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 2010

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 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2010	2009
		Unaudited	Unaudited
	Notes	***HK$'000***	*HK$'000*
REVENUE	4	**1,138,220**	1,095,849
Cost of sales		**(818,822)**	(793,318)
Gross profit		**319,398**	302,531
Other income and gains	4	**10,174**	27,370
Selling and distribution expenses		**(175,990)**	(172,372)
Administrative expenses		**(104,817)**	(95,925)
Other operating expenses		**(4,533)**	(6,965)
Finance costs	5	**(6,144)**	(6,760)
Share of profits and losses of associates		**6,609**	3,718
PROFIT BEFORE TAX	3 & 6	**44,697**	51,597
Income tax expense	7	**(9,262)**	(8,539)
PROFIT FOR THE PERIOD		**35,435**	43,058
Attributable to:			
Equity holders of the Company		**34,538**	44,495
Non-controlling interests		**897**	(1,437)
		35,435	43,058
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		***HK cents***	*HK cents*
– Basic and diluted	9	**8.8**	11.1

Details of the dividend payable and proposed for the period are disclosed in note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2010 Unaudited *HK$'000*	2009 Unaudited *HK$'000*
PROFIT FOR THE PERIOD	**35,435**	43,058
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale investments:		
Changes in fair value	**(8,857)**	19,772
Reclassification adjustments for gains included in the consolidated income statement		
– gains on disposal	**(1,577)**	(22,509)
Income tax effect	**–**	–
	(10,434)	(2,737)
Share of other comprehensive income of associates	**751**	37
Exchange differences on translation of foreign operations	**6,397**	(666)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(3,286)**	(3,366)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**32,149**	39,692
Attributable to:		
Equity holders of the Company	**31,255**	41,125
Non-controlling interests	**894**	(1,433)
	32,149	39,692

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2010 Unaudited *HK$'000*	31 March 2010 Audited *HK$'000* Restated
NON-CURRENT ASSETS			
Property, plant and equipment		**519,370**	525,731
Investment property		**15,652**	15,356
Prepaid land lease payments		**109,068**	108,386
Goodwill		**36,177**	35,551
Non-current livestock		**785**	706
Interests in associates		**153,574**	146,398
Available-for-sale investments		**51,337**	65,039
Deposits		**23,979**	17,941
Deferred tax assets		**1,216**	1,299
Total non-current assets		**911,158**	916,407
CURRENT ASSETS			
Due from associates		**459**	369
Current livestock		**4,045**	4,212
Inventories		**186,064**	190,167
Trade receivables	10	**417,059**	439,808
Prepayments, deposits and other receivables		**104,300**	96,418
Tax recoverable		**11,356**	7,157
Cash and cash equivalents		**500,028**	509,260
Total current assets		**1,223,311**	1,247,391

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**30 September 2010 Unaudited** ***HK$'000***	31 March 2010 Audited *HK$'000* Restated
CURRENT LIABILITIES			
Trade payables, other payables and accruals	11	**310,157**	297,124
Interest-bearing bank borrowings		**599,758**	656,056
Tax payable		**17,903**	15,910
Total current liabilities		**927,818**	969,090
NET CURRENT ASSETS		**295,493**	278,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,206,651**	1,194,708
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**154,844**	154,625
Deferred tax liabilities		**17,616**	18,412
Total non-current liabilities		**172,460**	173,037
Net assets		**1,034,191**	1,021,671
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	**39,070**	39,074
Reserves		**975,772**	952,419
Proposed dividends		**7,814**	19,537
		1,022,656	1,011,030
Non-controlling interests		**11,535**	10,641
Total equity		**1,034,191**	1,021,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements 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 2010.

In the current period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), amendments and interpretations issued by the HKICPA, which are effective for the Group's accounting periods beginning on or after 1 April 2010.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC) – Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvement to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

1. **ACCOUNTING POLICIES (CONTINUED)**

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively.

