四洲集團有限公司
FOUR SEAS MERCANTILE HOLDINGS LIMITED

Stock Code 股份代號：374

Annual Report 2007 年報

Contents

Corporate Information

Board of Directors	*Executive Directors* TAI Tak Fung, Stephen *(Chairman)* WU Mei Yung, Quinly CHAN Siu Ling, Doris MAN Wing Cheung, Ellis YIP Wai Keung WU Wing Biu *Independent non-executive Directors* LEUNG Mei Han CHAN Yuk Sang, Peter Hiroshi ZAIZEN (appointed on 4 July 2006) Tsunao KIJIMA (resigned on 4 July 2006)
Company Secretary	FUNG Kwok Wing, Kenny
Auditors	Ernst & Young
Place of Incorporation	Cayman Islands
Principal Share Registrars and Transfer Office	Caledonian Bank & Trust Limited Caledonian House 69 Dr. Roy's Drive, P.O. Box 1043 KY1-1102 George Town Grand Cayman Cayman Islands British West Indies
Hong Kong Branch Share Registrars and Transfer Office	Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong

Registered Office	The offices of Caledonian Bank & Trust Limited Caledonian House 69 Dr. Roy's Drive, P.O. Box 1043 KY1-1102 George Town Grand Cayman Cayman Islands British West Indies
Principal Place of Business in Hong Kong	Four Seas Group Building No. 1 Hong Ting Road Sai Kung Hong Kong
Principal Bankers	The Bank of Tokyo-Mitsubishi UFJ, Limited Sumitomo Mitsui Banking Corporation Mizuho Corporate Bank Limited China Construction Bank Corporation Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited Calyon Standard Chartered Bank (Hong Kong) Limited Hang Seng Bank Limited The Bank of East Asia, Limited

Chairman's Statement

Dr. TAI Tak Fung, Stephen, SBS, JP, ***Chairman***

RESULTS

I, on behalf of the board of directors, am pleased to announce that the turnover of the Group for the financial year ended 31 March 2007 was HK$1,875,515,000 (2006: HK$1,747,716,000) representing a 7.3% increase as compared with the last financial year. The net profit attributable to equity holders of the parent increased to HK$106,419,000 (2006: HK$94,561,000).

DIVIDEND

The board of directors has recommended the payment of a final dividend of HK5.0 cents (2006: HK5.0 cents) per share in respect of the financial year ended 31 March 2007. Subject to shareholders' approval at the annual general meeting to be held on 12 September 2007, the final dividend will be payable on 27 September 2007. Together with the interim dividend of HK2.0 cents per share, the total distribution for the financial year ended 31 March 2007 is HK7.0 cents.

BUSINESS REVIEW

In the financial year 2006/2007, the Group's businesses have performed satisfactorily, and further strengthened its foundation for future business development.

Benefiting from the continuing buoyancy of the Hong Kong economy, the Group has been able to expand its distribution and retail network, adopt market-driven promotion strategies, and successfully cater for the changing consumer market with diversified and new-flavour quality products. The Group's products continued to be well received by consumers and market share continued to grow. As a result, the Group recorded a steady growth in the sales to HK$1,235,513,000. During the period of review, the Mainland China food retail market was booming and consumers continued to demand for quality food and reliable brand products such as Four Seas products. With accelerating consumption market, the Group's business in the Mainland performed steadily with the sales growing to HK$640,002,000.

FOOD DISTRIBUTION

Food distribution has all along been the Group's core business. Riding on its renowned reputation in the industry and its comprehensive distribution network, the Group continued to further develop both the Hong Kong and Mainland China markets for various internationally famous brands and high quality food products. Over the past year, food distribution business recorded a good performance through a flexible operational strategy and developing mutually beneficial relationships with customers. Early last year, the Group was awarded "The Best Supplier" by Park'n Shop. Again, early this year, the Group won many awards from 7-Eleven

Chairman's Statement

Four Seas brand has been awarded the "Flying Dragon Award" by 7-Eleven

Four Seas has been awarded "The Best Supplier" award by Park'n Shop

Four Seas brand has been awarded "Flying Brand Award" by 7-Eleven

Okashi Land has been awarded "Hong Kong Top Service Brand"

Four Seas has been awarded the "Best Relationship" award by 7-Eleven

Okashi Land has been awarded "The 4th Hong Kong & Macau Integrity Award" by Guangzhou Daily

convenient store chains including the "Flying Dragon Award", "Flying Brand Award" and the "Best Relationship" supplier award.

In addition to the Group's own Four Seas brand and its well-known products, the Group's Okashi Land retail chain has striven to enhance its professional customer-centric service and brand name reputation. At the 2006 Hong Kong Top Brands and Hong Kong Top Service Brands events held last year, Okashi Land was awarded the "Hong Kong Top Service Brand". Early in the year, Okashi Land was again honoured by Guangzhou Daily with "The Fourth Hong Kong & Macau Integrity Award". All of these attested to Okashi Land's well-recognised brand among consumers in Hong Kong and Mainland China and the products are well received by consumers.

FOOD MANUFACTURING

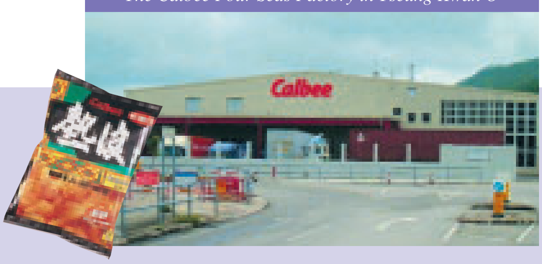
To date, the Group has 18 manufacturing plants producing a wide range of high value-added products including seaweed, high quality candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, ham and sausages, biscuits, cake and bread, chestnuts and frozen dim sums.

Given strong market growth for snacks in Hong Kong and Mainland China, driving up demand for high quality products, the Group has expanded its production lines. Tsun Fat (Huizhou) Biscuit Factory Ltd in Huizhou has achieved full production capacity and therefore a new facility is being built at Heyuan in Guangdong Province to expand the production capacity. Nico Four Seas (Shantou) Co., Ltd. has added a new production line to better meet the rising market demand for seaweed products. Besides, Four Seas Confectionery (Shantou) Company Ltd. has also installed a production line for a series of marshmallow products.

Apart from increase in production capacity, we are now able to enhance productivity and further consolidate our unique "integrated business model" of production, incorporating every aspect of the supply chain from raw materials to manufacturing. In continually enhancing product and management quality, we are able to elevate production and management efficiency to international standards, and enable our manufacturing plants to attain international accreditation HACCP and ISO. For distribution and retail, efforts have been put on strengthening the promotion of self-produced products with high quality to drive sales growth.

Following the accolades of "Creditable-Quality Food Products in Nation", "Creditable-Quality Enterprises", "Certified for the Q-Mark Scheme over ten years" and "Fresh Check Food Safety Certificate Grade A Award", the Group won the "Hong Kong Outstanding Enterprise Award 2006", "Asia Management Innovation Award", "China Food Industry Outstanding Contribution Award" and "China Independent Innovation and Brand Building Award". Last September, our Group's Four Seas Chestnuts received the "HACCP Food Safety Management System Accreditation Certification" from the Beijing Lu Qiao Quality Inspection Accreditation Center. In July, our Shenzhen Matchless Food Co., Ltd. was granted ISO 9001 and ISO 22000 (HACCP) certification. All accolades above illustrate the Group's commitment to raising the quality of management.

The Calbee Four Seas Factory in Tseung Kwan O



Kanro Four Seas Foods (Shantou) Co., Ltd.

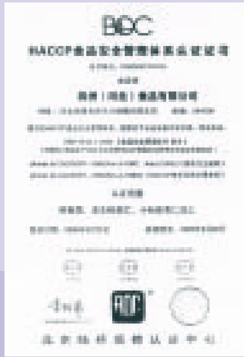
Li Fook (Qingdao) Foods Co., Ltd.

Nico Four Seas (Shantou) Co., Ltd.

Pokka Four Seas (Suzhou) Food Co., Ltd.

Tsun Fat (Huizhou) Biscuit Factory Ltd.

Chairman's Statement



Four Seas Chestnut has been awarded the "HACCP" Food Safety Management System Accreditation Certification

Four Seas has been awarded"The Top 10 Famous People of China Innovative Branding Award"

Four Seas has been awarded "Asia Management Innovation Award"

Four Seas has been awarded "Hong Kong Outstanding Enterprise Award 2006" by the Economic Digest

FOUR SEAS BRAND

Over the year, the Group has greatly augmented the Four Seas Brand equity and overall image through organising and sponsoring a series of activities. These included the anchor sponsorship of the "Liu Chia Chang Music Alive 2006" concert last June, which received overwhelming market response and immediately became the talk of the town. In November, the third "Four Seas Cup" Guangdong, Hong Kong and Macau Cantonese Opera Contest was held with great success. And above all, in celebrating the Group's 35th anniversary, the Group joined hand with Television Broadcast Ltd producing the "Four Seas 35th Anniversary Gala" special program, during which the Group specially produced the world's largest seaweed, and applied for a new Guinness World Record. Through meticulous planning and promotion, the activities have greatly enhanced the image of the Four Seas Brand.

Title sponsored "Liu Chia Chang Music Alive 2006"

Riding on our motto of "Leading in trend, Winning in quality", Four Seas Brand won many industrial accolades during the period, including "2006 The Best Brand Enterprise Award" from the Hong Kong Productivity Council in June, as well as "Hong Kong Premier Brand" and "The Most Popular Brand On-Line" at the "2006 Hong Kong Top Brands and Hong Kong Top Service Brands Awards" organised by the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong.

After receiving "The Third Hong Kong & Macau Integrity Award" for the Group early last year, Four Seas seaweed was named the "2004 Shanghai Ten Most Favorite Snacks"; Four

Solely sponsored the 3rd "Four Seas Cup" Guangdong, Hong Kong and Macau Cantonese Opera Contest

Sponsored TVB program "Four Seas 35th Anniversary Gala" in celebrating the Group's 35th anniversary

Four Seas has been awarded "2006 The Best Brand Enterprise Award" by Hong Kong Productivity Council

Four Seas brand has been awarded "Hong Kong Premier Brand 2006"

Four Seas brand has been awarded "The Most Popular Brand On-Line 2006"

Maid Brand has been awarded "Hong Kong Premier Brand 2006"

Four Seas has been awarded "The Honor Award" of "Entrepreneurs in Action" program by Hong Kong Productivity Council

Seas Brand was awarded "Superbrands Hong Kong 2002", "the Golden Asia Award for Excellence" and "No. 1 Brand". Last August the Group was bestowed with honour award of the "Enterpreneurs in Action" program organised by the Hong Kong Productivity Council.

CATERING BUSINESS

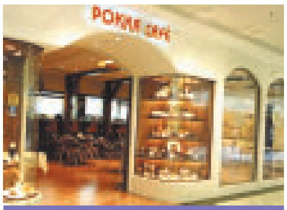
The Group's catering business, including Japanese chain restaurants Pokka Café, Japanese specialty restaurant, authentic Japanese curry specialist restaurant and high-end vegetarian cuisine restaurant, has achieved steady growth over the period under review. Leveraging on China's economic boom, rising consumer sophistication and spending power, the Group is committed to further developing the restaurant business in Mainland China.

In the Mainland, the newly acquired longstanding renowned Panxi Restaurant is undergoing renovation. Located in Liwan District in Guangzhou, Panxi Restaurant is one of the largest-scale garden restaurants in the Mainland with leading cuisines and among its patrons were international heads of state, like former British Prime Minister Heath, former Australia Prime Minister Fraser, former Vietnam President Ho Chi Minh, former Singapore Prime Minister Lee Kuan Yew, former US President George H.W. Bush and former Japanese Prime Minister Toshiki Kaifu. Not only does the acquisition provide benefits in further consolidating the Group's restaurant business and reaping the benefits of synergy, but also allows the Group to distribute the high quality dim sums from the restaurant to bring in a new source of revenue by leveraging on its network in Mainland China and Hong Kong.

In Hong Kong, with the recovery of economy, high-quality mid-to-high-end eateries are getting more popular in the market. Benefiting from these favourable conditions, the Group's restaurants achieved satisfactory growth during the year, including Pokka Café, a joint venture with Pokka Corporation of Japan.

Curry Monogatari

Kung Tak Lam Shanghai Vegetarian Cuisine



Pokka Café

Chairman's Statement

Being a market leader of vegetarian restaurants, Kung Tak Lam Shanghai Vegetarian Cuisine Limited was able to achieve satisfactory performance during the period. In keeping with the growing culture for healthy food, the restaurant has regularly been introducing innovative dishes that coupled with effective marketing campaign to drive a distinctive healthy and dynamic image for the restaurant. Recognising a huge market potential for vegetarian cuisine, as well as the enormous brand equity of Kung Tak Lam, the Group is looking closely at opportunities of opening new outlets to further develop the business.

With 37 years of experience, the Group's wholly-owned subsidiary New Kondo Trading Company Limited recorded a good result on its core business, commanding a market leader position in the supply of restaurant food products.

