FOUR SEAS MERCANTILE HOLDINGS LIMITED

四洲集團有限公司 *

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

(Stock Code: 374)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

INTERIM RESULTS

The board of directors (the "Board") of Four Seas Mercantile Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2009, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2009	2008
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**1,095,849**	1,059,857
Cost of sales		**(793,318)**	(756,540)
Gross profit		**302,531**	303,317
Other income and gains/(losses), net	*4*	**27,370**	(20,946)
Selling and distribution expenses		**(172,372)**	(162,027)
Administrative expenses		**(95,925)**	(92,879)
Other operating expenses		**(6,965)**	(5,496)
Finance costs	*5*	**(6,760)**	(9,264)
Share of profits and losses of associates		**3,718**	6,344
PROFIT BEFORE TAX	*3 & 6*	**51,597**	19,049
Tax	*7*	**(8,539)**	(1,468)
PROFIT FOR THE PERIOD		**43,058**	17,581
Attributable to:			
Equity holders of the Company		**44,495**	30,518
Minority interests		**(1,437)**	(12,937)
		43,058	17,581
DIVIDEND			
Interim	*8*	**7,991**	7,991
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY – Basic	*9*	**11.1 cents**	7.6 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2009	2008
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Profit for the period	**43,058**	17,581
Other comprehensive income for the period, net of tax:		
Exchange differences on translation of foreign operations	**(629)**	10,462
Change in fair value of available-for-sale investments	**19,772**	(11,431)
Transfer to the income statement on disposals of available-for-sale investments	**(22,509)**	(1,248)
Other comprehensive loss for the period, net of tax	**(3,366)**	(2,217)
Total comprehensive income for the period, net of tax	**39,692**	15,364
Total comprehensive income attributable to:		
Equity holders of the Company	**41,125**	27,676
Minority interests	**(1,433)**	(12,312)
	39,692	15,364

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 September 2009 Unaudited** *HK$'000*	31 March 2009 Audited *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**485,923**	487,621
Investment property		**15,327**	15,310
Prepaid land lease payments		**154,828**	154,724
Goodwill		**35,495**	34,607
Non-current livestock		**1,046**	1,129
Interests in associates		**145,012**	139,304
Available-for-sale investments		**27,236**	52,619
Deposits		**19,355**	18,466
Deferred tax assets		**1,753**	1,299
Total non-current assets		**885,975**	905,079
CURRENT ASSETS			
Due from associates		**369**	296
Current livestock		**4,472**	4,528
Inventories		**189,947**	167,971
Trade receivables	*10*	**376,682**	429,687
Prepayments, deposits and other receivables		**123,778**	94,535
Tax recoverable		**347**	1,087
Cash and cash equivalents		**472,337**	482,903
Total current assets		**1,167,932**	1,181,007

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	30 September 2009 Unaudited *HK$'000*	31 March 2009 Audited *HK$'000*
CURRENT LIABILITIES			
Trade payables, other payables and accruals	*11*	**299,586**	277,204
Interest-bearing bank borrowings		**566,019**	756,614
Tax payable		**23,859**	17,179
Total current liabilities		**889,464**	1,050,997
NET CURRENT ASSETS		**278,468**	130,010
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,164,443**	1,035,089
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**136,800**	22,763
Deferred tax liabilities		**18,640**	18,487
Total non-current liabilities		**155,440**	41,250
Net assets		**1,009,003**	993,839
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**39,956**	39,956
Reserves		**948,753**	915,619
Proposed dividends		**7,991**	19,978
		996,700	975,553
Minority interests		**12,303**	18,286
Total equity		**1,009,003**	993,839

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009 are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 March 2009.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's accounting periods beginning on or after 1 April 2009.

HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligation Arising on Liquidation*
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	*Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreement for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfers of Assets from Customers*
HKFRSs Amendments	Improvements to HKFRSs

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

1. ACCOUNTING POLICIES (CONTINUED)

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was geographical segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

HK(IFRIC) – Int 13 requires that customer loyalty award credits granted to customers as part of a sales transaction are to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The adoption of this interpretation has had no significant effect on the condensed consolidated interim financial statements.

The adoption of the other new and revised HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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 are not yet effective.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs – The Additional Exemptions for First-time Adopters*[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*[2]
HKFRS 3 (Revised)	*Business Combinations*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[3]
HKAS 24 (Revised)	*Related Party Disclosures*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 39 Amendments	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1]
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*[1]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

2. **IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)**

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. **SEGMENT INFORMATION**

(a) **Operating segments**

The Group's operating businesses are structured and managed separately according to the location of its customers. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operation decision-maker.