The *Improvements to HKFRSs 2009* consist of further amendments to existing standards, including an amendment to HKAS 17. The amendment to HKAS 17 requires the land element of a property lease to be classified as a finance lease rather than an operating lease if it transfers substantially all the risks and rewards of ownership. Before the amendment, HKAS 17 stated that the land element of a property lease would normally be classified as an operating lease unless the title to the land was expected to pass to the lessee at the end of the lease term. On adoption of the amendment, the Group has assessed its leases and has reclassified the land element of its leases in Hong Kong from operating leases to finance leases. In addition, the amortisation of the prepaid land lease payments has been reclassified to depreciation. The effect of the adoption of the amendment on the condensed consolidated statement of financial position at 1 April 2010 is to increase property, plant and equipment by HK$44,474,000 with a corresponding reduction in prepaid land lease payments. The depreciation charge for the six months ended 30 September 2010 has increased by HK$601,000 with a corresponding reduction in the amortisation charge. As the adoption of the amendment applies retrospectively, it has also resulted in an increase in the depreciation charge for the six months ended 30 September 2009 of HK$601,000 and a corresponding reduction in the amortisation charge for that period. The condensed consolidated statement of financial position at 31 March 2010 has been restated to reflect the reclassification.

The adoption of the other new and revised HKFRSs has had no material effect on the unaudited condensed consolidated interim financial statements of the Group for the current and prior accounting periods.

2. **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 Amendment	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[1]
HKFRS 9	*Financial Instruments*[3]
HKAS 24 (Revised)	*Related Party Disclosure*[2]
HK(IFRIC)-Int 14 Amendment	Amendment to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[1]
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs[4]

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

[1] Effective for annual periods beginning on or after 1 July 2010

[2] Effective for annual periods beginning on or after 1 January 2011

[3] Effective for annual periods beginning on or after 1 January 2013

[4] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas of its customers and has two reportable operating segments as follows:

(i) the Hong Kong segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, ham and ham-related products, noodles and the retailing of snack foods, confectionery and beverages, and the operations of restaurants; and

(ii) the Mainland China segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, poultry products, ham and ham-related products, noodles and the operations of restaurants.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, dividend income and unallocated gains, finance costs, share of profits and losses of associates and corporate and other unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Hong Kong		Mainland China		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2010	2009	**2010**	2009	**2010**	2009
	Unaudited	Unaudited	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**767,676**	729,480	**370,544**	366,369	**1,138,220**	1,095,849
Intersegment sales	**2,499**	368	**72,263**	66,441	**74,762**	66,809
	770,175	729,848	**442,807**	432,810	**1,212,982**	1,162,658
Reconciliation:						
Elimination of intersegment sales					**(74,762)**	(66,809)
Revenue					**1,138,220**	1,095,849
Segment results	**42,728**	44,929	**212**	(9,350)	**42,940**	35,579
Reconciliation:						
Interest income					**768**	277
Dividend income and unallocated gains					**4,032**	23,090
Finance costs					**(6,144)**	(6,760)
Share of profits and losses of associates					**6,609**	3,718
Corporate and other unallocated expenses					**(3,508)**	(4,307)
Profit before tax					**44,697**	51,597

4. REVENUE, OTHER INCOME AND GAINS

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 is as follows:

	Six months ended 30 September	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Revenue	**1,138,220**	1,095,849
Other income		
Bank interest income	**768**	277
Dividend income from listed available-for-sale investments	**325**	581
Management fee income	**322**	277
Rental income	**769**	734
Others	**4,283**	2,992
	6,467	4,861
Gains		
Investment gains*	**2,130**	–
Fair value gains on available-for-sale investments (transfer from equity on disposal)	**1,577**	22,509
	3,707	22,509
	10,174	27,370

* Investment gains comprise net loss from currency-linked deposits of HK$2,780,000 (2009: Nil) and net exchange gains on cash and cash equivalents of HK$4,910,000 (2009: Nil).

5. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**6,144**	6,760

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
		Restated
Cost of inventories sold	**818,822**	793,318
Depreciation	**22,077**	22,022
Amortisation of non-current livestock	**84**	154
Amortisation of prepaid land lease payments	**1,460**	1,298

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	Six months ended 30 September	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Current – Charge for the period		
Hong Kong	**8,550**	8,741
Elsewhere	**1,729**	113
Deferred	**(1,017)**	(315)
Total tax charge for the period	**9,262**	8,539

The share of tax attributable to associates amounting to HK$998,000 (2009: HK$759,000) 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	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Proposed interim – HK2.0 cents (2009: HK2.0 cents) per ordinary share	**7,814**	7,991

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculations of basic and diluted earning per share are based on:

	Six months ended 30 September	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**34,538**	44,495

	Number of shares	
	2010	2009
	Unaudited	Unaudited
Shares		
Weighted average number of ordinary shares in issue during the period in the basic and diluted earnings per share calculation	**390,711,651**	399,565,640

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 2010 and 31 March 2010, based on the invoice date and net of provisions, is as follows:

	30 September 2010 Unaudited *HK$'000*	31 March 2010 Audited *HK$'000*
Within 1 month	**158,482**	172,517
1 to 2 months	**87,540**	86,394
2 to 3 months	**54,171**	70,345
Over 3 months	**116,866**	110,552
	417,059	439,808

Included in trade receivables are amounts due from the Group's associates of HK$1,544,000 (31 March 2010: HK$1,115,000), 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$168,546,000 (31 March 2010: HK$155,458,000). An aged analysis of the trade payables as at 30 September 2010 and 31 March 2010, based on the invoice date, is as follows:

	30 September 2010 Unaudited *HK$'000*	31 March 2010 Audited *HK$'000*
Within 1 month	**125,546**	107,121
1 to 2 months	**26,577**	22,216
2 to 3 months	**7,377**	12,564
Over 3 months	**9,046**	13,557
	168,546	155,458

Included in the trade payables are trade payables of HK$44,874,000 (31 March 2010: HK$45,965,000) 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. SHARE CAPITAL

Shares

	30 September 2010 Unaudited ***HK$'000***	31 March 2010 Audited *HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
390,707,640 (31 March 2010: 390,745,640) ordinary shares of HK$0.10 (31 March 2010: HK$0.10) each	**39,070**	39,074

During the period, the Company repurchased a total of 38,000 of its own shares on the Stock Exchange for an aggregate consideration of approximately HK$94,000.

All the repurchased shares were cancelled by the Company upon such repurchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase was charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the condensed consolidation statement of changes in equity.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.0 cents (2009: HK2.0 cents) per share for the six months ended 30 September 2010, payable to shareholders whose names appear in the Register of Members of the Company on Thursday, 16 December 2010. The said dividend will be payable on or about Wednesday, 5 January 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 14 December 2010 to Thursday, 16 December 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 2010, 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, 13 December 2010.

BUSINESS REVIEW AND PROSPECTS

Results

For the six months ended 30 September 2010, the Group's consolidated turnover reached HK$1,138,220,000 (2009: HK$1,095,849,000), representing a 4% increase over the same period of last year. The profit attributable to equity holders of the Company was HK$34,538,000 (2009: HK$44,495,000).

For the period under review, the sales derived from Hong Kong segment reached HK$767,676,000, representing a 5% increase over the same period of last year, and accounted for approximately 67% of the Group's total sales. The segmental sales in Mainland China was HK$370,544,000, representing a 1% increase over the same period of last year, and accounted for approximately 33% of the Group's total sales. Leveraging on prudent cost controls together with the widen spectrum of products and high quality services, the segmental result of Mainland China was improved. Meanwhile, the segmental result of Hong Kong was continuously affected by the appreciation of Japanese Yen which resulted in the increase of purchase costs. The overall segment results during the period were satisfactory.