LOOKING FORWARD

Looking to the new year, I am confident that Hong Kong's economy would continue to develop positively. The continuing integration between Hong Kong and the Mainland China markets would bring more leverage for Hong Kong's economic development and provide enormous opportunities for the Group's businesses. The Group would fully build on its more than 36 years' wealth of industry experience and solid market advantage to win the trust and support from industrial partners and associates. The Group would take full advantage of its "integrated business model" to consolidate the leadership position in the industry and to drive its core businesses. Riding on the strong and widespread brand recognition for the Four Seas Brand in Hong Kong and Mainland China, the Group will speed up market expansion in the Mainland to create a strong base for business growth in the coming year. The management is optimistic about prospects in the market and confident of our continued success.

ACKNOWLEDGEMENT

I would like to express my gratitude to our shareholders for their trust and support over the past year. At the same time, I offer my utmost appreciation to all directors, the management and every member of the staff for their loyalty and diligence.

Dr. TAI Tak Fung, Stephen, *SBS, JP*
Chairman

Hong Kong, 20 July 2007

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associates are set out in notes 19 and 20 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 46 to 143.

An interim dividend of HK2.0 cents per share was paid by the Company on 8 February 2007. The directors recommend the payment of a final dividend of HK5.0 cents per share in respect of the year to shareholders on the register of members on 12 September 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**1,875,515**	1,747,716	1,561,785	1,389,343	1,249,639
PROFIT FOR THE YEAR	**110,760**	88,701	92,046	64,342	60,513
Attributable to:					
Equity holders of the parent	**106,419**	94,561	80,720	64,763	63,519
Minority interests	**4,341**	(5,860)	11,326	(421)	(3,006)
	110,760	88,701	92,046	64,342	60,513

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**1,617,308**	1,530,107	1,363,363	1,257,948	1,072,887
TOTAL LIABILITIES	**(788,424)**	(799,647)	(701,855)	(657,951)	(507,063)
	828,884	730,460	661,508	599,997	565,824

The information set out above does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property, plant and equipment, and an investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment property are set out on page 144.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2007, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK$304,323,000, of which HK$19,978,000 has been proposed as a final dividend for the year.

Report of the Directors

BORROWINGS

Details of the Group's bank borrowings at the balance sheet date are set out in note 27 to the financial statements.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

TAI Tak Fung, Stephen *(Chairman)*
WU Mei Yung, Quinly
CHAN Siu Ling, Doris
MAN Wing Cheung, Ellis
YIP Wai Keung
WU Wing Biu

Independent non-executive directors:

LEUNG Mei Han	
CHAN Yuk Sang, Peter	
Hiroshi ZAIZEN	(appointed on 4 July 2006)
Tsunao KIJIMA	(resigned on 4 July 2006)

In accordance with article 119 of the Company's articles of association, Mr. Man Wing Cheung, Ellis, Mr. Yip Wai Keung and Ms. Leung Mei Han will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Ms. Leung Mei Han, Mr. Chan Yuk Sang, Peter and Mr. Hiroshi Zaizen and still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Man Wing Cheung, Ellis has a service contract with the Company for a term of two years which commenced on 1 April 2006 and is subject to termination by either party giving not less than three months' written notice.

Mr. Yip Wai Keung has a service contract with the Company for a term of two years which commenced on 1 April 2006 and is subject to termination of either party giving not less than three months' written notice.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' remuneration is determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group, and the remuneration committee of the Group. Particulars of the duties and responsibilities of the remuneration committee are set out in "Corporate Governance Report" of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest					
Name of director	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust	Through controlled corporation and other interests	Total interests	Percentage of the Company's issued share capital
TAI Tak Fung, Stephen	–	81,250,000 (i)	82,000,000 (ii)	112,628,000 (iii)	275,878,000	69.04%
WU Mei Yung, Quinly	–	81,250,000 (i)	82,000,000 (ii)	112,628,000 (iii)	275,878,000	69.04%
YIP Wai Keung	680,000	–	–	–	680,000	0.17%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(i) The 81,250,000 shares are owned by Special Access Limited ("SAL"), a company wholly-owned by Dr. Tai Tak Fung, Stephen, and his spouse Dr. Wu Mei Yung, Quinly.

(ii) The 82,000,000 shares are owned by Careful Guide Limited ("CGL") whose shares are owned by a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen and his spouse Dr. Wu Mei Yung, Quinly.

(iii) The 112,628,000 shares are owned by Capital Season Investments Limited ("CSI"). CSI is wholly-owned by Advance Finance Investments Limited, which is a wholly-owned subsidiary of Four Seas Food Investment Holdings Limited ("FSFH"). Accordingly, FSFH is deemed to be interested in 112,628,000 shares in the Company. FSFH is owned as to 0.072% by the Company, 2.59% by Dr. Tai Tak Fung, Stephen, 20.38% by SAL, and as to 11.91% by CGL. As Dr. Wu Mei Yung, Quinly is the spouse of Dr. Tai Tak Fung, Stephen, Dr. Wu Mei Yung, Quinly is deemed to be interested in the shares of Dr. Tai Tak Fung, Stephen and vice versa. Therefore, Dr. Tai Tak Fung, Stephen and his spouse Dr. Wu Mei Yung, Quinly are considered to have deemed interests in 112,628,000 shares of the Company.

All the interests stated above represent long positions in the shares of the Company. Save as disclosed above, as at 31 March 2007, none of the directors nor any of their associates had registered any interests or short positions in the shares and underlying shares of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the year ended 31 March 2007, none of the directors of the Company or any of their respective spouses or minor children was granted or held options to subscribe for shares in the Company (within the meaning of Part XV of the SFO), or had exercised such rights.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests or short positions of every person, other than the directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	*Notes*	**Capacity and nature of interest**		**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
Special Access Limited ("SAL")		Direct	Long position	81,250,000	20.33%
Careful Guide Limited ("CGL")		Direct	Long position	82,000,000	20.52%
HSBC International Trustee Limited	*(i)*	Deemed	Long position	82,000,000	20.52%
Capital Season Investments Limited ("CSI")		Direct	Long position	112,628,000	28.19%
Advance Finance Investments Limited ("AFI")	*(ii)*	Deemed	Long position	112,628,000	28.19%
Four Seas Food Investment Holdings Limited ("FSFH")	*(iii)*	Deemed	Long position	112,628,000	28.19%
Arisaig Greater China Fund ("Arisaig Fund")		Direct	Long position	28,334,000	7.09%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	*(iv)*	Deemed	Long position	28,334,000	7.09%
Lindsay William Ernest Cooper	*(v)*	Deemed	Long position	28,334,000	7.09%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(i) The interest of HSBC International Trustee Limited is held as trustee via CGL for a discretionary trust, the Tai Family Trust, the eligible beneficiaries of which include members of the family of Dr. Tai Tak Fung, Stephen and his spouse Dr. Wu Mei Yung, Quinly. These interests are also included as beneficiary of a trust of Dr. Tai Tak Fung, Stephen and his spouse Dr. Wu Mei Yung, Quinly in "Directors' interests and short positions in shares and underlying shares" above.

(ii) AFI is deemed by virtue of its holdings of the entire issued share capital of CSI to be interested in the shares of the Company held by CSI.

(iii) FSFH is deemed to be interested in the shares of the Company held by CSI by virtue of its holding in the entire issued share capital of AFI, which in turn wholly owns CSI.

(iv) The figure refers to the same holding of 28,334,000 shares of the Company held by the Arisaig Fund. Arisaig Mauritius is the investment manager of Arisaig Fund and is thereby deemed to have an interest in the shares in which Arisaig Fund is interested.

(v) Mr. Lindsay William Ernest Cooper has only an indirect beneficial interest in Arisaig Mauritius (the investment manager of Arisaig Fund), but is thereby deemed to have an interest in the shares in which Arisaig Mauritius is interested.

Save as disclosed above, as at 31 March 2007, no persons, other than the directors whose interests are set out in the above section headed "Directors' interests and short positions in shares and underlying shares", had registered an interest or a short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company did not have any outstanding option at the beginning and at the end of the year. During the year, no options have been granted under the share option scheme adopted by the Company on 2 September 2002. Details of the share option scheme are set out in note 30 to the financial statements.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. TAI Tak Fung, Stephen, SBS, JP, PhD (honoris causa), aged 59, has been an executive director of the Company since June 1993. Dr. Tai is the founder and chairman of the Group, responsible for corporate strategies, policies and planning. He holds Honorary Professor from Canadian Chartered Institute of Business Administration in Canada, Honorary Doctorate of Philosophy from Morrison University in the United States and Doctor of Philosophy in Business Administration (honoris causa) from Southern California University for Professional Studies in the United States. He is a member of the Chinese People's Political Consultative Conference, a member of the Chinese People's Political Consultative Conference Canton Standing Committee and the Visiting Professor of South China Normal University. Dr. Tai holds several public positions, including the president of Hong Kong Foodstuffs Association, the president of Hong Kong Japan Confectionery, Biscuit & Foodstuff Association, the chairman of Guangdong Chamber of Foreign Investors, the consultant of China National Food Industry Association, the International Economic Adviser of the People's Government of Hebei Province, member of the Greater Pearl River Delta Business Council and member of the Trade and Industry Advisory Board of HKSAR. He received a number of awards and accolades, including the World Outstanding Chinese Award, the 30th Food Industry Distinguished Service Award, Letter of Appreciation from the Food & Marketing Bureau of the Ministry of Agriculture, Forestry and Fishery of Japan, the Outstanding Contribution Award of China National Food Industry, the Top 10 Outstanding People of Asia Management Innovation Award, the Top 10 Famous People of China Innovative Branding Award, Social Responsibility and Contribution Award, Remarkable and Legendary Investor of Pearl River Delta, "Honourable Citizen of Shantou" and "Honourable Citizen of Guangzhou" in Mainland China. He is also the chairman of Four Seas Food Investment Holdings Limited ("FSFH"), a substantial shareholder of the Company and the shares of which are listed on the Stock Exchange, and a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Dr. WU Mei Yung, Quinly, PhD (honoris causa), aged 54, has been an executive director of the Company since June 1993. Dr. Wu is a co-founder and the managing director of the Group, responsible for the Group's strategic planning, human resources, merchandising and purchasing policies; leading the Group's core business in congruence with its corporate developments. She has more than 32 years' experience in the food and confectionery business. Dr. Wu is also a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company. She is the spouse of Dr. Tai Tak Fung, Stephen.

Ms. CHAN Siu Ling, Doris, aged 54, has been an executive director of the Company since January 2006. Ms. Chan is the deputy managing director of the Group, responsible for general administration and human resources of the Group as well as supervision of restaurant and retail businesses. She holds a certificate in public management from the University of California, Berkeley. She has more than 28 years' working experience in governmental and statutory organisations with various appointments included chief executive officer in the Hong Kong Civil Service Bureau, the Trade and Industry Department and the Hospital Authority. She was the head of human resources and administration of the Airport Authority Hong Kong and a member of its executive committee. She worked in the Group from 2001 to 2004, and re-joined the Group in January 2006.

Mr. MAN Wing Cheung, Ellis, aged 51, has been an executive director of the Company since August 1999. Mr. Man is the finance director of the Group, responsible for corporate finance, accounting, information technology and project investments of the Group. Mr. Man has a Master of Commerce degree from the University of New South Wales in Australia. He is also a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He gained extensive experience in finance and accounting from overseas multinational corporations. Mr. Man joined the Group in 1992. He is also a director of FSFH.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. YIP Wai Keung, aged 57, has been an executive director of the Company since June 1993. Mr. Yip is responsible for the project development of the Group and liaising with the joint venture partners. Prior to joining the Group, Mr. Yip was responsible for marketing and promotion activities in a Japanese food company in Hong Kong. He has more than 34 years' experience in sales and marketing. Mr. Yip joined the Group in 1979. He is also a director of FSFH.

Mr. WU Wing Biu, aged 48, has been an executive director of the Company since June 1993. Mr. Wu is responsible for product purchasing and merchandising as well as brand name development; assisting in the establishment of closely relationship with suppliers. He has more than 22 years' experience in the food and confectionery industry. Mr. Wu joined the Group in 1978. He is a brother of Dr. Wu Mei Yung, Quinly, an executive director of the Company.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors

Ms. LEUNG Mei Han, aged 49, has been an independent non-executive director of the Company since December 1998. Ms. Leung holds a Bachelor of Commerce degree from the University of Queensland in Australia and is a fellow member of CPA Australia. Ms. Leung has 23 years' experience in corporate finance and related areas. Ms. Leung is also an independent non-executive director of Bossini International Holdings Limited and Yue Da Holdings Limited, both companies are listed on the Main Board of the Stock Exchange.

Mr. CHAN Yuk Sang, Peter, aged 61, has been an independent non-executive director of the Company since July 2000. Mr. Chan was the chairman of a listed company on the Stock Exchange until July 2002. He was a senior general manager of a local bank until November 1998. Mr. Chan was also a director of a listed company in Hong Kong from 1993 to 1995 and an executive director of a joint Chinese-foreign bank in Shenzhen until 1995. He has more than 37 years' experience in the banking and finance industry. Mr. Chan is currently an independent non-executive director of Gome Electrical Appliances Holdings Ltd., a company listed on the Main Board of the Stock Exchange.

