$'000
Balance as at 1 April 2008	53,377	31,200
Additions	4,917	–
Depreciation/amortisation charge (<i>Note 6</i>)	(1,794)	(285)
Balance as at 30 September 2008	<u>56,500</u>	<u>30,915</u>
Balance as at 1 April 2007	55,516	31,770
Additions	520	–
Depreciation/amortisation charge (<i>Note 6</i>)	(1,410)	(285)
Balance as at 30 September 2007	54,626	31,485
Additions	66	–
Depreciation/amortisation charge	(1,315)	(285)
Balance as at 31 March 2008	<u>53,377</u>	<u>31,200</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 2008 and 31 March 2008, the ageing analysis of the trade receivables, based on invoice date and net of provisions, was as follows:

	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
Within 1 month	37,309	36,404
1 to 2 months	18,721	11,176
Over 2 months	1,166	435
	<u>57,196</u>	<u>48,015</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
Equity securities listed in Hong Kong at market value	<u>18,826</u>	<u>18,339</u>

13. TRADE AND BILLS PAYABLES

As at 30 September 2008 and 31 March 2008, the ageing analysis of the trade and bills payables, based on invoice date, was as follows:

	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
Within 1 month	6,212	32,839
1 to 2 months	9	2
	<u>6,221</u>	<u>32,841</u>

14. INTEREST BEARING BANK BORROWINGS

	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
Amounts due within 12 months: Trust receipt loans, secured	<u>112,336</u>	<u>79,195</u>

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

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

	30 September 2008 Unaudited	31 March 2008 Audited
Trust receipt loans, secured	<u>3.08%</u>	<u>2.83%</u>

The carrying amounts of interest bearing bank borrowings approximate their fair values.

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

15. SHARE CAPITAL

	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
Authorised 400,000,000 (31 March 2008: 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 2008: 259,586,000) ordinary shares of HK\$0.10 each	<u>25,959</u>	<u>25,959</u>

16. OPERATING LEASE COMMITMENTS

At 30 September 2008, the Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings falling due as follows:

	30 September 2008 Unaudited HK\$'000	31 March 2008 Audited HK\$'000
Within one year	<u>120</u>	<u>360</u>

17. CONTINGENT LIABILITIES

At 30 September 2008, 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>Notes</i>	Six months ended 30 September 2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
Rental and building management fees received from related companies	<i>(i)</i>	<u>112</u>	158
Commission received from an associate	<i>(ii)</i>	<u>244</u>	243
		<u>356</u>	<u>401</u>

Notes:

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

(b) Compensation of key management personnel of the Group

	Six months ended 30 September 2008 Unaudited HK\$'000	2007 Unaudited HK\$'000
Short-term employee benefits	<u>2,466</u>	3,308
Pension scheme contributions	<u>176</u>	200
	<u>2,642</u>	<u>3,508</u>

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.0 cent (2007: HK1.0 cent) per ordinary share for the period ended 30 September 2008, payable to shareholders whose names appear in the Register of Members of the Company on Monday, 12 January 2009. The dividend will be payable on Wednesday, 21 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 6 January 2009 to Monday, 12 January 2009 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months period ended 30 September 2008, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 5 January 2009.

BUSINESS REVIEW AND PROSPECTS

Business Review

For the six months ended 30 September 2008, the Group's turnover was HK\$336,500,000 (2007: HK\$244,227,000). The profit attributable to equity holders of the parent was HK\$4,215,000 (2007: HK\$30,110,000). Affected by the financial tsunami, the environment of global stock market changed dramatically that brought a fair value loss of approximately HK\$7,076,000 (2007: Gain HK\$8,668,000) in investment of listed securities. In addition, share of profit from associate during the period was HK\$8,695,000 (2007: HK\$15,568,000). Thus, the Group's profit for the period decreased. However, the Group has been keeping its frozen meat trading, the core business of the Group, intact and stable.

Frozen Meat Trading

During the period under review, the operating environment of frozen meat market was affected by the persistently strong demand worldwide and soaring feed prices which pushed up the costs of frozen meat to record highs. Facing this fluctuating market condition, the Group had taken a series of measures including prudent purchasing strategy, adjustments to product mix and quantities, and increase in selling prices. Meanwhile, through its longstanding good reputation, sophisticated and extensive frozen meat trading experience, comprehensive distribution network, close relationship with vendors and improvement of operational efficiency, the Group's turnover had increased by approximately 38%. Nevertheless, the continued soaring costs of frozen meat had more than offset the rate of increase in market selling prices and therefore affected profit.

Investment in Food Business

Apart from frozen meat trading, the Group has strategically held equity interests in an associate, Four Seas Mercantile Holdings Limited (“FSMHL”), as a long-term investment, which enables the Group to have a diversified business portfolio and enjoy the share of profit from FSMHL. The Group holds equity interests in FSMHL approximately 28.49% and shared a profit after tax of HK\$8,695,000 for the six months period ended 30 September 2008. During the period under review, FSMHL recorded steady growth in both Hong Kong and Mainland China markets. The contribution derived from Hong Kong was satisfactory and more than offset the losses incurred in Mainland China, as the latter could not fully recover the continued soaring production costs from the upward adjustments of the selling price. However, the decrease in the net profit of FSMHL was primarily because of the fact that the fair value gains on available-for-sale investments in the corresponding period of last year was higher than the period under review and exchange losses on foreign currency deposits held in the current year, due to fluctuation in the foreign exchange rates.