Distribution Business

Founded in 1971 with its core business of food distribution, the Group has been constantly striving to expand its marketplaces and distributing famous and high quality food products sourced internationally over the past 39 years. Riding on its competitive advantages in brand positioning and the command of extensive distribution network, the Group has contributed to the enhancement of market value for various kinds of brandnames whose products are distributed by the Group. Building on its continued growth of the food distribution business, the Group has developed a strong and long-term relationship in the food industry internationally. This has further strengthened the Group's core business and its leading position in the food industry of Hong Kong.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Manufacturing Business

Committed to the stringent standards of quality control and production management, the quality of the Group's products have been highly recognized. With 20 manufacturing plants in both Mainland China and Hong Kong, the Group has been able to produce a wide range of specialty food products, including seaweed, candies, snacks, confectioneries, peanuts, potato chips, instant noodles, ice-cream, biscuits, cake, chestnuts, ham, sausages, Tsubu Tsubu orange drinks, coffee, milk tea, lemon tea, green tea, and Oolong tea. In recognition of its high product quality, the Group received accreditations including "Creditable-Quality Food Products in Nation", "Creditable-Quality Enterprises", "Hong Kong Q-Mark Product Scheme Certification", "Fresh Check Food Safety Certificate Grade A Award", "China Food Industry Outstanding Contribution Award", "China Independent Innovation and Brand Building Award", the honorary certificates of "Model Enterprise of Food Safety 2009", and the certificates of ISO 9001 and ISO 22000.

Four Seas Brand

"Four Seas" brand has now become a proprietary premium brandname most recognised among customers. A series of "Four Seas" branded products with celebrity endorsement were proved to be successful and received widespread acclaims from the public. These included the TV commercials of "Four Seas Tsubu Tsubu Orange Drinks" by Mr. Richie Yam, "Four Seas Seaweed" by Mr. Hins Cheung, and "Four Seas Biscuits" by Miss Niki Chow. In the meantime, the Group sponsored the music concerts of pop singers, including Miss. Joey Yung and Mr. Hins Cheung to enhance the brandnames and corporate image of the Group.

With its best efforts over 39 years, "Four Seas" brand has been highly recognised in the public and among consumers which has become a prominent brandname in both Hong Kong and Mainland China markets. Among the numerous awards, "Four Seas" brand has been selected as "Non-Stop Eating Snack of Smart Living 2008" by "Three Weekly" and the "Best Loved Local Brand in Daily Life" by the joint-survey of Hong Kong Design Centre and The Hong Kong Polytechnic University. In addition, "Four Seas Tsubu Tsubu Orange Drinks" has received "The Rising Star Award" from Wellcome Supermarket. More recently, "Four Seas" brand was ranked no. 9 in "The Hong Kong's 100 Most Influential Brands of The Year 2010" organised by the World Brand Laboratory. "Four Seas" brand was accredited the "Judging Panel – High Potential Corporate Brand" of "Hong Kong Corporate Branding Award 2010" jointly organised by Ming Pao Newspaper Limited and The Chinese University of Hong Kong. All these demonstrate the rising market value of the "Four Seas" brandname.

The Group received numerous accreditations in recognition of its commitment to community services and corporate social responsibility, including "Prime Awards for Corporate Social Responsibility" and "Caring Company Award" for 8 consecutive years.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Catering Business

The Group's catering business developed remarkably and gained popularity particularly in the success of "Panxi Restaurant", one of the renowned garden restaurants located in Guangzhou, China. After the recent renovation, "Panxi Restaurant" has presented the public the prestigious south China's landscape architecture with the blend of essences of the Chinese iconic art decorations. Together with a wide range of Chinese cuisine and its local Xiguan culture, "Panxi" has been nominated as a designated Chinese restaurant for the VIP guests of the Asian Games by the Guangzhou Municipal Government. Its ancient garden scene together with the surge of visitor arrivals definitely brings a new wave of business to "Panxi Restaurant".

Meanwhile, "Panxi" was voted as "The Best Loved Restaurant" in the Southern Guangdong Style Category of "Guangdong Food Carnival 2009" by Sina.com. It was also named as one of the ten most famous restaurants in Guangzhou. In Hong Kong, "Kung Tak Lam Shanghai Vegetarian Cuisine" was voted as "The 2008 Emerging Service Brand" in the "Hong Kong Top Service Brand Award" competition, and was highly recommended by "Michelin Guide Hong Kong Macau 2010". Besides, "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 Japanese-style restaurants including "Restaurant Shiki", "Osaka Ohsho", and "Shousihuang" sushi restaurant chain in Mainland China, are all prominent brandnames in the catering industry achieving satisfactory business performance.

