

## **LIQUIDITY AND FINANCIAL RESOURCES**

Operating revenue was the Group's major source of funds during the financial period. As at 30 September 2006, the Group held cash on hand and bank balances of approximately HK\$57 million whilst trade credit facilities were utilised to the extent of approximately HK\$90 million representing approximately 17% of the total banking facilities of HK\$522 million.

The Group has a gearing ratio of 0.23 as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' fund.

As at 30 September 2006, bank borrowings of the Group mainly comprised trust receipt loans and short-term bank 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. The short-term bank loans were obtained for working capital purpose.

## **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 2006, the Group employed a total of 55 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 2006. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES**

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 accounting period for the six months ended 30 September 2006, 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, 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 duration between appointment to fill casual vacancy and the immediate following annual general meeting is short.

### **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 2006.

### **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company.

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 consolidated financial information for the six months ended 30 September 2006.

## 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, SBS, JP**

*Chairman*

Hong Kong, 21 December 2006