Mr. Hiroshi ZAIZEN, aged 73, has been appointed as an independent non-executive director of the Company since 4 July 2006. Mr. Zaizen is a corporate advisor of Mitsubishi Corporation. He is a graduate of Waseda University. He was decorated for the Knight of the Order of the Dannebrog from The Queen of Royal Denmark. Between the years 1988 and 1998, Mr. Zaizen was the chairman and managing director of Mitsubishi Corporation (Hong Kong) Limited and an executive vice president and representing director of Mitsubishi Corporation. Mr. Zaizen holds several public positions including the president of Japan-Hong Kong Business Association, Counsellor of Japan/Denmark Association, a member of Executive Committee of Federation of Hong Kong Business Associations Worldwide, a member of Japan/Canada Forum and a member of Japan Hong Kong Business Committee. He has an extensive business and management experience in food industries.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent Non-executive Directors (continued)

Mr. Tsunao KIJIMA, aged 59, was appointed as an independent non-executive director of the Company since April 1997. Mr. Kijima is the executive vice president, regional CEO for Europe of Mitsubishi Corporation, chairman and managing director of Mitsubishi Corporation International N.V., managing director of Mitsubishi Corporation (UK) PLC. He holds a Bachelor of Arts degree in Economics from Keio University in Japan. Mr. Kijima has more than 35 years' experience of worldwide trading of processed foods, beverages, snack foods, and other food products. He spent eight years in the United States managing the affiliated companies of Mitsubishi Corporation in the food manufacturing and marketing industry. Mr. Kijima resigned as independent non-executive director of the Company on 4 July 2006.

Senior Management

Mr. TSE Siu Wan, aged 46, is a director and the general manager of Hong Kong Ham Holdings Limited ("HK Ham"), a wholly-owned subsidiary of the Group, responsible for the management of the Group's ham manufacturing operations. He has extensive experience in the manufacturing of ham and ham related products. Mr. Tse joined HK Ham in 1980. He is also a director of FSFH.

Mr. LO Ka Sing, Kassim, aged 53, is the director of the Group's China sales department, responsible for sales activities in Mainland China. Mr. Lo holds a Master of Business Administration degree from the Southern California University for Professional Studies in the United States. Prior to joining the Group, he was the assistant general manager of a listed company in Hong Kong. He has more than 29 years' experience in sales and marketing. Mr. Lo joined the Group in 1996.

Mr. LAI Yuk Fai, Patrick, aged 52, is the director of the Group's business development department, responsible for the Group's business development and production management. Mr. Lai has a Bachelor of Business Administration degree from The Chinese University of Hong Kong. Prior to joining the Group, he was the general manager of sales department of a multinational company. Mr. Lai joined the Group in 1998.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management (continued)

Mr. NAM Chi Ming, Gibson, aged 46, is the director of the Group's internal audit department, responsible for managerial controls and internal audit. He holds a Master of Business Administration degree from The Chinese University of Hong Kong. Mr. Nam is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He has extensive financial and managerial experience. Mr. Nam worked in the Group from 1996 to 1999, and re-joined the Group in 2001.

Mr. FUNG Kwok Wing, Kenny, aged 46, is the financial controller and company secretary, qualified accountant, responsible for finance, accounting and company secretarial affairs. Mr. Fung holds a Master of Business Administration degree, Master of Corporate Governance degree, Master of Finance degree and Master of Professional Accounting degree. He is also a member of various professional institutes, including the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Marketing in the United Kingdom. Mr. Fung has extensive experience in accounting and administration. He joined the Group in 1985.

Mr. WONG Hung Kin, aged 48, is the senior general manager of the sales department of the Group, responsible for sales in Hong Kong and Macau. Mr. Wong holds a Master of Business Administration degree from the Southern California University for Professional Studies in the United States. Prior to joining the Group, he was a senior merchandising manager of a local winery company and has over 25 years' experience in purchasing and marketing. Mr. Wong joined the Group in 1995.

Ms. WONG Yuen Shan, Susanna, aged 41, is the general manager of the Group's communications department, responsible for corporate communications and advertising activities. Before joining the Group, she worked for an international communications consultancy and a Hong Kong listed retail chain, responsible for corporate communications in Asia Pacific Region. Ms. Wong joined the Group in 2005.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Senior Management (continued)

Mr. HO Kwok Tong, Fred, aged 53, is the general manager of the Group's information technology department, responsible for information technology and systems development. He holds a Master of Business Administration degree from Southern California University for Professional Studies in the United States. Mr. Ho has over 31 years' experience in the development of management information systems. He joined the Group in 1994.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 30.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to 13.3%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 31 March 2007, the Group had banking facilities of HK$1,271,881,000 of which 43% had been utilised. The Group had a gearing ratio of 68% as at 31 March 2007. This is expressed as the total bank borrowings to equity attributable to equity holders of the parent. Bank borrowings of the Group, denominated in Hong Kong dollar, Japanese yen or United States dollar, 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 between two and five years. As at 31 March 2007, the Group held cash and cash equivalents of HK$360,998,000. During the year, the Group placed surplus short term funds in short term currency-linked deposits and foreign currency deposits with banks and earned net investment gains of HK$18,381,000. As at 31 March 2007, no short term currency-linked deposits were placed with banks. There were no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the year under review.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2007 was 3,626. 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 which covers all the employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in "Corporate Governance Report" of this annual report.

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 summary of duties and works of the audit committee is set out in "Corporate Governance Report" of this annual report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 38 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. TAI Tak Fung, Stephen, SBS, JP
Chairman

Hong Kong, 20 July 2007

The board of directors ("Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 March 2007.

CORPORATE GOVERNANCE PRACTICES

The Company and the management are committed to maintain a good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value. Throughout the year under review, the Company has applied the principles of and complied with the code provisions of 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") except for the deviations from code provisions A.4.1 and A.4.2 which are explained below. The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Board Responsibilities

The role of the board of directors (the "Board") is to set up strategic goals, performance objectives and operational policies; establish a framework of prudent and effective controls which enables risk to be assessed and managed; delegate authorities to the management to manage and supervise the business of the Group; and ensure the management monitor performance against objectives being set.

Corporate Governance Report

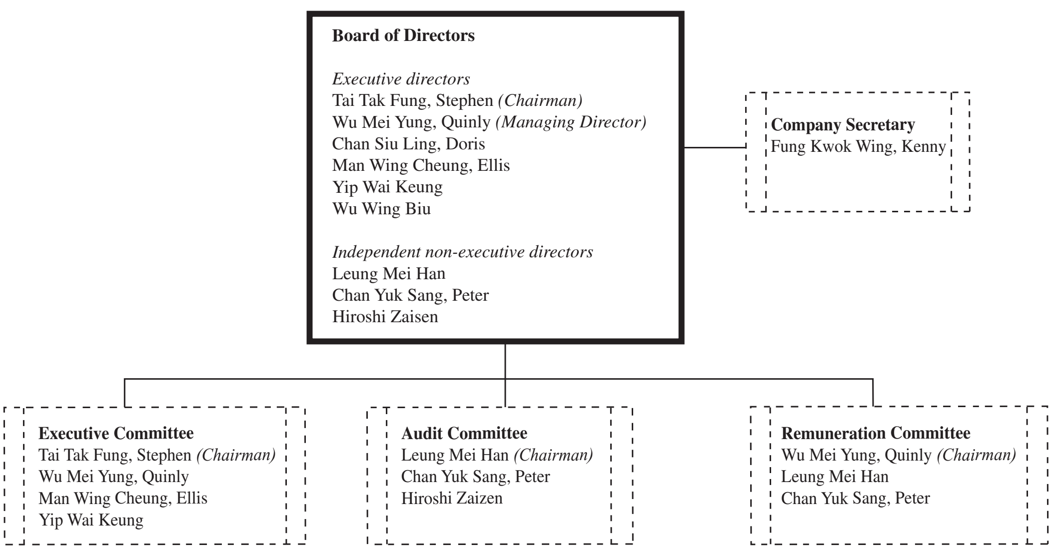
THE BOARD (continued)

***Board Responsibilities** (continued)*

The Company has formalised a written guideline for the division of responsibilities between the Board and management. Certain responsibilities or functions have been delegated by the Board to the management which include the day-to-day business operation of the Group, execution of corporate strategies, business and financial plans and budgets approved by the Board and preparation of annual and interim financial statements. The Board has reserved for its decisions matters of the Group covering the approval of significant changes in accounting or capital structure; approval of public announcements and the financial statements; approval of major acquisitions, disposals and major capital projects; approval of material borrowings and any issuing or buying back of equity securities; approval of the annual budget and setting of the dividend policy.

Board Composition

The Board of the Company comprises 9 directors, of which 6 are executive directors and 3 are independent non-executive directors. Its composition is set out as follows and the relationship among some members of the Board are disclosed under "Profiles of Directors and Senior Management" in this Annual Report:



THE BOARD (continued)

Board Meeting

Number of Meetings and Directors' Attendance

The Board meets regularly throughout the year to discuss and formulate overall strategies for the Company, monitor financial performance and discuss the interim and annual results, as well as other significant matters.

The Board has convened five regular meetings during the year ended 31 March 2007 and the attendance record of each director is set out below:

Name of directors	No. of Board Meetings	No. of attendance	Average attendance rate
Executive directors			
Tai Tak Fung, Stephen *(Chairman)*	5	5	100%
Wu Mei Yung, Quinly *(Managing Director)*	5	5	100%
Chan Siu Ling, Doris	5	5	100%
Man Wing Cheung, Ellis	5	5	100%
Yip Wai Keung	5	5	100%
Wu Wing Biu	5	5	100%
Independent non-executive directors			
Leung Mei Han	5	5	100%
Chan Yuk Sang, Peter	5	5	100%
Hiroshi Zaizen *(Note 1)*	4	2	50%
Tsunao Kijima *(Note 2)*	1	0	0%

THE BOARD (continued)

Board Meeting *(continued)*

Number of Meetings and Directors' Attendance (continued)

Notes:

1. Mr. Hiroshi Zaizen has been appointed as independent non-executive director of the Company with effect from 4 July 2006.

2. Mr. Tsunao Kijima resigned as independent non-executive director of the Company with effect from 4 July 2006.

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all directors at least 14 days before the meetings while reasonable notice is generally given for other Board meetings. For committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

An agenda and accompanying Board papers together with all appropriate, complete and reliable information are sent to all directors or committee members at least 3 days before each Board meeting and each committee meeting to enable all directors or committee members to have full and timely access to the information in relation to the Company's business and make further enquiries where necessary. All directors are encouraged to take independent professional advice, at the Company's expense, upon the performance of their duties as and when deemed necessary. The Board and each director have separate and independent access to the senior management.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time frame after each meeting and the final version is open for directors' inspection.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter.

THE BOARD (continued)

Directors' Independence and Relationship

During the year ended 31 March 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of 3 independent non-executive directors with at least one of them possesses appropriate accounting and financial management expertise as required under the Rule 3.10(2) of the Listing Rules. The Company has received written annual confirmation from each independent non-executive director of his/her independence and the Company considers the existing independent non-executive directors to be independent under the independence guidelines set out in Rule 3.13 of the Listing Rules up to the date of this Annual Report.

Biographical details and relevant relationships among the directors are set out in the "Profiles of Directors and Senior Management" section in the Report of the Directors of this Annual Report.

Directors' Appointment and Re-election

Appointment

The Board is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection and recommendation of candidates for directorship of the Company by reference to the skills, experience, professional knowledge and personal integrity of the proposed candidates as well as other relevant statutory requirements.

THE BOARD (continued)

Directors' Appointment and Re-election *(continued)*

Appointment (continued)

Each newly appointed director receives a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Re-election

In accordance with the Articles of Association of the Company (the "Articles of Association"), one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation for re-election by shareholders at annual general meeting, such that every director is subject to retirement by rotation at least once every three years.

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 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.

THE BOARD (continued)

Directors' Appointment and Re-election *(continued)*

Re-election (continued)

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.

Roles of Chairman and Managing Director

Currently, Dr. Tai Tak Fung, Stephen and Dr. Wu Mei Yung, Quinly hold the positions of Chairman and Managing Director, respectively. Their respective responsibilities are clearly defined and set out in writing.

The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the executive directors and senior management, the Managing Director is responsible for managing the Group's business, including implementation of objectives, policies and major strategies and initiatives adopted by the Board. She is also in charge of the Company's day-to-day operation in accordance with the instructions from the Board.

Board Committees

The Board has established three committees, namely, the Executive Committee, the Audit Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

THE BOARD (continued)

***Board Committees** (continued)*

Executive Committee

The Executive Committee was established in July 2001 and all of its members are executive directors.

The main duties and responsibilities of the Executive Committee include approval and execution of the corporate guarantees to be provided by the Company to individual bankers in respect of the banking facilities granted to any member of the Group, including wholly-owned subsidiaries, non-wholly-owned subsidiaries and associated corporations within the meaning of the Hong Kong Companies Ordinance.

Audit Committee

The Audit Committee was established in July 2000 with specific written terms of reference which set out its role and function and all of its members are independent non-executive directors, one of them possesses the appropriate professional qualifications or accounting or related financial management expertise. As at the date of this Annual Report, the Audit Committee comprises 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 duties and responsibilities of the Audit Committee include, inter alia, the following:

Relationship with the Company's auditors

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any question of resignation or dismissal of that auditors;

(b) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to develop and implement policies on the engagement of external auditors to provide non-audit services;

THE BOARD (continued)

Audit Committee (continued)

Review of financial information of the Company

(d) to monitor the integrity of the financial statements, review the annual and interim reports, and review significant financial reporting judgments contained in them before submission to the Board;

Oversight of the Company's financial reporting system and internal control procedures

(e) to review financial controls, internal control and risk management systems;

(f) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

(g) to consider any finding of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

(h) to ensure co-ordination between the internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(i) to review the Group's financial and accounting policies and practices;

(j) to review the external auditors' management letter, any material queries raised by the external auditors to the management in respect of the accounting records, financial statements or systems of control and management's response;

(k) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

THE BOARD (continued)

Audit Committee (continued)

Oversight of the Company's financial reporting system and internal control procedures (continued)

(l) to report to the Board on all matters set out in the code provisions in relation to the Audit Committee contained in Appendix 14 of the Listing Rules; and

(m) to consider any other topics, as defined by the Board.