	Hong Kong Six months ended 30 September		**Mainland China Six months ended 30 September**		**Eliminations Six months ended 30 September**		**Consolidated Six months ended 30 September**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**729,480**	693,708	**366,369**	366,149	**–**	–	**1,095,849**	1,059,857
Intersegment sales	**368**	799	**66,441**	53,954	**(66,809)**	(54,753)	**–**	–
Other revenue	**2,845**	2,203	**1,158**	1,839	**–**	(275)	**4,003**	3,767
Total	**732,693**	696,710	**433,968**	421,942	**(66,809)**	(55,028)	**1,099,852**	1,063,624
Segment results	**44,929**	77,395	**(9,350)**	(26,846)	**–**	–	**35,579**	50,549
Interest and dividend income and unallocated gains/(losses), net							**23,367**	(24,713)
Unallocated expenses							**(4,307)**	(3,867)
Finance costs							**(6,760)**	(9,264)
Share of profits and losses of associates	**1,242**	6,901	**2,476**	(557)	**–**	–	**3,718**	6,344
Profit before tax							**51,597**	19,049
Tax							**(8,539)**	(1,468)
Profit for the period							**43,058**	17,581

3. SEGMENT INFORMATION (CONTINUED)

(b) Revenue by business activities

The Group has engaged in manufacturing and wholesaling, retailing and other business activities. The following table presents revenue information for the Group's business activities information for the six months ended 30 September 2009 and 2008.

	Manufacturing and wholesaling Six months ended 30 September		Retailing Six months ended 30 September		Others Six months ended 30 September		Consolidated Six months ended 30 September	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**825,569**	826,474	**128,973**	97,788	**141,307**	135,595	**1,095,849**	1,059,857

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

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue, other income and gains/(losses) is as follows:

	Six months ended 30 September	
	2009	2008
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**1,095,849**	1,059,857
Other income		
Bank interest income	**277**	3,362
Dividend income from listed available-for-sale investments	**581**	666
Management fee income	**277**	277
Rental income	**734**	614
Others	**2,992**	2,876
	4,861	7,795
Gains/(losses)		
Investment losses*	**–**	(29,989)
Fair value gains on available-for-sale investments (transfer from equity on disposal)	**22,509**	1,248
	22,509	(28,741)
	27,370	(20,946)

* In the prior period, investment losses comprised net loss from currency-linked deposits of HK$8,334,000 and net exchange losses on cash and cash equivalents of HK$21,655,000.

5. FINANCE COSTS

	Six months ended 30 September	
	2009	2008
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**6,760**	9,264

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2009	2008
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Depreciation	**21,421**	18,491
Amortisation of non-current livestock	**154**	634
Amortisation of prepaid land lease payments	**1,899**	1,557

7. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2009	2008
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current		
Hong Kong	**8,741**	8,656
Elsewhere	**113**	2,118
Overprovision in prior periods	**–**	(9,436)
Deferred	**(315)**	130
Total tax charge for the period	**8,539**	1,468

The share of tax attributable to associates amounting to HK$759,000 (2008: HK$1,689,000) is included in "Share of profits and losses of associates" on the face of the unaudited condensed consolidated income statement.

8. DIVIDEND

	Six months ended 30 September	
	2009	2008
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Proposed interim dividend of HK2.0 cents (2008: HK2.0 cents) per ordinary share	**7,991**	7,991

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$44,495,000 (2008: HK$30,518,000), and on the 399,565,640 (2008: 399,565,640) ordinary shares in issue during the period.

Diluted earnings per share amounts for the six months ended 30 September 2009 and 2008 have not been disclosed as no diluting events existed during these periods.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to four to five months for major customers.

An aged analysis of trade receivables as at 30 September 2009 and 31 March 2009, based on invoice date and net of provisions, is as follows:

	30 September 2009	31 March 2009
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**148,589**	157,960
1 to 2 months	**76,123**	72,816
2 to 3 months	**51,041**	69,449
Over 3 months	**100,929**	129,462
	376,682	429,687

Included in trade receivables is an aggregate amount due from the Group's associates of HK$1,361,000 (31 March 2009: HK$1,870,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in trade payables, other payables and accruals is trade payables balance of HK$153,767,000 (31 March 2009: HK$140,882,000). An aged analysis of the trade payables as at 30 September 2009 and 31 March 2009, based on the invoice date, is as follows:

	30 September 2009	31 March 2009
	Unaudited	Audited
	HK$'000	*HK$'000*
Within 1 month	**117,838**	81,821
1 to 2 months	**18,739**	35,529
2 to 3 months	**5,664**	13,242
Over 3 months	**11,526**	10,290
	153,767	140,882

Included in the trade payables is an aggregate amount of HK$51,201,000 (31 March 2009: HK$52,174,000) due to the Group's associates, which is normally settled on 30-day to 60-day terms.

