Stock Code 股份代號：60

年報
ANNUAL REPORT

Four Seas Food Investment Holdings Limited
四洲食品投資控股有限公司

Contents

Corporate Information

BOARD OF DIRECTORS

TAI Tak Fung, Stephen *(Chairman)*
Takeshi NOMAGUCHI *(Managing Director)*
MAN Wing Cheung, Ellis
YIP Wai Keung
TSE Siu Wan
LAI Yuk Chuen
TAI Chun Leung
CHAN Kay Cheung*
LAN Yee Fong, Steve John*
LUI Shing Ming, Brian*

* *Independent non-executive directors*

COMPANY SECRETARY

LEUNG Tin Chi

REGISTERED OFFICE

Four Seas *e*Food Centre
No. 2 Hong Ting Road
Sai Kung
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Abacus Share Registrars Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
Mizuho Corporate Bank Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
CITIC Ka Wah Bank Limited
KBC Bank N.V.
Calyon
China Construction Bank Corporation
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited

SOLICITORS

Johnson Stokes & Master
17th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Chairman's Statement

Dr. TAI TAK FUNG, Stephen, SBS, JP, *Chairman*

RESULTS

On behalf of the Board, I would like to announce that the Group's turnover was HK$484,269,000 (2006: HK$537,547,000) for the year ended 31 March 2007. Profit attributable to equity holders of the Company was HK$34,802,000 (2006: HK$17,400,000) while earnings per share were HK13.41 cents (2006: HK6.72 cents).

DIVIDENDS

The board of directors has recommended the payment of a final dividend of HK3.0 cents per ordinary share (2006: HK3.0 cents) with respect to the financial year ended 31 March 2007. Subject to the 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 HK1.0 cent per share, the total dividends distribution for the year ended 31 March 2007 will be HK4.0 cents per share (2006: HK4.0 cents).

Chairman's Statement

Frozen Meat Products

BUSINESS REVIEW

In the past year, the environment of frozen meat trading was volatile. The selling prices were affected by the keen price competition in the industry. Nevertheless, attributable to the Group's good reputation in the frozen meat market, strong financial strength, a wealth of frozen meat trading experience, wide customer network and good relationship with customers as well as cautious purchasing strategy, the gross profit of frozen meat trading improved despite a decrease of turnover during the year.

Apart from the frozen meat trading business, the Group also holds equity interests in Four Seas Mercantile Holdings Limited ("FSMHL"), with a view of diversifying the Group's food business investment and portfolio, and therefore providing a stable return to the Group. As at 31 March 2007, FSMHL contributed to the Group a share of profits of HK$29,725,000 (2006: HK$25,963,000), representing an increase of approximately 14%.

Frozen Meat Trading

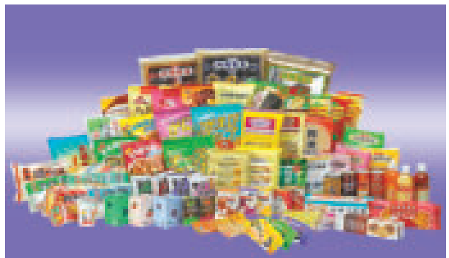
Frozen meat trading is the core business of the Group and its products continue to be well-received by its customers. During the year, owing to worldwide increase in demand of frozen meat, supplies in the market was tight. Coupled with the soaring prices of animal feed, the purchasing cost of frozen meat persistently stayed at high level globally, which in turn led to an unfavourable operating environment of frozen meat trading. Meanwhile, due to keen competition in the industry, the selling prices were unable to go up accordingly.

Chairman's Statement

Nevertheless, the Group endeavored to reduce the impact by leveraging its wealth of frozen meat trading experience, comprehensive distribution network, prudent purchasing strategy, efficient costs control and improved overall operation to strengthen its competitiveness in the market. Although turnover decreased due to the unfavourable factors, the Group successfully controlled the purchasing costs through the implementation of prudent purchasing strategy which improved its gross profit and thus reducing the influence of decreasing turnover to profits.

Food Investment

FSMHL is one of the distinct and largest food enterprises in Hong Kong and has a leading position in the food industry, with business segments of food distribution, food manufacturing, Four Seas brand products development and catering. Through equity investment in FSMHL, the Group is able to share the profits so as to stabilise the Group's earnings. As at 31 March 2007, the Group's equity interests in FSMHL increased to approximately 28.19%.