The Audit Committee held two meetings during the year ended 31 March 2007 to review the accounting principles and practices adopted by the Group and discuss internal controls and financial reporting matters including a review of the interim financial statements for the six months ended 30 September 2006 and the annual financial statements for the year ended 31 March 2006 of the Company. The Audit Committee has also reviewed the annual results for the year ended 31 March 2007 of the Group.

The attendance records of the Audit Committee during the year are set out below:

Name of the committee members	No. of Audit Committee Meetings	No. of attendance	Average attendance rate
Leung Mei Han *(Chairman of the Audit Committee)*	2	2	100%
Chan Yuk Sang, Peter	2	2	100%
Hiroshi Zaizen *(Note 1)*	2	2	100%
Tsunao Kijima *(Note 2)*	0	0	0%

Notes:

1. Mr. Hiroshi Zaizen has been appointed as a member of the Audit Committee with effect from 4 July 2006.

2. Mr. Tsunao Kijima ceased to be a member of the Audit Committee with effect from 4 July 2006.

THE BOARD (continued)

Remuneration Committee

The Remuneration Committee was established in September 2005 with specific written terms of reference which set out its role and function and is constituted by one executive director, namely, Dr. Wu Mei Yung, Quinly *(Chairman of the Committee)* and 2 independent non-executive directors, namely, Ms. Leung Mei Han and Mr. Chan Yuk Sang, Peter.

The duties and responsibilities of the Remuneration Committee include, inter alia, the following:

(a) to review and consider the management recommendations and the Company's policy, procedures and structure for the remuneration and other remuneration related matters for directors and senior management to ensure there shall be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors;

(b) to have the delegated responsibility to determine the specific remuneration package of all executive directors and senior management, and make recommendations to the Board on the remuneration of non-executive directors;

(c) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;

(e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct;

(f) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration; and

(g) to advise shareholders on how to vote with respect to any service contracts of directors that requires shareholders' approval under the Listing Rules.

THE BOARD (continued)

Remuneration Committee (continued)

The Remuneration Committee had convened one meeting during the year to review, inter alia, the Group's remuneration policy and structure, and the remuneration of all directors for the year under review. Details of the emoluments of each director of the Company are set out on in note 8 to the financial statements.

The attendance records of the Remuneration Committee during the year are set out below:

Name of the committee members	No. of Remuneration Committee Meetings	No. of attendance	Average attendance rate
Executive directors			
Wu Mei Yung, Quinly *(Chairman of the Remuneration Committee)*	1	1	100%
Independent non-executive directors			
Leung Mei Han	1	1	100%
Chan Yuk Sang, Peter	1	1	100%
Tsunao Kijima *(Note)*	0	0	0%

Note:

Mr. Tsunao Kijima ceased to be a member of the Remuneration Committee of the Company with effect from 4 July 2006.

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 year ended 31 March 2007.

The Company has also established the Code for Securities Transaction 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.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2007. In preparing the financial statements for the year ended 31 March 2007, appropriate accounting principles and policies are selected and applied consistently; judgments and estimates made are appropriate and reasonable; and these financial statements have been prepared on a going concern basis.

The Board is also responsible for presenting a balanced, clear and understandable assessment extends to both annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules.

The management of the Company provides the Board with such information and explanations as necessary to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval.

The responsibilities of the Company's external auditors, Messrs. Ernst & Young ("E&Y"), are set out in the Independent Auditors' Report on pages 44 to 45 of this Annual Report.

ACCOUNTABILITY AND AUDIT (continued)

External Auditors' Remuneration

E&Y have been re-appointed as the Company's external auditors by shareholders at the 2006 annual general meeting until the conclusion of the next annual general meeting. They are primarily responsible for providing audit services in connection with the financial statements for the year ended 31 March 2007.

For the year ended 31 March 2007, E&Y received approximately HK$1,775,000 (2006: HK$1,592,000) for audit and related services and HK$255,000 (2006: HK$222,000) for other non-audit services which include the taxation services.

INTERNAL CONTROLS

The Board is responsible for the system of internal controls and reviewing its effectiveness. The system has been designed to manage the risk of failure to achieve corporate objectives rather than eliminate the risk of failure to achieve the business objective. Therefore, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board has delegated to the management the implementation of the strategies and policies on internal controls and risk management adopted by the Board and the review of relevant financial, operational and compliance controls and risk management procedures.

During the year under review, the Board has reviewed the effectiveness of the internal controls of the Group and is generally satisfied as to their adequacy, based on the information furnished to it and on its own observations.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

COMMUNICATION WITH SHAREHOLDERS (continued)

The Company's annual general meeting provides a forum for communication between the Board and the shareholders. The Chairman of the Board and Board committees actively participate in the annual general meeting and answer questions from the shareholders. Separate resolutions were proposed for each issue by the chairman at the annual general meeting. Notice of the annual general meeting together with related papers are sent to the shareholders at least 21 calendar days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. The procedures for demanding and conducting a poll are explained during the meeting.

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

Certified Public Accountants
18th Floor
Two International Finance Centre,
8 Finance Street, Central
Hong Kong

執業會計師
香港中環金融街8號
國際金融中心2期18樓

To the shareholders of Four Seas Mercantile Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Four Seas Mercantile Holdings Limited set out on pages 46 to 143, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 20 July 2007

Consolidated Income Statement

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	1,875,515	1,747,716
Cost of sales		(1,322,133)	(1,246,022)
Gross profit		553,382	501,694
Other income and gains	5	52,295	23,838
Selling and distribution expenses		(312,843)	(274,644)
Administrative expenses		(143,913)	(131,955)
Other operating expenses		(7,532)	(4,395)
Finance costs	6	(28,275)	(20,457)
Share of profits and losses of associates		16,897	12,077
PROFIT BEFORE TAX	7	130,011	106,158
Tax	10	(19,251)	(17,457)
PROFIT FOR THE YEAR		110,760	88,701
Attributable to:			
Equity holders of the parent	11	106,419	94,561
Minority interests		4,341	(5,860)
		110,760	88,701
DIVIDENDS	12		
Interim		7,991	7,991
Proposed final		19,978	19,978
		27,969	27,969
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT – Basic	13	26.6 cents	23.7 cents

Consolidated Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	303,323	257,483
Investment property	15	11,633	11,131
Prepaid land lease payments	16	126,443	75,859
Goodwill	17	26,809	17,715
Non-current livestock	18	3,527	4,245
Interests in associates	20	169,693	153,797
Available-for-sale investments	21	29,573	18,198
Rental deposits		9,385	10,543
Deposits paid		3,600	–
Deferred tax assets	28	2,717	3,500
Total non-current assets		686,703	552,471
CURRENT ASSETS			
Due from associates	20	193	130
Tax recoverable		7,256	2,967
Current livestock	22	2,937	2,594
Inventories	23	117,144	105,142
Trade receivables	24	377,130	356,893
Rental deposits		6,960	6,767
Prepayments, deposits and other receivables		57,987	48,852
Cash and cash equivalents	25	360,998	454,291
Total current assets		930,605	977,636
CURRENT LIABILITIES			
Tax payable		8,865	9,123
Trade payables and accrued liabilities	26	220,055	192,746
Interest-bearing bank borrowings	27	451,558	556,145
Total current liabilities		680,478	758,014
NET CURRENT ASSETS		250,127	219,622
TOTAL ASSETS LESS CURRENT LIABILITIES		936,830	772,093
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	90,552	35,259
Deferred tax liabilities	28	17,394	6,374
Total non-current liabilities		107,946	41,633
Net assets		828,884	730,460

Consolidated Balance Sheet (continued)

31 March 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	*29*	**39,956**	39,956
Reserves	*31(a)*	**738,607**	643,827
Proposed final dividend	*12*	**19,978**	19,978
		798,541	703,761
Minority interests		**30,343**	26,699
Total equity		**828,884**	730,460

TAI Tak Fung, Stephen
Director

YIP Wai Keung
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

	Note	Issued share capital HK$'000	Share premium account HK$'000 (Note 31(a))	Reserve fund HK$'000 (Note 31(a))	Goodwill reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000 (Note 31(a))	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
		Attributable to equity holders of the parent												
At 1 April 2005		39,956	240,190	6,041	(137,295)	24,488	750	28	806	435,933	19,978	630,875	32,460	663,335
Changes in fair value of available-for-sale investments		–	–	–	–	–	–	161	–	–	–	161	–	161
Exchange realignment		–	–	–	–	–	–	–	5,324	–	–	5,324	718	6,042
Total income and expense for the year recognised directly in equity		–	–	–	–	–	–	161	5,324	–	–	5,485	718	6,203
Profit for the year		–	–	–	–	–	–	–	–	94,561	–	94,561	(5,860)	88,701
Total income and expense for the year		–	–	–	–	–	–	161	5,324	94,561	–	100,046	(5,142)	94,904
Capital injection to a non-wholly-owned subsidiary		–	–	–	–	–	–	–	–	–	–	–	271	271
Capital contribution by minority interests		–	–	–	–	–	–	–	–	–	–	–	1,000	1,000
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	(1,890)	(1,890)
Final 2005 dividend declared		–	–	–	–	–	–	–	–	–	(19,978)	(19,978)	–	(19,978)
Transfer to the income statement on disposal		–	–	–	–	–	–	809	–	–	–	809	–	809
Interim 2006 dividend	12	–	–	–	–	–	–	–	–	(7,991)	–	(7,991)	–	(7,991)
Proposed final 2006 dividend	12	–	–	–	–	–	–	–	–	(19,978)	19,978	–	–	–
Transfer of goodwill to retained profits		–	–	–	137,295	1,113	–	–	–	(138,408)	–	–	–	–
Transfer of reserve fund to retained profits		–	–	(3,116)	–	–	–	–	–	3,116	–	–	–	–
At 31 March 2006		39,956	240,190	2,925	–	25,601	750	998	6,130	367,233	19,978	703,761	26,699	730,460

Consolidated Statement of Changes in Equity (continued)

Year ended 31 March 2007

		Attributable to equity holders of the parent											
	Notes	Issued share capital HK$'000	Share premium account HK$'000 (Note 31(a))	Reserve fund HK$'000 (Note 31(a))	Revaluation reserve HK$'000	Capital reserve HK$'000 (Note 31(a))	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006		39,956	240,190	2,925	25,601	750	998	6,130	367,233	19,978	703,761	26,699	730,460
Change in fair value of available-for-sale investments		–	–	–	–	–	2,178	–	–	–	2,178	–	2,178
Exchange realignment		–	–	–	–	–	–	13,944	–	–	13,944	1,165	15,109
Total income and expense for the year recognised directly in equity		–	–	–	–	–	2,178	13,944	–	–	16,122	1,165	17,287
Profit for the year		–	–	–	–	–	–	–	106,419	–	106,419	4,341	110,760
Total income and expense for the year		–	–	–	–	–	2,178	13,944	106,419	–	122,541	5,506	128,047
Acquisition of a subsidiary	32(a)	–	–	–	–	–	–	–	–	–	–	348	348
Capital contribution by minority interests		–	–	–	–	–	–	–	–	–	–	250	250
Acquisition of a minority interest		–	–	–	–	–	–	–	–	–	–	(411)	(411)
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	(2,049)	(2,049)
Final 2006 dividend declared		–	–	–	–	–	–	–	–	(19,978)	(19,978)	–	(19,978)
Transfer to the income statement on disposal		–	–	–	–	–	208	–	–	–	208	–	208
Interim 2007 dividend	12	–	–	–	–	–	–	–	(7,991)	–	(7,991)	–	(7,991)
Proposed final 2007 dividend	12	–	–	–	–	–	–	–	(19,978)	19,978	–	–	–
Transfer to reserve fund		–	–	1,228	–	–	–	–	(1,228)	–	–	–	–
At 31 March 2007		39,956	240,190*	4,153*	25,601*	750*	3,384*	20,074*	444,455*	19,978	798,541	30,343	828,884

* These reserve accounts comprise the consolidated reserves of HK$738,607,000 (2006: HK$643,827,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2007

	Notes	**2007** *HK$'000*	2006 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**130,011**	106,158
Adjustments for:			
Finance costs	6	**28,275**	20,457
Share of profits and losses of associates		**(16,897)**	(12,077)
Bank interest income	5	**(15,378)**	(8,647)
Dividend income from listed investments	5	**(515)**	(446)
Gain on disposal of available-for-sale investments	5	**(11,542)**	(1,800)
Gain on disposal of equity investments at fair value through profit or loss	5	**(2,303)**	(678)
Loss on disposal of items of property, plant and equipment	7	**98**	567
Depreciation	7	**27,948**	22,711
Amortisation of prepaid land lease payments	7	**1,786**	1,723
Amortisation of non-current livestock	7	**1,212**	1,061
Impairment of goodwill	7	**1,350**	–
Excess over the cost of a business combination	5	**–**	(3,299)
		144,045	125,730
Increase in non-current livestock		**(344)**	(211)
(Increase)/decrease in amounts due from associates		**(63)**	4,998
(Increase)/decrease in current livestock		**(343)**	461
Increase in inventories		**(10,937)**	(7,961)
Increase in trade receivables		**(19,931)**	(2,239)
Increase in deposits paid		**(3,600)**	–
(Increase)/decrease in rental deposits		**965**	(3,739)
Increase in prepayments, deposits and other receivables		**(6,974)**	(1,675)
Increase/(decrease) in trade payables and accrued liabilities		**4,026**	(15,312)
Cash generated from operations		**106,844**	100,052
Hong Kong profits tax paid		**(21,298)**	(14,832)
Overseas taxes paid		**(1,698)**	(1,901)
Net cash inflow from operating activities (page 52)		**83,848**	83,319

