

## 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 2005, 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				Number of underlying shares held under equity derivatives		Total interests as % of the relevant issued share capital
	Direct/ Personal interests (held as beneficial owner)	Family interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Personal/ Family interests	Total interests	
SAL	52,907,250 <sup>(i)</sup>	–	–	–	–	52,907,250	20.45%
CGL	–	–	–	30,914,000 <sup>(iv)</sup>	–	30,914,000	11.95%
WU Mei Yung, Quinly	–	2,210,000 <sup>(ii)</sup>	53,095,177 <sup>(iii)</sup>	30,914,000 <sup>(iv)</sup>	2,000,000 <sup>(vi)</sup>	88,219,177	34.10%
HSBC International Trustee Limited	–	–	–	30,914,000 <sup>(v)</sup>	–	30,914,000	11.95%

*Notes:*

- (i) SAL is wholly owned by Dr. TAI Tak Fung, Stephen, JP and his spouse Dr. WU Mei Yung, Quinly. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen, JP 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 0.85% of the issued share capital of the Company, are beneficially held by Dr. TAI Tak Fung, Stephen, JP. 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, JP 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 0.07% 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, JP 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, JP and his spouse Dr. WU Mei Yung, Quinly. Accordingly, Dr. TAI Tak Fung, Stephen, JP 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 20.45% of the Company's issued share capital, are owned by SAL, and Dr. TAI Tak Fung, Stephen, JP 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, JP 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, JP and Dr. WU Mei Yung, Quinly. This interest is also included as trust and similar interests of Dr. TAI Tak Fung, Stephen, JP 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.
- (vi) Of which, 800,000 share options were granted to Dr. WU Mei Yung, Quinly. Another 1,200,000 share options were granted to her spouse Dr. TAI Tak Fung, Stephen, JP. Dr. WU Mei Yung, Quinly is therefore deemed to have interest therein. The share options were granted on 11 November 2003, exercisable from 1 May 2004 to 31 October 2005 at an exercise price HK\$0.93. This interest is also included as personal/family interests in the underlying shares held under equity derivatives of Dr. TAI Tak Fung, Stephen, JP in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

All the interests stated above represent long positions in the shares/underlying shares of the Company. Other than as disclosed above, as at 30 September 2005, 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 or 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 2005, the Group held cash on hand and bank balances of approximately HK\$194 million whilst trade credit facilities were utilised to the extent of approximately HK\$205 million representing approximately 40% of the total banking facilities of HK\$511 million.

The Group has a gearing ratio of 0.56 as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' fund.

Bank borrowings of the Group mainly comprised trust receipt loans and bank loans which were denominated in either Hong Kong dollars or US 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. The bank loan which is repayable by installments up to 2006, was obtained to finance the construction of the Group's premises at Sai Kung. The other bank loans were obtained for working capital purpose.

## **PLEDGE OF ASSET**

As at 30 September 2005, the assets (including land and buildings) and the issued shares of a subsidiary were pledged as securities for a bank loan granted to the Group.

## **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. Share options were granted to senior executives in reward for their outstanding management and operation performance. At 30 September 2005, the Group employed a total of 56 full time employees.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its listed shares during the six months ended 30 September 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 September 2005, save for the code provision on internal controls, which are to be implemented for accounting periods commencing on or after 1 July 2005 and 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, the 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 appointment made to fill casual vacancy and the immediate following annual general meeting is short.

Pursuant to the previous Articles of Association of the Company, the chairman and the managing director of the Company were not subject to retirement by rotation or also not be taken into account in determining the number of directors to retire in each annual general meeting. To comply with this code provision, relevant amendments to the Articles of Association of the Company were proposed and approved by the shareholders at the annual general meeting held on 1 September 2005. Every director shall be subject to retirement by rotation at the annual general meeting at least once every three years according to the amended Articles of Association of the Company.

**CODE PROVISION B.1.1**

Under the code provision B.1.1, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.

The Company has established a remuneration committee (the “Remuneration Committee”) on 16 September 2005 and written terms of reference for the Remuneration Committee in compliance with code provision B.1.3 was also adopted by the Company on the same day. The Remuneration Committee consists of five members comprising three independent non-executive directors of the Company, namely Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian, and two executive directors of the Company, namely Dr. TAI Tak Fung, Stephen and Mr. MAN Wing Cheung, Ellis.

**COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions (the “Code”). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard as set out in the Code throughout the period for the six months ended 30 September 2005.

**AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30 September 2005 with the directors.

**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, Philip 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, JP**  
*Chairman*

Hong Kong, 15 December 2005