

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents (2005: HK2.0 cents) per 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 will be closed from 19 January 2007 to 25 January 2007 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited, at 26th Floor, 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

Results

For the six months ended 30 September 2006, the Group maintained a stable growth and achieved a turnover of HK\$885,320,000 (2005: HK\$825,219,000) representing an increase of 7% as compared with the same period last year. The net profit attributable to equity holders of the parent had a 6% increase to HK\$52,537,000 (2005: HK\$49,587,000).

Food Distribution

Established in 1971, this year is the 35th anniversary of the Group. Over the decades, food distribution has long been the Group's core business, distributing the premium quality food products from around the world through its extensive and comprehensive distribution network. During the period under review, the Group continued to strengthen its business by enhancing its partnership with supermarkets, retail chains and wholesalers, aggressively introducing promotional campaigns. All these have consolidated the Group's leadership position in Hong Kong's food industry.

At the same time, through its specialty retail chain, Okashi Land, the Group brings in trendy Japanese snack foods and reinforces Four Seas products' brand equity. Supported by active introduction of new products, a diversified product portfolio and keeping track of latest trendy snacks, Okashi Land has been a very popular place for the young consumers. Furthermore, Okashi Land has successfully acted as the platform for market trial and new product development for the Group.

BUSINESS REVIEW AND PROSPECTS (*continued*)

Food Manufacturing

The Group now has 18 manufacturing plants in both Mainland China and Hong Kong, producing unique and high value-added products such as seaweed, confectioneries, potato chips, biscuits, snacks, instant noodles, cakes, chestnuts, ice creams, beverages, ham and sausages, and frozen dim sums. Through its well-proven “integrated business model”, the Group has been implementing a self-sufficient interoperability concept from raw materials supply, to manufacturing, to distribution and retail, striving always to enhance quality control, increase output, improve margins and strengthen competitiveness.

With the premium quality, consumers’ confidence and popularity of its products, the Group has gained high recognition from the food industry. Following the accolades of “Creditable-Quality Food Products in Nation”, “Creditable-Quality Enterprises”, “Certified for the Q-Mark Scheme for 10 years” and “Fresh Check Food Safety Certificate Grade A Award”, the Group again won “Certificate Award for the Best Brand Enterprise”, “Hong Kong Outstanding Enterprise Award 2006”, “Asia Management Innovation Award”, “The Outstanding Contribution Award of China National Food Industry”, “The Top Ten Famous People of China Innovation Branding Award”. More recently, the Group’s Four Seas Chestnuts received the “HACCP Food Safety Management System Accreditation Certification”.

Besides, coping with the market’s increasing demand for trendy snacks and innovative tastes, the Group’s factories have been increasing their production capacity and focusing on developing premium quality new products. The Four Seas Brand’s flagship product, Four Seas Seaweed has over the years maintained its leadership position in Hong Kong. The Group has also actively been developing a series of seaweed products under the Four Seas Brand, including seaweed instant noodles, seaweed rice sticks, seaweed potato chips and seaweed crackers which are well received by the consumers. Recently, the classic snack Four Seas Biscuits Sticks expanded to include new seaweed flavor, which has immediately become a new hit of the market after launch.

Four Seas Brand

The Group continues to work on strengthening its brand equity through promotional activities in supermarket chains and retail chains, and advertising campaigns in magazines, newspapers, radios and television commercials. In early June, the Group was invited to sponsor a concert entitled “Liu Chai Chang Music Alive”. Market response was overwhelming and immediately became a talk of the town, which greatly enhanced the image of the Four Seas Group and its Four Seas Brand.

BUSINESS REVIEW AND PROSPECTS (*continued*)

Four Seas Brand (*continued*)

As a leading brand in Hong Kong and Mainland China, Four Seas Brand has achieved outstanding results in the fast-growing retail market in Mainland China and received many awards in the food industry. Apart from the “2004 Shanghai Ten Most Favorites Snacks”, “Superbrands Hong Kong 2002”, “the Golden Asia Award for Excellence” and “No. 1 Brand”, Four Seas Brand was also awarded “the Third Hong Kong & Macau Quality Trustworthy Business” early this year by the Guangzhou Daily. In Hong Kong, Four Seas Brand equally has an outstanding performance. Among those awards, Four Seas Crackers won two industry recognitions from two leading supermarket chains, namely, “Top Ten Favorite Brands 2005” by Wellcome Supermarket, and “Best New Product Award 2005” by Park’n Shop.

Restaurant Chain

The Group’s restaurant business has marked a new milestone. In September this year, the Group entered into an agreement to acquire a renowned restaurant – Pan Xi Restaurant (“Pan Xi”) in Mainland China. Pan Xi is the largest garden restaurant located in Liwan district of Guangzhou with a longstanding tradition of providing famous cuisines. Among those patrons were numerous senior government officials from China and foreign countries including former Singapore Prime Minister Lee Kuan Yew, former US President George H. W. Bush and former Japanese Prime Minister Toshiki Kaifu. Besides, Pan Xi also owns a manufacturing plant of frozen dim sums which are distributed to both domestic and overseas markets. The acquisition does not only further consolidate the Group’s restaurant business, reaping the benefits of synergy and leveraging our distribution network in Mainland China and Hong Kong, but also allows the Group to distribute the quality dim sums from the restaurant to bring in a new source of revenue.

On Hong Kong’s business, a restaurant, Curry Monogatari opened early this year focuses on promoting authentic Japanese curry cuisines, expanding our reach of new customer groups. Through working cooperatively with other subsidiaries of the Group on promotional activities, Curry Monogatari will further enhance the Group’s profile in the restaurant industry.

Besides, Kung Tak Lam Shanghai Vegetarian Cuisine Limited, being a market leader in vegetarian cuisine, has been a popular dining place for younger generation and vegetarian customers under the prevailing trend for healthy food culture and media promotion activities that successfully developed new clientele and brought in good revenue for the Group.

The Group’s restaurants have performed as expected on the rise of consumer spending power. The Group’s joint venture restaurant chain with Pokka Corporation of Japan, Pokka Café, has maintained healthy growth and is widely popular among the local consumers.

The Group’s wholly-owned subsidiary, New Kondo Trading Company Limited is a 37-year-old market leader in Japanese catering food materials supply, providing more than 1,000 kinds of Japanese food materials. The company has satisfactory results over the period under review, contributing steady income to the Group.

BUSINESS REVIEW AND PROSPECTS (*continued*)

Prospects

Looking ahead, the management remains confident that Hong Kong's sustainable economic growth, coupled with the immense business opportunities in the Mainland China market will provide the Group with more favorable development opportunities. Riding on our 35 years of rich experience in the food industry, leveraging its "integrated business model" and self-sufficient interoperability concept, the Group will continue to drive our development in the Mainland China market to bring new heights of achievements to the Group.

The Four Seas Group is a unique listed company in Hong Kong with a strong foundation and solid operations, and has earned the trust and support of our business partners. In the foreseeable future, the Group will maintain its diversified business strategy, incorporating food materials supply, food manufacturing, food distribution, specialty retail chain and restaurant businesses, further expanding our current market, and consolidating our leadership position in the food industry. The management is optimistic and confident about the prospects of our future development.