Consolidated Cash Flow Statement (continued)

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash inflow from operating activities (page 51)		**83,848**	83,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**15,378**	8,647
Dividends received from listed investments		**515**	446
Dividends received from associates		**3,562**	3,291
Purchases of items of property, plant and equipment		**(47,430)**	(68,455)
Purchases of prepaid land lease payments		**(6,173)**	(8,040)
Proceeds from disposal of items of property, plant and equipment		**4,067**	624
Proceeds from disposal of available-for-sale investments		**34,610**	14,288
Proceeds from disposal of equity investments at fair value through profit or loss		**9,073**	31,081
Acquisition of subsidiaries	32	**(46,127)**	(15,784)
Acquisition of minority interests		**(750)**	–
Acquisition of available-for-sale investments		**(32,057)**	(10,659)
Acquisition of equity investments at fair value through profit or loss		**(6,770)**	(26,294)
Net cash outflow from investing activities		**(72,102)**	(70,855)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and trust receipt loans		**1,470,128**	1,302,800
Repayment of bank and trust receipt loans		**(1,519,422)**	(1,228,540)
Interest paid		**(28,275)**	(20,457)
Capital contribution by minority interests		**250**	1,000
Dividends paid		**(27,969)**	(27,969)
Dividends paid to minority shareholders		**(2,049)**	(1,890)
Net cash inflow/(outflow) from financing activities		**(107,337)**	24,944
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(95,591)**	37,408
Cash and cash equivalents at beginning of year		**454,291**	416,252
Effect of foreign exchange rate changes, net		**2,298**	631
CASH AND CASH EQUIVALENTS AT END OF YEAR		**360,998**	454,291
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**137,254**	104,346
Time deposits with original maturity of less than three months when acquired	25	**223,744**	349,945
		360,998	454,291

Balance Sheet

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	93,098	93,098
Available-for-sale investments	21	192	169
Total non-current assets		93,290	93,267
CURRENT ASSETS			
Due from subsidiaries	19	451,160	416,384
Prepayments and other receivables		136	134
Cash and cash equivalents	25	1,071	494
Total current assets		452,367	417,012
CURRENT LIABILITIES			
Due to subsidiaries	19	200,253	168,882
Accrued liabilities		1,125	717
Total current liabilities		201,378	169,599
NET CURRENT ASSETS		250,989	247,413
Net assets		344,279	340,680
EQUITY			
Issued capital	29	39,956	39,956
Reserves	31(b)	284,345	280,746
Proposed final dividend	12	19,978	19,978
Total equity		344,279	340,680

TAI Tak Fung, Stephen
Director

YIP Wai Keung
Director

Notes to Financial Statements

31 March 2007

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Caledonian Bank & Trust Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043 KY1-1102, George Town, Grand Cayman, Cayman Islands, British West Indies.

During the year, the Group's principal activities were the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, poultry products, ham and ham-related products, and the operations of restaurants.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain non-current livestock, an investment property, certain properties, currency-linked deposits and certain equity investments, which have been measured at valuation or fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 March 2007 or 31 March 2006.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) HKFRS-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

(d) HK(IFRIC)-Int 7 *Applying the Restatement Approach under* HKAS 29 *Financial Reporting in Hyperinflationary Economies*

This interpretation is not relevant to the Group and accordingly has had no material impact on these financial statements.

2.3 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, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. This HKFRS replaces HKAS 14 *Segment Reporting* and has main impacts on the identification of segments and the measurement of segment information.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11, HK(IFRIC)-Int 12 and HKAS 23 (Revised) shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill previously eliminated against consolidated reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in the year ended 31 March 2002, goodwill arising on acquisition was eliminated against consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the Group's share of the associates' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, biological assets, financial assets, an investment property and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% – 10%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 25%
Plant and machinery	10% – 20%
Motor vehicles	15% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment property when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

An investment property is an interest in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, an investment property is stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of an investment property are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, the fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to subsidiaries and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

The Group holds derivative financial instruments such as currency-linked deposits to enhance its investment return. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. They are classified as financial assets at fair value through profit or loss. Any gains or losses arising from changes in fair value are taken directly to the income statement.

Livestock

Livestock is stated at fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it is stated at cost less accumulated amortisation and any impairment losses. The fair values of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the income statement, and are determined as:

(a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(b) cost incurred, during the financial year the livestock are acquired and bred.

Non-current livestock, which are stated at cost less accumulated amortisation and any impairment losses, represents breeder peafowl and is amortised over ten years using the sum-of-digits method.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis or first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present locations and condition. In the case of work in progress and self-produced finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) dividend income, when the shareholders' right to receive payment has been established;

(d) management income, in the period in which services are rendered; and

(e) rental income, on a time proportion basis over the lease terms.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a yearly basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 8% to 22.5% of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2007 was HK$26,809,000 (2006: HK$17,715,000). More details are given in note 17 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2007 was HK$1,794,000 (2006: HK$2,412,000). The amount of unrecognised tax losses for subsidiaries situated in Hong Kong and Mainland China at 31 March 2007 were HK$83,197,000 (2006: HK$67,227,000) and HK$39,321,000 (2006: HK$29,920,000), respectively. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are contained in note 28 to the financial statements.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenues, results and assets are attributed to the segments based on the location of the customers. Summary details of the geographical segments are 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 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, and ham and ham-related products, and the operations of restaurants.

In determining the Group's business segments, revenue and results are attributed to the segments based on the nature of their operations.

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.

31 March 2007

4. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Group

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	1,235,513	1,177,748	640,002	569,968	–	–	1,875,515	1,747,716
Intersegment sales	4,361	6,651	100,227	100,367	(104,588)	(107,018)	–	–
Other revenue	2,637	5,928	2,114	2,420	(575)	(636)	4,176	7,712
Total	1,242,511	1,190,327	742,343	672,755	(105,163)	(107,654)	1,879,691	1,755,428
Segment results	93,627	99,099	14,075	6,390	–	–	107,702	105,489
Interest and dividend income and unallocated gains, net							48,119	16,126
Unallocated expenses							(14,432)	(7,077)
Finance costs							(28,275)	(20,457)
Share of profits and losses of associates	14,011	7,429	2,886	4,648	–	–	16,897	12,077
Profit before tax							130,011	106,158
Tax							(19,251)	(17,457)
Profit for the year							110,760	88,701

4. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group

	Hong Kong		Mainland China		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities:						
Segment assets	677,051	565,475	399,593	350,077	1,076,644	915,552
Interests in associates	99,676	88,458	70,017	65,339	169,693	153,797
Unallocated assets					370,971	460,758
Total assets					1,617,308	1,530,107
Segment liabilities	126,810	117,966	93,245	74,780	220,055	192,746
Unallocated liabilities					568,369	606,901
Total liabilities					788,424	799,647
Other segment information:						
Capital expenditure	27,509	40,494	26,094	36,001	53,603	76,495
Depreciation	11,959	9,813	15,989	12,898	27,948	22,711
Amortisation of prepaid land lease payments	1,202	1,202	584	521	1,786	1,723
Impairment of goodwill	190	–	1,160	–	1,350	–
Excess over the cost of a business combination	–	3,299	–	–	–	3,299
Impairment of trade receivables	3,121	111	538	1,177	3,659	1,288
Write-down of inventories to net realisable value	70	365	1,369	1,712	1,439	2,077

4. SEGMENT INFORMATION (continued)

(b) Business segments

The following table presents revenue and certain asset and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

Group

	Manufacturing and wholesaling		Retailing		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	1,489,305	1,401,858	186,545	173,027	199,665	172,831	1,875,515	1,747,716
Other segment information:								
Segment assets	915,623	836,321	32,837	29,733	128,184	49,498	1,076,644	915,552
Capital expenditure	30,391	63,001	6,835	4,452	16,377	9,042	53,603	76,495

5. 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:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue	**1,875,515**	1,747,716
Other income		
Bank interest income	**15,378**	8,647
Dividend income from listed investments	**515**	446
Management fee income	**603**	350
Rental income	**275**	358
Excess over the cost of a business combination	**–**	3,299
Others	**3,298**	3,705
	20,069	16,805
Gains		
Investment gains*	**18,381**	4,555
Gain on disposal of available-for-sale investments	**11,542**	1,800
Gain on disposal of equity investments at fair value through profit or loss	**2,303**	678
	32,226	7,033
	52,295	23,838

* Investment gains comprise net gain from currency-linked deposits of HK$12,970,000 (2006: loss of HK$8,257,000) and net exchange gain on cash and cash equivalents of HK$5,411,000 (2006: HK$12,812,000).

6. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**28,275**	20,457

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Depreciation	*14*	**27,948**	22,711
Amortisation of non-current livestock	*18*	**1,212**	1,061
Amortisation of prepaid land lease payments	*16*	**1,786**	1,723
Impairment of goodwill*		**1,350**	–
Minimum lease payments under operating leases in respect of land and buildings		**81,747**	74,500
Auditors' remuneration		**2,057**	1,704
Employee benefits expense (excluding directors' remuneration *(note 8)*):			
Wages, salaries, allowances and benefits in kind		**173,741**	159,552
Pension scheme contributions		**5,993**	8,145
Less: Forfeited contributions		**(89)**	(434)
Net pension scheme contributions**		**5,904**	7,711
		179,645	167,263
Loss on disposal of items of property, plant and equipment		**98**	567
Foreign exchange differences, net		**(17,341)**	(25,622)
Net rental income		**(275)**	(358)
Impairment of trade receivables		**3,659**	1,288
Write-down of inventories to net realisable value		**1,439**	2,077

7. PROFIT BEFORE TAX (continued)

* The impairment of goodwill for the year is included in "Other operating expenses" on the face of the consolidated income statement.

** At 31 March 2007, the Group had no forfeited contributions (2006: Nil) available to reduce its contributions to the pension schemes in future years.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**739**	460
Other emoluments:		
Salaries, allowances and benefits in kind	**7,420**	3,189
Pension scheme contributions	**173**	95
	7,593	3,284
	8,332	3,744

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007				
Leung Mei Han	80	–	–	80
Chan Yuk Sang, Peter	80	–	–	80
Hiroshi Zaizen	59	–	–	59
Tsunao Kijima	–	–	–	–
	219	–	–	219

There were no fees and other emoluments paid/payable to the independent non-executive directors during the year ended 31 March 2006.

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2007				
Tai Tak Fung, Stephen	120	3,360	–	3,480
Wu Mei Yung, Quinly	80	960	52	1,092
Chan Siu Ling, Doris	80	1,902	59	2,041
Man Wing Cheung, Ellis	80	–	–	80
Yip Wai Keung	80	551	31	662
Wu Wing Biu	80	647	31	758
	520	7,420	173	8,113

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Tai Tak Fung, Stephen	120	1,329	–	1,449
Wu Mei Yung, Quinly	80	960	52	1,092
Chan Siu Ling, Doris	20	311	13	344
Man Wing Cheung, Ellis	80	–	–	80
Yip Wai Keung	80	–	–	80
Wu Wing Biu	80	589	30	699
	460	3,189	95	3,744

Included in the executive directors' remuneration is an estimated market rental of HK$3,360,000 (2006: Nil) for a director quarter owned by the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: three) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,334**	3,088
Pension scheme contributions	**45**	93
	2,379	3,181

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	2
	2	3

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Provision for the year	**14,718**	16,989
Underprovision/(overprovision) in prior years	**10**	(145)
Current – Overseas		
Provision for the year	**3,492**	1,083
Overprovision in prior years	**–**	(709)
Deferred tax charge, net *(note 28)*	**1,031**	239
Total tax charge for the year	**19,251**	17,457

10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Group

	2007		2006	
	HK$'000	**%**	*HK$'000*	%
Profit before tax	**130,011**		106,158	
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**22,752**	**17.5**	18,578	17.5
Effect of different rates for companies operating in other jurisdictions*	**(577)**	**(0.4)**	1,120	1.1
Adjustments in respect of current tax of previous periods	**10**	**–**	(854)	(0.8)
Profits and losses attributable to associates	**(2,957)**	**(2.3)**	(2,113)	(2.0)
Income not subject to tax	**(5,736)**	**(4.4)**	(6,145)	(5.8)
Expenses not deductible for tax	**1,746**	**1.3**	5,526	5.2
Tax losses utilised from previous periods	**(612)**	**(0.4)**	(1,652)	(1.6)
Deferred tax assets not recognised	**3,691**	**2.8**	3,621	3.4
Others	**934**	**0.7**	(624)	(0.6)
Tax charge at the Group's effective rate	**19,251**	**14.8**	17,457	16.4

10. TAX (continued)

The share of tax attributable to associates amounting to HK$2,928,000 (2006: HK$2,465,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

* Under the People's Republic of China (the "PRC") income tax laws, enterprises are subject to corporate income tax ("CIT") at the rate of 33%. However, certain of the Group's subsidiaries are operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential rates ranging from 15% to 24%.

