

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK1.0 cent (2005: HK1.0 cent) per ordinary share for the period ended 30 September 2006, payable to shareholders whose names appear in the register of members of the Company on 25 January 2007. The dividend will be payable on 8 February 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 19 January 2007 to 25 January 2007 (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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18 January 2007.

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Review**

For the six months ended 30 September 2006, the Group's turnover was HK\$275,024,000 (2005: HK\$274,271,000). The profit attributable to shareholders increased by approximately 67% to HK\$16,870,000 (2005: HK\$10,131,000).

### **Frozen Meat Business**

During the period under review, frozen meat trading environment was still turbulent. Affected by increasing world-wide demand in frozen meat products and rising in feed cost, frozen meat costs persistently remained in high level and thus posted pressure to the Group's gross profit. Nevertheless, building on its long standing good reputation, a wealth of experience, a solid foundation, an extensive distribution network, flexible market strategy, effective cost control and prudent management, the Group was able to reduce the adverse impact on profit of frozen meat trading.

### **Investment in Food Business**

During the period, the Group has continued to increase its 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 2006, the Group held approximately 28.18% equity interests in FSMHL and shared a profit after tax of HK\$14,543,000.

Since establishment in 1971, food distribution has remained FSMHL's core business. Through its extensive and comprehensive distribution network, FSMHL has been distributing premium quality food products sourced around the world. In the meantime, FSMHL's specialty snack chain, Okashi Land, has proactively introduced trendy Japanese snack foods and Four Seas brand products to the food industry. This specialty chain has successfully acted as the platform for new products' market trial and development.

With regard to the food manufacturing business, FSMHL now has 18 manufacturing plants in both Mainland China and Hong Kong. Through its well-proven integrated business model, FSMHL has been implementing a self-sufficient interoperability concept so as to strengthen the competitive edge, reinforce quality control and increase production capacities and profit margin. Meanwhile, FSMHL endeavors to introduce new products to cope with the market's increasing demand for trendy snacks and innovative tastes. Among these, the classic snack Four Seas Biscuits Sticks expanded to include new seaweed flavour which has immediately become a new hit of the market after launch. With premium quality, consumers' confidence and popularity of its products, FSMHL has gained high recognition from the food industry. Recently, Four Seas Chestnuts received the "HACCP Food Safety Management System Accreditation Certification".

FSMHL continues to work on strengthening its brand equity through promotional activities in supermarket and retails chains, and advertising campaigns in magazines, newspapers, radios and television commercials. In early June, it was invited to sponsor a concert entitled "Liu Chai Chang Music Alive". Market response was overwhelming, which greatly enhanced the image of the Four Seas Group and its Four Seas Brand. As a leading brand in Hong Kong and Mainland China, Four Seas Brand has performed satisfactorily in both markets and received many awards from the industry. This year, Four Seas Brand was awarded "the Third Hong Kong & Macau Quality Trustworthy Business" by the Guangzhou Daily.

Regarding the catering business, FSMHL successfully acquired a renowned restaurant – Pan Xi Restaurant during the period, which is not only the largest garden restaurant in Mainland China, but also owns a manufacturing plant of frozen dim sums. The acquisition further consolidates FSMHL's restaurant business by reaping the benefits of synergy and leveraging its distribution network in Mainland China and Hong Kong. Moreover, this allows FSMHL to bring in a new source of revenue by distributing the quality dim sums to the market. The authentic Japanese curry specialist restaurant "Curry Monogatari" as well as the market leader in vegetarian cuisine "Kung Tak Lam Shanghai Vegetarian Cuisine Restaurant" have successfully enlarged the customer base through persistent promotional activities and enhanced revenue. The Pokka Café chain, joint venture restaurant chain with Pokka Corporation of Japan, maintained a healthy growth during the period. Besides, New Kondo Trading Company Limited, a Japanese catering food materials supplier, continued to perform satisfactorily and contribute steady income to FSMHL.

### **Prospects**

Looking ahead, given its dominant position in the frozen meat market, the Group will continue to bring in more quality meat products and diversify product range along with the improvement in economic condition and consumers' spending sentiment. In order to enhance the Group's competitiveness in the market, efforts will be placed to reduce the influence of external uncertainty through prudent measures and effective cost control. Meanwhile, the Group will continue to increase its equity interests in FSMHL to stabilise the Group's earnings.