Food distribution is FSMHL’s core business. Through longstanding partnerships with overseas suppliers, introduction of high quality food products and extensive distribution network, the food distribution business continued to grow. During the period, FSMHL once again received various honours for its achievements in brand management and sales strategy, including the “2008 Leading Brand” award and the “2008 Wellcome Top 10 Favorite Brands” honour. Moreover, FSMHL’s Okashi Land continued to strengthen its platform for product distribution and brand name awareness. It has allowed FSMHL to effectively drive market desire for new and trendy snack food with variety of offerings and promotional mix. Okashi Land was again awarded the “Fifth Hong Kong Macau Integrity Award” in this year.

For food manufacturing, FSMHL currently has 19 manufacturing plants producing a wide range of valued-added products. During the period, FSMHL has developed a series of new product flavours, including a series of crispy seaweed and crackers, which immediately became very popular in the snack market. In addition, the manufacturing plants of FSMHL have not only won numerous awards for their outstanding product quality and management performance, but also received many accolades including the “Food Safety Honorary Certificate” and the “Outstanding Management Entrepreneur Honorary Certificate”.

Adhering to its motto of “Leading in trends, Winning in quality”, Four Seas Brand products have long been well received among consumers in Hong Kong and was named the “Best Loved Local Brand in Daily Life”. Furthermore, being a truly indigenous local brand in Hong Kong, Four Seas Brand has also been gaining popularity in Mainland China and earned various awards.

During the period, FSMHL's catering business achieved steady growth. In Mainland China, the longstanding renowned garden restaurant, Panxi Restaurant, has already opened for business. Through FSMHL's distribution network in Hong Kong and Mainland China, the sales of the restaurant's high quality frozen dim sums is set to bring in a new source of revenue to FSMHL. Pokka Café, a joint venture café chain with Pokka Corporation of Japan, continued its popularity among consumers and maintained stable business growth. Kung Tak Lam Shanghai Vegetarian Cuisine Limited maintained its leadership position in the vegetarian restaurant sector through its premium healthy vegetarian cuisine and high-quality décor. Recently, the award-winning Kung Tak Lam was recognised by the Hong Kong Department of Health as an "EatSmart restaurant". Besides, with over 38 years of establishment history, New Kondo Trading Company Limited which supplies Japanese food materials to Japanese restaurants, recorded good results and contributed to FSMHL's steady earnings.

Prospects

Looking ahead, the financial turmoil has introduced global economic uncertainties as well as instability to the market. Notwithstanding the above, the decrease in fair value of the investment in listed securities will not affect the liquidity of the Group as it was funded by internal funds. The management believes that the Group will reduce the unfavourable influence caused by the disruption to the operating environment in frozen meat market through its solid foundation, comprehensive distribution network, close relationship with vendors, extensive frozen meat trading experience, prudent purchasing management, flexible sales strategy, and effective risk management and cost-control. In the meantime, the long-term investment of equity interest in FSMHL will continue to contribute 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 2008, 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 34.96%
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 a 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 controlled corporation)	Trust and similar interests	
TAI Tak Fung, Stephen	–	195,096,000 ⁽ⁱ⁾	82,000,000 ⁽ⁱⁱ⁾	277,096,000 69.35%
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 113,846,000 shares, representing 28.49% 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 113,846,000 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 2008, none of the directors nor 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 those 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 2008, 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 of substantial shareholder	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 ⁽ⁱⁱ⁾	53,095,177 ⁽ⁱⁱⁱ⁾	30,914,000 ^(iv)	90,739,177	34.96%
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 2008, 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.

LIQUIDITY AND FINANCIAL RESOURCES

Operating revenue was the Group's major source of funds during the financial period. As at 30 September 2008, the Group had cash and cash equivalents of approximately HK\$51 million whilst trade credit facilities were utilised to the extent of approximately HK\$112 million representing approximately 23% of the total banking facilities of HK\$492 million.

The Group had a gearing ratio of 0.26 as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' funds.

As at 30 September 2008, 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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

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 2008, the Group employed a total of 60 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 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period under review.

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 of the Listing Rules throughout the accounting period for the six months ended 30 September 2008, 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 the interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

CODE OF CONDUCT 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 securities transactions by directors of the Company (the "Code of Conduct"). 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 Code of Conduct throughout the period for the six months ended 30 September 2008.

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 relevant 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 throughout the period for the six months ended 30 September 2008.

AUDIT COMMITTEE

The audit committee of the Company 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 2008.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim results announcement of the Company for the six months ended 30 September 2008 is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.fourseasinvestment.com.hk. The interim report of the Company for the six months ended 30 September 2008 containing all information required by Appendix 16 of the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in late December 2008.

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 2008