In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holidays were also granted by the relevant authorities to these subsidiaries, whereby CIT is exempted for the first two profitable years of the subsidiaries and is chargeable at half of the applicable rates for the subsequent three years.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will become effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to foreign investment enterprises from 1 January 2008 will increase from a preferential rate of 15% to 25% over the next five years. This rise in the income tax rate will directly increase the Group's effective tax rate prospectively from 2008. According to HKAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The Group considered the impact of the New CIT Law on the Group's previously recognised deferred tax assets/liabilities was insignificant.

At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact of the New CIT Law on its operating results and financial positions of future periods as more detailed requirements are issued.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 March 2007 includes a profit of HK$31,546,000 (2006: HK$29,823,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim dividend of HK2.0 cents (2006: HK2.0 cents) per ordinary share	**7,991**	7,991
Proposed final dividend of HK5.0 cents (2006: HK5.0 cents) per ordinary share	**19,978**	19,978
	27,969	27,969

The proposed final dividend for the year is calculated by reference to the number of shares in issue at the date of this report.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK$106,419,000 (2006: HK$94,561,000), and on the 399,565,640 (2006: 399,565,640) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2007							
At 31 March 2006 and at 1 April 2006:							
Cost or valuation	167,437	31,318	55,409	103,141	27,287	32,867	417,459
Accumulated depreciation	(34,009)	(10,604)	(44,808)	(49,417)	(21,138)	–	(159,976)
Net carrying amount	133,428	20,714	10,601	53,724	6,149	32,867	257,483
At 1 April 2006, net of accumulated depreciation	133,428	20,714	10,601	53,724	6,149	32,867	257,483
Additions	9,718	8,259	5,680	6,604	6,399	10,770	47,430
Acquisition of a subsidiary *(note 32(a))*	18,665	3,723	18	1,572	65	–	24,043
Disposals	(2,767)	(575)	(426)	(177)	(220)	–	(4,165)
Depreciation provided during the year	(7,611)	(6,494)	(3,861)	(7,626)	(2,356)	–	(27,948)
Transfers	40,970	–	–	–	–	(40,970)	–
Exchange realignment	3,016	584	220	2,311	189	160	6,480
At 31 March 2007, net of accumulated depreciation	195,419	26,211	12,232	56,408	10,226	2,827	303,323
At 31 March 2007:							
Cost or valuation	236,884	42,492	60,303	119,591	32,689	2,827	494,786
Accumulated depreciation	(41,465)	(16,281)	(48,071)	(63,183)	(22,463)	–	(191,463)
Net carrying amount	195,419	26,211	12,232	56,408	10,226	2,827	303,323
Analysis of cost or valuation:							
At cost	151,884	42,492	60,303	119,591	32,689	2,827	409,786
At 31 March 1994 valuation	85,000	–	–	–	–	–	85,000
	236,884	42,492	60,303	119,591	32,689	2,827	494,786

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2006							
At 1 April 2005:							
Cost or valuation	157,106	26,321	50,780	90,693	25,768	–	350,668
Accumulated depreciation	(28,068)	(10,461)	(40,744)	(42,485)	(19,631)	–	(141,389)
Net carrying amount	129,038	15,860	10,036	48,208	6,137	–	209,279
At 1 April 2005, net of accumulated depreciation	129,038	15,860	10,036	48,208	6,137	–	209,279
Additions	8,811	10,470	4,345	10,386	1,576	32,867	68,455
Acquisition of subsidiaries *(notes 32(b) and (c))*	–	4	568	120	70	–	762
Disposals	(52)	(982)	(122)	–	(35)	–	(1,191)
Depreciation provided during the year	(5,767)	(4,861)	(4,318)	(6,073)	(1,692)	–	(22,711)
Exchange realignment	1,398	223	92	1,083	93	–	2,889
At 31 March 2006, net of accumulated depreciation	133,428	20,714	10,601	53,724	6,149	32,867	257,483
At 31 March 2006:							
Cost or valuation	167,437	31,318	55,409	103,141	27,287	32,867	417,459
Accumulated depreciation	(34,009)	(10,604)	(44,808)	(49,417)	(21,138)	–	(159,976)
Net carrying amount	133,428	20,714	10,601	53,724	6,149	32,867	257,483
Analysis of cost or valuation:							
At cost	82,437	31,318	55,409	103,141	27,287	32,867	332,459
At 31 March 1994 valuation	85,000	–	–	–	–	–	85,000
	167,437	31,318	55,409	103,141	27,287	32,867	417,459

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold land and buildings included above are held under medium term leases and are situated in:

	At cost	At valuation	Total
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	46,154	85,000	131,154
Mainland China	105,730	–	105,730
	151,884	85,000	236,884

Certain of the Group's buildings, which are situated in Hong Kong, were revalued at 15 July 1993, by C.Y. Leung & Company Limited, independent professionally qualified valuers. The leasehold land and buildings were revalued at open market value, based on their existing use. Since the year ended 31 March 1994, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16 from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had the whole class of leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$170,525,000 (2006: HK$107,908,000).

15. INVESTMENT PROPERTY

	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 April	**11,131**	10,832
Exchange realignment	**502**	299
Carrying amount at 31 March	**11,633**	11,131

The Group's investment property is situated in Mainland China and is held under a medium term lease.

The Group's investment property was revalued on 31 March 2007 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at RMB11,500,000 (equivalent to HK$11,633,000) on an open market, existing use basis. The investment property is leased to an associate of the Group under an operating lease, further summary details of which are included in notes 34(a) and 36(a)(iv) to the financial statements.

Further particulars of the Group's investment property are included on page 144.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 April	**75,859**	69,039
Additions during the year	**6,173**	8,040
Acquisition of a subsidiary *(note 32(a))*	**43,929**	–
Amortisation during the year	**(1,786)**	(1,723)
Exchange realignment	**2,268**	503
Carrying amount at 31 March	**126,443**	75,859

The Group's prepaid land lease payments included above are related to leasehold land which is held under medium term leases and is situated in:

	HK$'000
Hong Kong	48,080
Mainland China	78,363
	126,443

During the year, the Group acquired 廣州市泮溪酒家有限公司 ("GZ Panxi"). GZ Panxi operates restaurants on a piece of land (the "Land") in Liwan District, Guangzhou, the PRC, with a carrying value of HK$45,013,000 at 31 March 2007. In the opinion of the directors, based on the advice from the Group's external legal advisors, GZ Panxi has the right to use the Land and occupy the buildings for its restaurant operation, and upon the payment of the land premium for the Land, the Group can obtain the land use right certificate for the Land. At the date of this report, GZ Panxi is planning to obtain the land use right certificate and the cost of land premium has been properly provided for in these financial statements.

Further particulars of the acquisition of GZ Panxi are set out in note 32(a) to the financial statements.

17. GOODWILL

Group

	HK$'000
At 1 April 2005:	
Cost	3,746
Accumulated impairment	–
Net carrying amount	3,746
Cost at 1 April 2005	3,746
Acquisition of a subsidiary *(note 32(c))*	13,698
Capital injection to a non-wholly-owned subsidiary	271
At 31 March 2006	17,715
At 31 March 2006 and 1 April 2006:	
Cost	17,715
Accumulated impairment	–
Net carrying amount	17,715
Cost at 1 April 2006	17,715
Acquisition of a subsidiary *(note 32(a))*	10,105
Acquisition of an additional interest in a subsidiary	339
Impairment of goodwill	(1,350)
At 31 March 2007, net of accumulated impairment	26,809
At 31 March 2007:	
Cost	28,159
Accumulated impairment	(1,350)
Net carrying amount	26,809

18. NON-CURRENT LIVESTOCK

	Group	
	2007	2006
	HK$'000	*HK$'000*
Livestock:		
At fair value	**852**	494
At cost less accumulated amortisation and any impairment losses	**2,675**	3,751
	3,527	4,245
Physical quantity of peafowl:		
Number of day-old peafowl	**7,875**	4,728
Number of breeder peafowl	**6,988**	6,988
	14,863	11,716

The Group's non-current livestock comprises breeder and day-old peafowl owned by a subsidiary. The day-old peafowl are raised for sale. The breeder peafowl are held to produce further day-old peafowl. Breeder peafowl are stated at cost less accumulated amortisation and any impairment losses as no active or ready markets exist for these breeder peafowl and their fair value cannot be measured reliably. Day-old peafowl are valued at fair value less estimated point-of-sale costs.

18. NON-CURRENT LIVESTOCK (continued)

	Group
	HK$'000
Reconciliation of changes in the carrying amount:	
Balance at 1 April 2005, net of accumulated amortisation and impairment losses	4,977
Amortisation of non-current livestock	(1,061)
Increase due to raising	211
Exchange realignment	118
Balance at 31 March 2006 and 1 April 2006, net of accumulated amortisation and impairment losses	4,245
Amortisation of non-current livestock	(1,212)
Increase due to raising	344
Exchange realignment	150
Balance at 31 March 2007, net of accumulated amortisation and impairment losses	3,527

18. NON-CURRENT LIVESTOCK (continued)

The particulars of the gross carrying amount and the accumulated amortisation of breeder peafowl, which are stated at cost less accumulated amortisation and any impairment losses, are as follows:

Group

	Total
	HK$000
At 31 March 2007:	
Cost	5,212
Accumulated amortisation and impairment losses	(2,537)
Net carrying amount	2,675
At 31 March 2006:	
Cost	4,987
Accumulated amortisation and impairment losses	(1,236)
Net carrying amount	3,751

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**93,098**	93,098

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities respectively are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Abundant Capital Inc.	British Virgin Islands	US$100	–	51.0	Investment holding
Cowboy Food Company Limited	Hong Kong	HK$6,000,000	–	85.0	Manufacturing of peanut products
Crowne Profits Limited	British Virgin Islands	US$1	–	100.0	Investment holding
E-Options Technology Limited	British Virgin Islands/ Hong Kong	US$1	–	100.0	Property holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Fancy Talent Limited*	Hong Kong	HK$100,000,000	–	100.0	Marketing of snack foods
Four Seas Enterprises (BVI) Limited	British Virgin Islands	US$20,000	100.0	–	Investment holding
Four Seas China Holdings Limited	British Virgin Islands	US$1,000,000	–	100.0	Investment holding
Four Seas Mercantile Limited	Hong Kong	(i) Ordinary HK$200 (ii) Non-voting deferred HK$20,000,000	–	100.0	Trading in snack foods, confectionery and beverages
Four Seas Property Holdings Limited	Hong Kong	HK$50,000,000	–	100.0	Investment holding
Four Seas Confectionery (Shantou) Company Limited* ^	Mainland China	HK$14,320,000	–	100.0	Manufacturing of cakes
Four Seas (Shantou) Foods Industrial Park Management Co., Ltd.* ^	Mainland China	HK$30,500,000	–	100.0	Property holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Four Seas Foods (Shantou) Co., Ltd.* ^	Mainland China	HK$41,000,000	–	100.0	Trading in confectionery and food products
Four Seas (Hebei) Food Company Limited * ^	Mainland China	HK$24,000,000	–	100.0	Processing of chestnut
Four Seas Logistics Company Limited	Hong Kong	HK$200,000	–	100.0	Provision of transportation services
Four Seas Trading (Shanghai) Co., Ltd.* ^	Mainland China	US$200,000	–	100.0	Trading in confectionery and food products
Four Seas Catering Enterprises Company Limited	Hong Kong	HK$10,000	–	100.0	Investment holding
Four Seas Confectionery (Shenzhen) Co., Ltd.* ^	Mainland China	HK$7,000,000	–	80.0	Manufacturing of snack foods
Gainfaith Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guang Dong Fourseas Frozen Food Products Co., Ltd.* ^	Mainland China	RMB10,300,000	–	100.0	Ice-cream and frozen food product business
Hakadate Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding
High Joy Investments Limited	Hong Kong	HK$1	–	100.0	Restaurant operations
Hong Kong Confectionery Company Limited	Hong Kong	HK$7,000,000	–	100.0	Investment holding
Hong Kong Ham Holdings Limited	Hong Kong	HK$20	–	100.0	Manufacturing and packaging of ham and ham-related products
Hong Kong Biscuit (International) Limited*	Hong Kong	HK$40,000,000	–	99.3	Investment holding
Homeright Properties Limited	British Virgin Islands	US$1	–	100.0	Holding of trademarks

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
IFSCO Hong Kong Limited	Hong Kong	HK$57,200,000	100.0	–	Investment holding
J.P. Inglis Company Limited	Hong Kong	HK$1,000,000	–	100.0	Trading in food materials
KTC Corporation*	Japan	JPY10,000,000	–	100.0	Trading in cakes
Kanro Four Seas Foods Company Limited	Hong Kong	HK$50,550,000	–	82.5	Investment holding
Kanro Four Seas Foods (Shantou) Co., Ltd.* ^	Mainland China	HK$50,203,380	–	82.5	Manufacturing of candy
Kwong Cheung Development Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Kung Tak Lam Shanghai Vegetarian Cuisine Limited	Hong Kong	HK$3,660,000	–	99.0	Restaurant operations
Li Fook (Qingdao) Foods Co., Ltd.* ^	Mainland China	US$3,320,000	–	100.0	Manufacturing of noodles
Matchless Bakery Company Limited	British Virgin Islands	HK$20,000,000	–	100.0	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
More Ways Industrial Limited	Hong Kong	HK$10,000	–	**34.0	Investment holding
New Kondo Trading Company Limited	Hong Kong	HK$1,000,000	–	100.0	Trading in Japanese food materials
Papochou Holdings Limited	British Virgin Islands	HK$15,000,000	–	100.0	Investment holding
Restaurant Shiki Limited	Hong Kong	HK$3,200,000	–	100.0	Restaurant operations
Shenzhen Matchless Food Co., Ltd.* ^	Mainland China	HK$7,300,000	–	100.0	Bakery and factory operations
Shenzhen Yaohan Zhonghao Food Co., Ltd.* ^^	Mainland China	RMB32,100,000	–	60.0	Manufacturing and packaging of ham and ham-related products
Sushi Pro Limited	Hong Kong	HK$9,000,000	–	#50.0	Investment holding