Four Seas brand products

Food Distribution

FSMHL distributes various famous and high quality food products sourced from many countries over the world. In the past year, the development of food distribution performed well through its incredible reputation, comprehensive distribution channels, broad customer base, aggressive marketing strategies, and close relationship with customers. In the meantime, FSMHL was awarded "The Best Supplier", "Flying Dragon Award", "Flying Brand Award" and "Best Relationship" supplier award. Furthermore, FSMHL has been growing aggressively its extensive retailing network of Okashi Land specialty chain shops for imported trendy snacks and its own Four Seas brand products and therefore enjoys high popularity in Hong Kong. FSMHL has not only been awarded the "Hong Kong Top Service Brand", but also received "The Fourth Hong Kong & Macau Integrity Award" from Guangzhou Daily. All of these accolades indicate high recognitions from customers across Hong Kong and Mainland China.

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

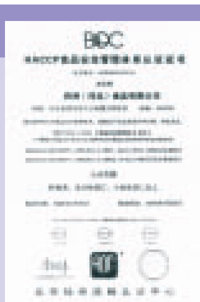
Four Seas brand has been awarded "Flying Brand Award" by 7-Eleven

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

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"

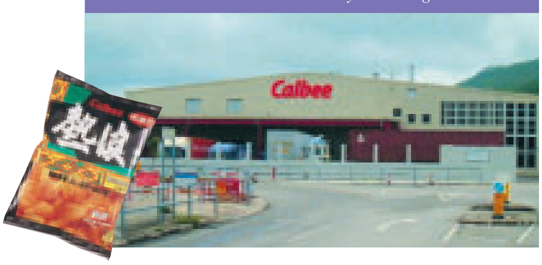
Four Seas has been awarded "Asia Management Innovation Award"

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

Food Manufacturing

FSMHL has 18 food factories in both Hong Kong and Mainland China and has implemented its "integrated business model" by incorporating every aspect of the supply chain from raw materials to manufacturing. Aiming at excelling the quality of food products, FSMHL has undergone vigorous programs to elevate the product and management quality of these factories. On distribution and retail, great efforts have also been placed on promoting the high quality of self-produced products. Currently, these factories produce a wide range of high value-added products including seaweed, candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, ham and sausages, biscuits, cake and bread, chestnuts and frozen dim sums. Accolades won for food production of FSMHL include "Creditable-

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

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

Quality Food Products in Nation", "Creditable-Quality Enterprises", "Certified for the Q-Mark Scheme for over Ten Years", "Fresh Check Food Safety Certificate Grade A Award", "Hong Kong Outstanding Enterprise Award 2006", "Asia Management Innovation Award", "China Food Industry Outstanding Contribution Award", "China Independent Innovation and Brand Building Award" and "HACCP Food Safety Management System Accreditation Certification". During the year, FSMHL has expanded its production capacity by adding new production facilities including Tsun Fat (Huizhou) Biscuit Factory Limited and Nico Four Seas (Shantou) Co., Ltd. In addition, Four Seas Confectionery (Shantou) Company Limited has installed a production line of marshmallow products.

Title sponsored "Liu Chia Chang Music Alive 2006"

Four Seas Brand

FSMHL has endeavored to strengthen the Four Seas brand identity and image. Over the year, FSMHL sponsored the "Liu Chia Chang Music Alive 2006" concert; organised the third "Four Seas Cup" Guangdong, Hong Kong and Macau Cantonese Opera Contest and sponsored "Four Seas 35th Anniversary Gala" special program in order to strengthen the image of Four Seas brand. During the year, FSMHL won various prestigious awards, including "The Best Brand Enterprise Award", "Hong Kong Premier Brand", "The Most Popular Brand On-line" and honour award of the "Entrepreneurs in Action" program. Furthermore, the high quality of products from its own international standard factories also greatly enhances the popularity of Four Seas brand products in Mainland China.