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms. Other payables are non-interest-bearing and have an average term of three months.

12. BUSINESS COMBINATION

During the period, the Group acquired a 91% equity interest in Eat & International (H.K.) Co., Limited at a cash consideration of JPY20,000,000 (equivalent to HK$1,590,600). Eat & International (H.K.) Co., Limited is engaged in the operation of restaurants. The contributions by Eat & International (H.K.) Co., Limited to the Group's revenue and consolidated profit for the period since its acquisition by the Group were insignificant.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents (2008: HK2.0 cents) per share for the six months ended 30 September 2009, payable to shareholders whose names appear in the Register of Members of the Company on Monday, 11 January 2010. The dividend will be payable on or about Wednesday, 20 January 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 5 January 2010 to Monday, 11 January 2010 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months period ended 30 September 2009, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 January 2010.

BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2009, the Group's consolidated turnover reached HK$1,095,849,000 (2008: HK$1,059,857,000), representing a 3% increase over the same period of last year. The profit attributable to equity holders of the Company was HK$44,495,000 (2008: HK$30,518,000), representing a 46% increase.

For the period under review, the sales derived from Hong Kong segment reached HK$729,480,000, representing an increase of 5% over the same period of last year, and accounted for approximately 67% of the Group's total sales. The sales in Mainland China was HK$366,369,000, an amount similar to same period of last year and accounted for approximately 33% of the Group's total sales. During the period, the result in Hong Kong segment was impacted by the unfavourable movement of the exchange rate of Japanese Yen which in turn increased the purchasing costs. Benefiting from the stable food production material costs coupled with the Group's prudent and cautious business policy, the segmental result of Mainland China was improved.

Food Distribution

Over the past 38 years, food distribution has all along been the Group's core business. Through its extensive distribution network, the Group committed to distribute famous and high quality food products from various parts of the world, and proactively developed the markets in Mainland China and Hong Kong with a variety of foods ranging from food material supply, seasoning ingredients, to the brand-named snack foods, which contributed a steady business growth. "Calbee", one of the brands distributed by the Group, was awarded "2008 Most Favourite Brand Award" by 7-Eleven Convenience Stores and "The 10th Favourite Brands Award" by Wellcome Supermarket. In recent years, the Group received numerous awards which demonstrated the remarkable progress of its management and marketing strategy. This year, the Group was once again accredited with "Prime Awards for Corporate Social Responsibility 2009" and "Caring Company Award" for five consecutive years.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Food Manufacturing

The Group has 20 manufacturing plants producing a wide range of specialty food products, including seaweed, candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, biscuits, cake, chestnuts, ham, sausage, frozen dim sums, and beverages, etc. Benefiting from the stable production raw material cost, consumer loyalty and confidence in food safety standard and quality assurance towards its own "Four Seas" brand, the Group's food manufacturing operations developed satisfactorily. The Group continues to expand its business horizon. At the beginning of the year, the Group acquired the remaining equity interest in "Pokka Four Seas (Suzhou) Food Co., Ltd" and renamed it as "Four Seas (Suzhou) Food Co., Ltd". Riding on its well-established production techniques to manufacture a series of specialty drinks including Tsubu Tsubu orange juice, coffee, milk tea, lemon tea, green tea, Oolong tea and fruit juice, the Group was able to explore this vast beverage market and achieved a steady growth in both operation and business performance for the period. These were all attributable to its successful marketing initiatives, product offerings and enhancing operational efficiencies which altogether resulted in rising market share. This acquisition enhanced the Group's business competitiveness and became another growth driver in the beverage market.

Over the years, the Group achieved remarkable performance and received accreditations for its production management and quality control, including "Creditable-Quality Food Products in Nation", "Creditable-Quality Enterprises", "Certified for the Q-Mark Scheme over ten years", "Fresh Check Food Safety Certificate Grade A Award", "China Food Industry Outstanding Contribution Award", "China Independent Innovation and Brand Building Award", and the honorary certificates of "2009 Model Enterprise of Food Safety".

Four Seas Brand

Leveraging on novel product offerings and effective marketing strategy, "Four Seas" brand products have a distinctively competitive advantage over its competitors in pricing powers and resulted in expanding market share. In recognition of the Group's continuing efforts in brand equity management, "Four Seas" brand was accredited with various awards including "Smart Living 2008" voted by "Three Weekly", "The Hong Kong's 100 Most Influential Brands" awarded by the World Brand Laboratory, and the "Best Loved Local Brand in Daily Life" by the joint-survey of HK Design Centre and The Hong Kong Polytechnic University. More recently, the newly launched "Four Seas Tsubu Tsubu Orange" was honoured with "The 10th Favourite Brands Award – Rising Star".