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shousihuang Restaurant (Shenzhen) Company Limited* ^	Mainland China	HK$7,300,000	–	#50.0	Restaurant operations
Tohato Four Seas Company Limited	Hong Kong	HK$7,000,000	–	80.0	Investment holding
Tsun Fat (Huizhou) Biscuit Factory Limited* ^	Mainland China	HK$13,000,000	–	99.3	Manufacturing of biscuits
T & M Advertising Company Limited	Hong Kong	HK$20	–	100.0	Advertising agency
Wide Success Holdings Limited	Hong Kong	HK$10,000	–	100.0	Restaurant operations
Yaohan (Yanwin) Food Co., Limited	Hong Kong	HK$10,000	–	100.0	Investment holding
新興縣多威實業有限公司* ^	Mainland China	HK$8,000,000	–	**34.0	Poultry business
廣州市泮溪酒家有限公司* ^^^	Mainland China	RMB8,931,620	–	##99.0	Restaurant operations

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
廣州市英吉利孔雀有限公司* ^	Mainland China	RMB6,500,000	–	100.0	Raising and sale of peafowl
四洲（陽山）發展有限公司* ^	Mainland China	HK$10,000,000	–	100.0	Property holding
上海升誠貿易有限公司* ^	Mainland China	RMB500,000	–	100.0	Trading in confectionery and food products

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

** These subsidiaries are indirectly held by the Company and the Group has control over them.

^ These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

^^ This subsidiary is registered as a Sino-foreign equity joint venture under the PRC law.

^^^ This subsidiary is registered as a Sino-foreign co-operative joint venture under the PRC law.

The Group has a casting vote in these subsidiaries and accordingly the Group has control over them.

19. INVESTMENTS IN SUBSIDIARIES (continued)

\## Pursuant to the stock purchase agreement entered into by the Group and 廣州市荔灣區人民政府國有資產監督管理局 (the "Vendor") for the acquisition of GZ Panxi, the Vendor retains 1% shareholding in GZ Panxi and is not entitled to any share of the profit or loss in GZ Panxi nor has the right to participate in the operation or management of GZ Panxi but has the veto right in the following:

– the alteration of the tax registration of GZ Panxi in Liwan District, Guangzhou, the PRC;
– the alteration of the use of the building occupied by GZ Panxi other than the Cantonese style restaurant operation; and
– the use of the trademark of GZ Panxi.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Goodwill on acquisition	**477**	477
Share of net assets	**169,216**	153,320
	169,693	153,797

The amounts due from the associates included in the Group's current assets are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from the associates approximate to their fair values.

The Group's trade receivable and payable balances with the associates are disclosed in notes 24 and 26 to the financial statements, respectively.

20. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of equity attributable to the Group	Principal activities
Calbee Four Seas Company Limited	Ordinary shares of HK$1 each	Hong Kong	50.0	Manufacturing of snack foods
Calbee Four Seas (Shantou) Company Limited *(i)*	Paid-up capital	Mainland China	50.0	Manufacturing of snack foods
Cadbury Four Seas Company Limited *(i)(ii)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Trading in confectionery
Four Seas & Jintan Co., Limited	Ordinary shares of HK$1 each	Hong Kong	50.0	Marketing of health foods
Guangzhou Meiji Confectionery Company Limited *(i)(ii)*	Paid-up capital	Mainland China	30.0	Manufacturing of snack foods and confectionery
Guangdong M&F-Yantang Dairy Products Company Limited *(i)(ii)*	Paid-up capital	Mainland China	21.0	Manufacturing of ice-cream and dairy products
Meiji-Four Seas Company Limited *(ii)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Investment holding
MFD Holding Company Limited *(i)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Investment holding

20. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows: (continued)

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of equity attributable to the Group	Principal activities
Nico-Nico Four Seas Company Limited *(ii)*	Ordinary shares of HK$1 each	Hong Kong	35.0	Investment holding
Nico Four Seas (Shantou) Co., Ltd. *(i)(ii)*	Paid-up capital	Mainland China	35.0	Manufacturing of seaweed products
Pokka Four Seas (Suzhou) Food Company Limited *(ii)*	Paid-up capital	Mainland China	30.0	Manufacturing of canned beverages
Pokka Coffee (Macau) Limited *(iii)*	Paid-up capital	Macau	49.0	Coffee shop and restaurant operations
Pokka Corporation (HK) Limited *(iii)*	Ordinary shares of HK$1 each	Hong Kong	49.0	Coffee shop and restaurant operations
Want Want Four Seas Company Limited *(i)(ii)*	Ordinary shares of HK$1 each	Hong Kong	30.0	Trading of snack foods

(i) Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

(ii) The year end date of these associates is not coterminous with that of the Group and is 31 December. Those associates use 31 December as their reporting date to conform with their holding companies' reporting date or statutory requirements.

(iii) The year end date of these associates is not coterminous with that of the Group and is 31 January. Those associates use 31 January as their reporting date to conform with their holding companies' reporting date.

20. INTERESTS IN ASSOCIATES (continued)

The financial statements of above associates are coterminous with those of the Group, except for associates as mentioned in (ii) and (iii) above. The consolidated financial statements are adjusted for material transactions between their year end and the Group's year end.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2007	2006
	HK$'000	*HK$'000*
Assets	**617,318**	563,032
Liabilities	**186,297**	170,770
Revenues	**691,071**	609,053
Profit	**38,418**	33,729

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments,				
at fair value:				
Hong Kong	**20,317**	8,912	**192**	169
Elsewhere	**516**	548	**–**	–
	20,833	9,460	**192**	169
Unlisted equity investments,				
at cost	**8,740**	8,738	**–**	–
	29,573	18,198	**192**	169

21. AVAILABLE-FOR-SALE INVESTMENTS (continued)

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$2,178,000 (2006: HK$161,000) and a loss of HK$208,000 (2006: HK$809,000) was removed from equity and recognised in the income statement for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale investments were stated at cost as their fair values cannot be reliably determined.

22. CURRENT LIVESTOCK

	Group	
	2007	2006
	HK$'000	*HK$'000*
Breeder chicks	**1,441**	1,392
Hatchable eggs	**1,016**	386
Day-old chicks	**480**	816
	2,937	2,594

Due to the generally short breeding and raising cycle of the chicks and because an active market does not exist, these livestock are classified as current assets and stated at cost less any impairment and a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current financial year is not presented.

23. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**25,688**	22,536
Work in progress	**6,711**	3,668
Finished goods	**84,745**	78,938
	117,144	105,142

24. 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. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

24. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**141,201**	128,857
1 to 2 months	**68,441**	60,149
2 to 3 months	**58,460**	60,574
Over 3 months	**109,028**	107,313
	377,130	356,893

Included in trade receivables is an aggregate amount due from the Group's associates of HK$3,709,000 (2006: HK$2,065,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**137,254**	104,346	**1,071**	494
Time deposits	**223,744**	349,945	**–**	–
Cash and cash equivalents	**360,998**	454,291	**1,071**	494

25. CASH AND CASH EQUIVALENTS (continued)

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$55,494,000 (2006: HK$43,088,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

26. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities is a trade payable balance of HK$124,813,000 (2006: HK$120,246,000). An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current	**76,183**	89,365
1 to 2 months	**21,673**	12,518
2 to 3 months	**11,484**	6,784
Over 3 months	**15,473**	11,579
	124,813	120,246

Included in the trade payables is an amount of HK$39,346,000 (2006: HK$47,295,000) due to associates, which is repayable on similar credit terms to those offered by the associates to their major customers.

The trade payables are non-interest-bearing and are normally settled on 30-day to 60-day terms.

27. INTEREST-BEARING BANK BORROWINGS

Group	2007 Effective interest rate	2007 Maturity	2007 *HK$'000*	2006 Effective interest rate	2006 Maturity	2006 *HK$'000*
Current						
Trust receipt loans						
– unsecured	1.1%-5.1%	1 to 4 months	188,945	0.6%-5.2%	3 to 4 months	140,917
Bank loans						
– unsecured	1.2%-5.1%	1 month	262,613	4.5%-5.3%	1 to 2 months	415,228
			451,558			556,145
Non-current						
Bank loans						
– unsecured	4.8%-5.0%	2008 to 2009	90,552	4.5%-6.0%	2007 to 2008	35,259
			542,110			591,404
Analysed into:						
Within one year			451,558			556,145
In the second year			63,752			29,259
In the third to fifth years, inclusive			26,800			6,000
			542,110			591,404

All the bank and trust receipt loans bear interest at floating interest rates. Their carrying amounts approximate to their fair values.

27. INTEREST-BEARING BANK BORROWINGS (continued)

Except for certain bank loans denominated in Japanese Yen equivalent to HK$145,804,000 (2006: HK$62,007,000), certain bank loans denominated in RMB equivalent to HK$23,771,000 (2006: HK$18,729,000) and certain bank loans denominated in USD equivalent to HK$98,000 (2006: HK$97,000), all other bank borrowings at the balance sheet date were in Hong Kong dollars.

28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group – 2007

	Accelerated tax depreciation	Fair value adjustment arising from acquisition of subsidiaries	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	578	1,330	4,466	6,374
Acquisition of a subsidiary *(note 32(a))*	–	10,772	–	10,772
Deferred tax charged to the income statement during the year *(note 10)*	89	–	159	248
Net deferred tax liabilities at 31 March 2007	667	12,102	4,625	17,394

28. DEFERRED TAX (continued)

Deferred tax assets

Group – 2007

	Decelerated tax depreciation	Losses available for offset against future taxable profits	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	**36**	**2,412**	**1,052**	**3,500**
Deferred tax charged to the income statement during the year *(note 10)*	**(25)**	**(618)**	**(140)**	**(783)**
Net deferred tax assets at 31 March 2007	**11**	**1,794**	**912**	**2,717**

Deferred tax liabilities

Group – 2006

	Accelerated tax depreciation	Fair value adjustment arising from acquisition of subsidiaries	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005	647	1,330	4,576	6,553
Deferred tax credited to the income statement during the year *(note 10)*	(69)	–	(110)	(179)
Net deferred tax liabilities at 31 March 2006	578	1,330	4,466	6,374

28. DEFERRED TAX (continued)

Deferred tax assets

Group – 2006

	Decelerated tax depreciation *HK$'000*	Losses available for offset against future taxable profits *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2005	16	3,248	654	3,918
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	20	(836)	398	(418)
Net deferred tax assets at 31 March 2006	36	2,412	1,052	3,500

The Group has tax losses arising in Hong Kong of HK$83,197,000 (2006: HK$67,227,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$39,321,000 (2006: HK$29,920,000) that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

Shares

	2007	2006
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
399,565,640 ordinary shares of HK$0.10 each	**39,956**	39,956

Share options

Details of the Company's share option scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Company, and any executive director or employee of any of the Company's subsidiaries and any entity in which the Group holds any equity interest.

The Scheme is valid and effective for a period of 10 years up to 16 September 2012, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and those remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant as within the share option period for which such share options are granted, notwithstanding the expiry of the Scheme.

30. SHARE OPTION SCHEME (continued)

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 39,956,564 ordinary shares, being 10% of the shares of the Company in issue on 2 September 2002. As at the date of this report, the total number of shares available for issue under the Scheme is 39,956,564 ordinary shares, representing 10% of the existing issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding an independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon receipt of the duplicate offer letter comprising acceptance of the offer duly signed by the grantee with the number of shares in respect of which the offer is accepted clearly stated therein, together with payment of a nominal consideration of HK$1 by the grantee to the Company provided that no offer shall be open for acceptance after the expiry of the Scheme or after the Scheme has been terminated. The terms and conditions of the share options granted are determinable by the directors on a case-by-case basis. Such terms and conditions may include, but are not limited to (i) the subscription price; (ii) the period within which the Company's shares must be taken up under the share option, which must not be more than 10 years from the offer date; (iii) the minimum period, if any, for which a share option must be held before it can be exercised; and (iv) the performance target, if any, that must be achieved before the share option can be exercised.

30. SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the directors in their absolute discretion at the time of the making of the offer which shall be stated in the letter containing the offer, but may not be lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the offer date which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, no share option (2006: Nil) was granted to directors and other employees of the Company or employees of any of the Company's subsidiaries and any entities in which the Group holds any equity interests.

At the balance sheet date, the Company had no share options outstanding under the Scheme (2006: Nil).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 49 to 50 of the financial statements.

Pursuant to the relevant laws and regulations for Foreign Investment Enterprises, a portion of the profits of the Group's subsidiaries and the Group's associates operating as Foreign Investment Enterprises in Mainland China has been transferred to the reserve fund. The reserve fund is non-distributable in nature and can be utilised to set off with losses incurred.