Catering Business

FSMHL's catering business, including Japanese chain restaurants Pokka Café, traditional Japanese specialty restaurant, authentic Japanese curry specialist restaurant and exclusive

Curry Monogatari

Kung Tak Lam Shanghai Vegetarian Cuisine

Pokka Café

Chairman's Statement

vegetarian cuisine restaurant, developed satisfactorily during the year. The Pokka Café chain, a joint venture with Pokka Corporation of Japan, is highly appealed to customers and contributed to good performance during the year. Kung Tak Lam Shanghai Vegetarian Cuisine Limited, one of the largest Shanghai vegetarian restaurants in Hong Kong, is popular amongst customers through its persistent promotional activities and frequently introducing of innovative cuisines. FSMHL has ever been seeking opportunities to explore the catering market in Mainland China and successfully acquired a renowned restaurant – Panxi Restaurant which is one of the largest garden restaurants throughout Mainland China. This acquisition further consolidates FSMHL's catering business by reaping the benefits of synergy. Moreover, this allows FSMHL to bring in a new source of revenue by distributing the high quality dim sums to the market by leveraging its distribution network in Mainland China and Hong Kong. Besides, New Kondo Trading Company Limited, a Japanese catering food materials supplier with over 37 years of industry experience, continued to perform satisfactorily and contributed steady income to FSMHL during the year.

PROSPECTS

Looking ahead, the Group continues to commit to actively develop more high quality products to increase its product varieties, expanding its sales network and clientele. Through prudent purchasing strategy and flexible sales management, the Group will strive to consolidate its leadership position to reduce the impact of unfavourable external market factors so as to increase its revenue in frozen meat trading.

The rapid economic growth in Mainland China and the thriving economy in Hong Kong will continue to accelerate the spending sentiment of consumers and benefit the Group's frozen meat trading business. The Group will capitalise on this opportunity to enhance the development of its business. Furthermore, the long-term investment of equity interests in FSMHL will continue to provide a stable return to the Group.

APPRECIATION

I would like to take this opportunity to express my gratitude to the shareholders for their full support in the past year. Equally, I wish to thank the management and all the staff for their diligence and dedication to the Group in the past year.

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

Hong Kong, 20 July 2007

Profiles of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Dr. TAI Tak Fung, Stephen, *SBS, JP, PhD (honoris causa)*, aged 59, has been an executive director of the Company since May 1997. Dr. TAI is the 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 founder and chairman of Four Seas Mercantile Holdings Limited ("FSMHL"), an associated corporation of the Company and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of Careful Guide Limited and Special Access Limited, the substantial shareholders of the Company.

Mr. Takeshi NOMAGUCHI, aged 59, has been an executive director of the Company since June 1997. Mr. NOMAGUCHI is the Managing Director of the Group, responsible for the overall management planning and control. Mr. NOMAGUCHI is a graduate of Kyushu University in Japan. Prior to joining the Group, he worked for Mitsubishi Corporation, Japan for 26 years where he gained extensive experience in trading of meat and livestock. Mr. NOMAGUCHI joined the Group in 1997.

Profiles of Directors and Senior Management

Mr. MAN Wing Cheung, Ellis, aged 51, has been an executive director of the Company since July 1995. Mr. MAN is the deputy managing director of the Group, responsible for corporate finance, accounting, information technology, project investments and general administration 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 FSMHL.

Mr. YIP Wai Keung, aged 57, has been an executive director of the Company since May 1997. Mr. YIP is responsible for the business development of the Group. Prior to joining the Group, Mr. YIP was responsible for marketing and promotion activities in a Japanese food company in Hong Kong. He has extensive experience in sales and marketing. Mr. YIP joined the Group in 1997. He is also a director of FSMHL.

Mr. TSE Siu Wan, aged 46, has been an executive director of the Company since August 1992. Mr. TSE is responsible for the food quality control of the Group. He has extensive experience in food manufacturing and factory production management. Mr. TSE joined the Group in 1980. He is also a director and the general manager of Hong Kong Ham Holdings Limited, a wholly-owned subsidiary of FSMHL.

Mr. LAI Yuk Chuen, aged 52, has been an executive director of the Company since July 1995. Mr. LAI is responsible for strategic sales, marketing and purchasing management of the Group. He has extensive experience in trading and marketing. Mr. LAI joined the Group in 1984.

Mr. TAI Chun Leung, aged 33, has been an executive director of the Company since February 2004. Mr. TAI is responsible for information technology and business development of the Group. He received his Bachelor of Commerce degree from Macquarie University in Australia and a Master of Business Administration degree from Southern California University for Professional Studies in the United States. He worked for an international accounting firm and joined the Group in 1998. Mr. TAI possesses various experiences in information technology, finance, sales, marketing, merchandising and food manufacturing. He is the son of Dr. TAI Tak Fung, Stephen, an executive director of the Company.