Food Retailing

During the period, "Okashi Land", a retail chain established over 10 years specialising in snacks and confectioneries, was able to deliver a satisfactory performance with trendy Japanese snack foods and well received by consumers. With its extensive retail network, it has provided an excellent platform for the Group to promote brand-named products and further develop the snack food market. Recently, "Okashi Land" was awarded by Metro Broadcast as "U! Choice Most Favourite Confectionery Chain Stores of University Students in Hong Kong".

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Catering Business

The Group strived for developing its catering business and widening the customer base. The performance of restaurants was satisfactory over the past six months. The longstanding renowned "Panxi Restaurant", located in Liwan District in Guangzhou, China, maintained a solid business performance. "Kung Tak Lam Shanghai Vegetarian Cuisine Limited" opened another new outlet in Shatin, the landmark of New Territories in Hong Kong to meet the increasing demand of health-conscious vegetarian customers. Also, "Kung Tak Lam" was bestowed with the "Gold with Distinction Award" in the Vegetarian Category of "The Best of the Best Culinary Awards 2009" from Chinese Cuisine Training Institute for its award-winning dish of "Braised Vegetarian Meatball in Casserole". The Group's "Restaurant Shiki Limited" and "Osaka Ohsho", Japanese dumplings specialty restaurant chain, both maintained a stable performance. "Shousihuang", a sushi restaurant chain in Mainland China, achieved a concrete business growth.

Prospects

With deep confidence that the economy of Mainland China and Hong Kong will recover gradually, the Group has been well positioned for further growth opportunities by leveraging on its high quality products and excellent customer services. Capitalising on its wealth of 38 years of marketing and distributing experience coupled with strong competitive edges, corporate financial strengths and its "integrated business model", the Group will continue to strengthen its current business platforms and consolidate its market leader position through diversifying into new markets. The Group's management is confident in and remains optimistic to its future business development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 30 September 2009, the Group had banking facilities of HK$1,410,000,000 of which 50% had been utilised. The Group had a gearing ratio of 71% as at 30 September 2009. This is expressed as the total bank borrowings to equity attributable to equity holders of the Company. Bank borrowings of the Group, denominated in Hong Kong dollars, Japanese yen or United States dollars, mainly comprise trust receipt loans and bank loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable within one year and the Interest-Bearing Bank Borrowings in non-current liabilities are repayable in the second year. As at 30 September 2009, the Group held cash and cash equivalents of HK$472,337,000. As at 30 September 2009, the Group had no significant contingent liabilities and there were no significant charges on the Group's assets during the period under review.

STAFF EMPLOYMENT

The total number of employees of the Group as at 30 September 2009 was approximately 3,600. 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. The Group operates a mandatory provident fund scheme or similar benefits which covers all the employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed shares during the six months ended 30 September 2009.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of its shareholders and enhancing corporate value. The Company's directors are of the view that the Company has met the code provisions listed in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the accounting period for the six months ended 30 September 2009, 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 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 appears and interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 have confirmed that they have complied with the required standard as set out in the Code of Conduct throughout the six months ended 30 September 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS (CONTINUED)

The Company has also established the Code for Securities Transactions by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the 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 six months ended 30 September 2009.

AUDIT COMMITTEE

The Audit Committee comprises all the three independent non-executive directors, namely Ms. Leung Mei Han (Chairman of the Audit Committee), Mr. Chan Yuk Sang, Peter and Mr. Hiroshi Zaizen. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management on internal controls and financial reporting matters including a review of the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2009.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Company's interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.fourseasgroup.com.hk. The interim report of the Company for the six months ended 30 September 2009 will be despatched to shareholders and published on the above websites in due course.

APPRECIATION

The Board of Directors of the Company would like to take this opportunity to thank our shareholders and business partners for their continuous support and our staff for their hard work.

THE BOARD

As at the date of this announcement, the Board of the Company comprises Dr. TAI Tak Fung, Stephen, Dr. WU Mei Yung, Quinly, Mr. MAN Wing Cheung, Ellis, Mr. YIP Wai Keung and Mr. WU Wing Biu as executive directors, Ms. LEUNG Mei Han, Mr. CHAN Yuk Sang, Peter and Mr. Hiroshi ZAIZEN as independent non-executive directors.

On behalf of the Board
Dr. TAI Tak Fung, Stephen, *SBS, JP*
Chairman

Hong Kong, 10 December 2009

* *For identification purpose only*