31. RESERVES (continued)

(a) Group (continued)

The capital reserve represents the Group's share of capitalisation of retained profits by an associate.

Included in the share premium account of the Group is an amount of HK$19,900,000 which represents the difference between the nominal value of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

(b) Company

	Note	Share premium account HK$'000	Available-for-sale investment valuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 April 2005		274,009	84	4,848	278,941
Profit for the year		–	–	29,823	29,823
Change in fair value		–	(49)	–	(49)
Interim 2006 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2006 dividend	12	–	–	(19,978)	(19,978)
At 31 March 2006		274,009	35	6,702	280,746
Profit for the year		–	–	31,546	31,546
Change in fair value		–	22	–	22
Interim 2007 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2007 dividend	12	–	–	(19,978)	(19,978)
At 31 March 2007		274,009	57	10,279	284,345

31. RESERVES (continued)

(b) Company (continued)

Included in the share premium account of the Company is an amount of HK$53,719,000 which represents the difference between the nominal value of the share capital issued by the Company and the combined net assets of the subsidiaries acquired pursuant to the group reorganisation in 1993. Under the Company Law (Revised) of the Cayman Islands, a distribution may be made from the share premium account in certain circumstances.

The difference between the share premium accounts of the Company and those of the Group represents the difference between the aggregate nominal values of the share capital of the subsidiaries and their combined net assets acquired, pursuant to the group reorganisation in 1993, as detailed above.

32. BUSINESS COMBINATION

(a) Acquisition of GZ Panxi

On 7 September 2006, the Company entered into a stock purchase agreement with 廣州市荔灣區人民政府國有資產監督管理局 (the "Vendor") to acquire a 99% equity interest in GZ Panxi at a consideration of RMB38,000,000, equivalent to HK$37,242,000 (subject to adjustment), and a payment to the Vendor for compensation to staff of GZ Panxi of RMB9,500,000, equivalent to HK$9,394,000 (the "Acquisition"). GZ Panxi is engaged in the operation of a restaurant in Mainland China. The purchase consideration for the Acquisition was in the form of cash with HK$6,000,000 paid on 16 August 2006 and HK$31,242,000 paid on 12 September 2006, and the payment for staff compensation of HK$9,394,000 was paid on 10 October 2006.

32. BUSINESS COMBINATION (continued)

(a) Acquisition of GZ Panxi (continued)

The fair values of the identifiable assets and liabilities of GZ Panxi as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Prepaid land lease payments		43,929	24,242
Property, plant and equipment		24,043	8,174
Inventories		687	687
Trade receivables		306	1,568
Prepayments, deposits and other receivables		51	145
Cash and cash equivalents		509	509
Trade payables and accrued liabilities		(23,845)	(19,271)
Tax payable		(139)	(139)
Deferred tax liabilities		(10,772)	–
		34,769	15,915
Minority interest		(348)	
Goodwill on acquisition	*17*	10,105	
		44,526	
Satisfied by:			
Cash		46,636	
Other receivable arising from adjustment on consideration		(2,110)	
		44,526	

32. BUSINESS COMBINATION

(a) Acquisition of GZ Panxi (continued)

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of GZ Panxi is as follows:

	HK$000
Cash consideration	46,636
Cash and cash equivalents acquired	(509)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	46,127

Since its acquisition, the restaurant operated by GZ Panxi was under renovation, and therefore GZ Panxi had no significant contribution to the Group's revenue and consolidated profit for the year ended 31 March 2007.

Had the combination taken place at the beginning of the year, there would have been no material change to the revenue and consolidated profit of the Group for the year ended 31 March 2007.

(b) Acquisition of IFSCO Hong Kong Limited and its subsidiaries (the "IFSCO Group")

On 4 April 2005, the Company entered into a stock purchase agreement with Ai Food Company Limited (in liquidation), as represented by the trustee, Toshiaki Higashibata, to acquire a 100% equity interest in the IFSCO Group at a consideration of JPY541,600,000 (subject to adjustment) (the "Acquisition"). The Acquisition was completed on 15 May 2005. The IFSCO Group is engaged in the operation of a Japanese restaurant in Hong Kong and in the trading of Japanese food and beverages. The purchase consideration for the Acquisition was in the form of cash with JPY30,000,000 (equivalent to HK$2,164,000) paid on 4 April 2005 and the remaining JPY502,343,804 (equivalent to HK$37,115,000) being paid on 10 May 2005 and adjusted and finalised on 7 September 2005.

32. BUSINESS COMBINATION (continued)

(b) Acquisition of IFSCO Hong Kong Limited and its subsidiaries (the "IFSCO Group") (continued)

The fair value of the identifiable assets and liabilities of the IFSCO Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition	**Carrying amount**
	HK$'000	*HK$'000*
Property, plant and equipment	598	598
Inventories	5,930	5,930
Prepayments, deposits and other receivables	3,674	3,674
Trade receivables	13,981	13,981
Cash and cash equivalents	23,008	23,008
Trade payables and accrued liabilities	(3,974)	(3,974)
Tax payable	(639)	(639)
	42,578	42,578
Excess over the cost of a business combination recognised in the income statement	(3,299)	
Satisfied by cash	39,279	

32. BUSINESS COMBINATION (continued)

(b) Acquisition of IFSCO Hong Kong Limited and its subsidiaries (the "IFSCO Group") (continued)

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of IFSCO Group is as follows:

	HK$'000
Cash consideration	(39,279)
Cash and cash equivalents acquired	23,008
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(16,271)

Since its acquisition, the IFSCO Group contributed HK$85,640,000 to the Group's revenue and HK$2,862,000 to the consolidated profit for the year ended 31 March 2006. The negative goodwill of HK$3,299,000 arose from a bargain purchase and was included in "Other income and gains" on the face of consolidated income statement.

Further details of the Acquisition were set out in the Group's circular to the shareholders dated 26 April 2005.

(c) Acquisition of 上海升誠貿易有限公司 ("SH Sheng Cheng")

On 20 October 2005, the Group acquired a 100% interest in SH Sheng Cheng. SH Sheng Cheng is engaged in the trading of snack foods, confectionery and beverages. The purchase consideration for the acquisition was in the form of cash of RMB80,000, equivalent to HK$77,000.

32. BUSINESS COMBINATION (continued)

(c) Acquisition of 上海升誠貿易有限公司 ("SH Sheng Cheng") (continued)

The fair values of the identifiable assets and liabilities of SH Sheng Cheng as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment		164	164
Cash and cash equivalents		487	487
Due from fellow subsidiaries		–	2,056
Trade receivables		13,664	15,017
Inventories		5,091	5,237
Prepayments, deposits and other receivables		576	605
Due to fellow subsidiaries		(26,840)	(25,332)
Trade payables and accrued liabilities		(6,614)	(6,614)
Tax payable		(149)	(149)
		(13,621)	(8,529)
Goodwill on acquisition	17	13,698	
Satisfied by other payables		77	

32. BUSINESS COMBINATION (continued)

(c) Acquisition of 上海升誠貿易有限公司 ("SH Sheng Cheng") (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of SH Sheng Cheng is as follows:

	HK$'000
Cash and cash equivalents acquired	487

Since its acquisition, SH Sheng Cheng contributed HK$42,726,000 to the Group's revenue and HK$3,239,000 to the consolidated profit for the year ended 31 March 2006. Goodwill of HK$13,698,000 mainly arose on the distribution network of SH Sheng Cheng. The distribution network of SH Sheng Cheng was not recognised as an intangible asset as its fair value cannot be measured reliably.

Had the acquisitions of the IFSCO Group and SH Sheng Cheng taken place at the beginning of year ended 31 March 2006, the revenue of the Group and the profit of the Group for the year ended 31 March 2006 would have been HK$1,775,195,000 and HK$87,572,000, respectively.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in these financial statements were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**721**	822	**–**	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**1,304,000**	1,292,800
Associates	**23,400**	23,400	**23,400**	23,400
Guarantees given to third parties in connection with lease payments for lease agreements entered into by a subsidiary	**–**	–	**21,572**	20,822
	24,121	24,222	**1,348,972**	1,337,022

As at 31 March 2007, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$532,255,000 (2006: HK$581,675,000), and the banking facilities guaranteed by the Company and the Group to associates were utilised to the extent of approximately HK$14,989,000 (2006: HK$17,429,000) in aggregate.

34. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment property (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for a term of two years.

At 31 March 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its associate falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**174**	667
In the second to fifth years, inclusive	**–**	167
	174	834

(b) As lessee

The Group leases certain land and buildings under operating lease arrangements. Leases are negotiated for terms ranging from one to fifty years. The Group has the option of extending the leases by up to three years in certain operating lease arrangements.

At 31 March 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**38,569**	68,708
In the second to fifth years, inclusive	**60,863**	58,895
After five years	**1,822**	1,789
	101,254	129,392

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had capital commitments in respect of property, plant and equipment as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Authorised, but not contracted for	**881**	–
Contracted, but not provided for	**12,949**	8,406
	13,830	8,406

36. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the year:

		2007	2006
	Notes	***HK$'000***	*HK$'000*
Purchases of goods from associates	*(i)*	**366,587**	355,532
Sales of goods to associates	*(ii)*	**12,267**	14,891
Promotion expenses reimbursed by associates	*(iii)*	**14,528**	12,254
Rental income from an associate	*(iv)*	**701**	699

36. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The cost of purchases from associates was determined by reference to the prevailing market prices.

(ii) The selling prices of sales to associates were determined by reference to prices and conditions similar to those offered to other major customers.

(iii) The promotion expenses reimbursed by associates were determined by reference to the costs incurred by the Group.

(iv) The rental income from an associate was determined between the Group and the associate.

(b) Other transactions with related parties:

The Group has executed guarantees in favour of certain banks for banking facilities granted to its associates to the extent of HK$23,400,000 (2006: HK$23,400,000), as further detailed in note 33 to the financial statements.

(c) Outstanding balances with related parties:

(i) Details of the amounts due from associates to the Group at the balance sheet date are included in note 20 to the financial statements.

(ii) Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in notes 24 and 26 to the financial statements.

36. RELATED PARTY TRANSACTIONS (continued)

(d) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**13,542**	8,203
Pension scheme contributions	**489**	389
	14,031	8,592

Further details of directors' emoluments are included in note 8 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, interest-bearing bank borrowings, trade receivables, other receivables, trade payables and other payables and cash and cash equivalents. Details of these financial instruments are disclosed in respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank borrowings, as the majority of the Group's interest-bearing bank borrowings bears interests on a floating rate basis. Currently, the Group has not entered into any interest rate hedging instruments. However, the Group is regularly reviewing and monitoring the potential interest rate risk in the market and will consider any measures if the need arises. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 27 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group is exposed to foreign currency risk as several subsidiaries of the Company have foreign currency sales and purchases, while the Group has certain trade receivables, trade payables and interest-bearing bank borrowings that are dominated in currencies other than the functional currencies of the respective group entities. The currencies involved are primarily Japanese yen ("JPY"), Renminbi ("RMB") and the United States dollar ("US$"). As the rates of exchange between the Hong Kong dollar and RMB and US$ fluctuate within a close range, the Group currently does not have a foreign currency hedging policy against these two currencies. During the year, the Group entered into forward foreign exchange contracts with financial institutions to partially hedge the potential currency risk of JPY. At the year end, the Group did not have any outstanding forward foreign exchange contracts for hedging its JPY exposure. Nevertheless, management is regularly reviewing and monitoring the foreign currency exposure of the Group and will consider hedging foreign currency exposure should the need arise.

Credit risk

The Group's credit risk is primarily attributable to time deposits, receivables from customers and counterparty financial obligations of financial instruments. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet.

For trading customers, credit limits and credit approvals are part of the normal process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

To mitigate counterparty credit risk, the Group's liquid funds and time deposits are only placed with and financial instruments are only entered with banks with high credit ratings.

The Group has no significant concentration of credit risk, with its exposure to credit risk spreading over a number of counterparties and customers.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. As at the year end, the Group had cash and cash equivalents amounting to HK$360,998,000 and a total banking facility amount of HK$1,271,881,000, of which 43% were utilised. Management considers that, with the Group's abundant banking facilities and cash and cash equivalents, the Group's liquidity risk arising from the inability to raise funds for its operations is manageable.

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally the available-for-sale investments.

Such investments are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments trading in the market.

The Group's price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans, and a limit on investments in each sector and market.

38. POST BALANCE SHEET EVENT

Subsequent to balance sheet date, the Group entered into a sale and purchase agreement to acquire a property located in Hong Kong at a consideration of HK$28,600,000 before expenses. The transaction was completed on 13 July 2007.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2007.

Particulars of Property

31 March 2007

INVESTMENT PROPERTY

Location	Use	Tenure	Percentage of attributable interest of the Group
Levels 1 and 2 (west portion) of Four Seas Group Guangdong Headquarter Building Complex, Yuepu South Industrial Zone, Shantou, Guangdong Province, The People's Republic of China	Industrial	Medium term lease	100

Four Seas Mercantile Holdings Limited
FOUR SEAS GROUP BUILDING, NO. 1 HONG TING ROAD, SAI KUNG, HONG KONG
TELEX: 34174 FSML HX CABLE: TAIFSML FAX: 2799 2632
TELEPHONE: 2799 9777 (MAIN SWITCHBOARD)