Profiles of Directors and Senior Management

Independent Non-executive Directors

Mr. CHAN Kay Cheung, aged 60, has been an independent non-executive director of the Company since October 1995. He is currently an adviser to The Bank of East Asia, Limited and Vice Chairman of The Bank of East Asia (China) Limited. He possesses extensive knowledge and experience in the banking industry. Mr. CHAN is a fellow member of the Hong Kong Institute of Bankers, advisory committee member on the Quality Migrant Admission Scheme of the Hong Kong Immigration Department and an international senior economic consultant of The People's Government of Shaanxi Province. He is also an independent non-executive director of China Electronics Corporation Holdings Company Limited, Chu Kong Shipping Development Company Limited and China Central Properties Limited.

Mr. LAN Yee Fong, Steve John, aged 66, has been an independent non-executive director of the Company since January 1998. He was the chairman of Evergreen Consultants Limited, president of Inswire Insurance Brokers and chairman of Zurich Financial Services Group, Hong Kong. Mr. LAN is a director of the Hong Kong Tuberculosis, Chest and Heart Diseases Association. He is also working on the Hospital Governing Committees of Ruttonjee Hospital, Tang Shiu Kin Hospital and Granham Hospital in Hong Kong. Mr. LAN is now the chairman of management committee of Freni Care and Attention Home. He is a graduate of The University of Hong Kong and a fellow of Chartered Insurance Institute. Mr. LAN has extensive experience in the insurance industry with intensive involvement in corporate development.

Mr. LUI Shing Ming, Brian, aged 47, has been an independent non-executive director of the Company since September 2004. Mr. LUI is currently the managing director of Cheong Ming Investments Limited, a company listed on the main board of the Stock Exchange. Mr. LUI holds a Master's Degree in Commerce from the University of New South Wales, Australia. He is a fellow member of both the CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Senior Management

Mr. LEUNG Tin Chi, aged 43, is the financial controller and company secretary, qualified accountant, responsible for finance, accounting and company secretarial affairs. Mr. LEUNG holds a Bachelor of Business degree from Swinburne University of Technology in Australia. He is also a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. LEUNG has extensive accounting experience. He joined the Group in 1994.

Report of the Directors

The directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in Note 17 to the consolidated financial statements.

An analysis of the Group's performance for the year by geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

The directors declared an interim dividend of HK1.0 cent per ordinary share, totalling HK$2,596,000 which was paid on 8 February 2007.

The directors recommend the payment of a final dividend of HK3.0 cents per ordinary share, totalling HK$7,788,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 28 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 March 2007, calculated under section 79B of the Companies Ordinance, amounted to HK$104,650,000 (2006: HK$114,846,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

SHARE OPTION SCHEME

The old share option scheme adopted by the Company on 27 November 1992 was terminated on 2 September 2002.

At the annual general meeting held on 2 September 2002, a new share options scheme (the "Scheme") of the Company was approved and adopted by the shareholders of the Company to comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(a) Details of the Scheme are as follows:

(i) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

(ii) Qualifying participants

Any employee including any executive director or non-executive director of the Company, its subsidiaries or any invested entity.

Report of the Directors

SHARE OPTION SCHEME (continued)

(a) Details of the Scheme are as follows: (continued)

(iii) Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue on the date of approval of the Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. No options may be granted under the Scheme or any other share option schemes of the Company if this will result in such limit being exceeded. As at 31 March 2007, the number of shares available for issue under the Scheme is 25,533,600 shares.

(iv) Limit for each participant

The total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including both exercised or outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

(v) Option period

On and subject to the terms of the Scheme the Board shall be entitled at any time within 10 years, or such other period as the Board may from time to time determine subject to the Listing Rules applicable for the time being, after the adoption date to offer the grant of an option to any participant as the Board may in its absolute discretion select.

(vi) Amount payable an application or acceptance

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate of the offer letter comprising acceptance of the option duly signed by the grantee together with a remittance of HK$1.00 in favour of the Company by way of consideration for the grant thereof is received by the Company within 28 days from the date of the offer letter issued by the Company. Such remittance shall in no circumstances be refundable.

SHARE OPTION SCHEME (continued)

(a) Details of the Scheme are as follows: (continued)

(vii) Subscription price

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the making of the offer but in any case the subscription price shall not be less than the highest of:

(a) The closing price of the Company's shares as stated in the Stock Exchange of Hong Kong Limited's (the "Stock Exchange") daily quotations sheet on the offer date, which must be a trading day;

(b) The average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and

(c) The nominal value of the Company's shares.