Retail Business

The Group exerted tremendous efforts in the development of its retail business. "Okashi Land" has become a prominent brandname and drawn much attention of the consumers with its engaging shop layout and modern contemporary designs. Accompanied by its extensive retail network which reach all areas of Hong Kong, the retail business performance has been outstanding.

As a renowned retail brandname, "Okashi Land", continued to grow and received numerous accreditations. It was accredited as "QTS-Merchant" of the "Quality Tourism Services Scheme" by the Hong Kong Tourism Board, awarded "U! Choice University Students' Most Favourite Brand" by Metro Broadcast Corporation Limited, and "The 6^{th} Hong Kong & Macau Merchants of Integrity Award" by "Guangzhou Daily". Over the years, "Okashi Land" has maintained a prospective growth platform. The Group will continue to develop its retailing business in both Hong Kong and Mainland China, which will be another profit growth driver.

BUSINESS REVIEW AND PROSPECTS (CONTINUED)

Prospects

Looking forward, the Group is going to celebrate its 40th anniversary of establishment in 2011. Capitalising on its wealth of 40 years of experience in food industry, strong competitive edges, and corporate financial strengths, the Group continues to pay uttermost effort in strengthening its position and enhancing customer loyalty towards "Four Seas" brand. All these will enhance the overall performance of the Group and its market share which bring the Group to new heights. The Group remains confident in 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 2010, the Group had banking facilities of HK$1,454,676,000 of which 52% had been utilised. The Group had a gearing ratio of 74% as at 30 September 2010. 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 and 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 to third years. As at 30 September 2010, the Group held cash and cash equivalents of HK$500,028,000. During the period, the Group placed surplus short term funds in short term currency-linked deposits and foreign currency deposits with banks and incurred a net investment gain of HK$2,130,000. As at 30 September 2010, no short term currency-linked deposits were placed with banks. As at 30 September 2010, 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 2010 was approximately 3,500. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2010, the Company repurchased a total of 38,000 shares at prices ranging from HK$2.25 to HK$2.55 per share on the Stock Exchange and these shares were subsequently cancelled by the Company. All the repurchased shares were subsequently cancelled upon repurchase and the issued share capital of the Company was reduced by the par value thereof.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY (CONTINUED)

Shares were repurchased during the period under review pursuant to the mandate granted by shareholders at the Annual General Meeting held on 9 September 2009, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Details of the repurchases by the Company on the Stock Exchange during the six months ended 30 September 2010 were as follows:

Date of repurchase	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate price paid
		HK$	*HK$*	*HK$*
13 April 2010	28,000	2.55	2.53	71,240
7 May 2010	10,000	2.25	2.25	22,500
	38,000			93,740

Except as disclosed above, there was no further purchase, redemption or sale of the Company's listed securities by the Company or any of its subsidiaries during the review period.

CORPORATE GOVERNANCE PRACTICES

The Group strives to maintain high standards of corporate governance to enhance shareholders value and safeguard shareholders interests. 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 2010, 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 of the Company (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.

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

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, 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 of dealings as set out in the Code of Conduct throughout the six months ended 30 September 2010.

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 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all the three independent non-executive directors, namely Ms. Leung Mei Han (Chairperson of the Audit Committee), Mr. Chan Yuk Sang, Peter and Mr. Hiroshi Zaizen. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed with the management matters in relation to 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 2010.

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 2010 will be despatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

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

THE BOARD

As at the date of this announcement, the directors of the Company are Dr. TAI Tak Fung, Stephen, Dr. WU Mei Yung, Quinly, Mr. MAN Wing Cheung, Ellis, Mr. YIP Wai Keung, Mr. WU Wing Biu and Mr. NAM Chi Ming, Gibson 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, *GBS, JP*
Chairman

Hong Kong, 26 November 2010

* *For identification purpose only*