(viii) The remaining life of the Scheme

The Board shall be entitled at any time within 10 years between 2 September 2002 and 1 September 2012 to offer the grant of an option to any qualifying participant.

(b) Share options

The Company did not have any outstanding options at the beginning and at the end of the year. During the year, no options have been granted under the Scheme.

Report of the Directors

DIRECTORS

The directors during the year were:

TAI Tak Fung, Stephen *(Chairman)*
Takeshi NOMAGUCHI *(Managing Director)*
MAN Wing Cheung, Ellis
YIP Wai Keung
TSE Siu Wan
LAI Yuk Chuen
TAI Chun Leung
CHAN Kay Cheung*
LAN Yee Fong, Steve John*
LUI Shing Ming, Brian*

* *Independent non-executive directors*

In accordance with Article 105(A) of the Company's Articles of Association, Mr. YIP Wai Keung, Mr. TAI Chun Leung, Mr. CHAN Kay Cheung and Mr. LAN Yee Fong, Steve John retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held on 12 September 2007 (the "AGM").

DIRECTORS' SERVICE CONTRACTS

Mr. YIP Wai Keung has entered into a service contract with the Company for an initial term of two years commencing on 1 April 2006 and will continue thereafter until terminated by either party by serving a notice in writing to the other of not less than three calendar months in accordance with the terms of the service contract.

Mr. TAI Chun Leung has entered into a service contract with the Company for an initial term of two years commencing on 1 April 2006 and will continue thereafter until terminated by either party by serving a notice in writing to the other of not less than three calendar months in accordance with the terms of the service contract.

Save as disclosed above, none of the directors who are proposed for re-election at the AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company and its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on pages 9 to 11.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2007, the interests and short positions of the directors and chief executives of the Company (including those interests and short positions which were taken or deemed to have been taken under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company or as otherwise 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:

(a) Interests in shares of the Company

	Number of shares held				
Name of director	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Total interests	Total interests as % of the relevant issued share capital
TAI Tak Fung, Stephen	6,730,000	53,095,177 (i)	30,914,000 (ii)	90,739,177	34.95%
YIP Wai Keung	736,360	–	–	736,360	0.28%
TAI Chun Leung	–	–	30,914,000 (iii)	30,914,000	11.91%
CHAN Kay Cheung	800,000	–	–	800,000	0.31%
LAN Yee Fong, Steve John	800,000	–	–	800,000	0.31%

Notes:

(i) Out of the 53,095,177 shares, 187,927 shares, representing 0.072% of the Company's issued share capital, are beneficially owned by Four Seas Mercantile Holdings Limited ("FSMHL"). Special Access Limited ("SAL") and Careful Guide Limited ("CGL") which in aggregate hold more than one-third of the issued share capital of FSMHL. SAL is wholly owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly; whereas CGL is 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. Accordingly, Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in those 187,927 shares of the Company's issued share capital held by FSMHL. The remaining 52,907,250 shares, representing 20.38% of the Company's issued share capital, are owned by SAL, and Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are therefore deemed to have interests therein.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)

(a) Interests in shares of the Company (continued)

Notes: (continued)

(ii) 30,914,000 shares, representing 11.91% of the Company's issued capital, are owned by 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. Thus Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests therein.

(iii) Such interests in the shares are held by CGL, a company controlled by the Tai Family Trust under which Mr. TAI Chun Leung is a discretionary beneficiary. As Director of the Company, Mr. TAI Chun Leung is taken to have a duty of disclosure in relation to such shares under the SFO.

(b) Interests in shares of the associated corporation

Directors' interests in the equity of FSMHL are as follows:

	Number of shares held				
Name of director	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Total interests	Total interests as % of the relevant issued share capital
TAI Tak Fung, Stephen	–	193,878,000 (i)	82,000,000 (ii)	275,878,000	69.05%
YIP Wai Keung	680,000	–	–	680,000	0.17%
TAI Chun Leung	–	–	82,000,000 (iii)	82,000,000	20.52%

Notes:

(i) Of which, 81,250,000 shares, representing approximately 20.34% of the issued share capital of FSMHL, are owned by SAL, which in turn is wholly-owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. Another 112,628,000 shares, representing 28.19% of the issued share capital of FSMHL, are owned by Capital Season Investments Limited, a company wholly-owned by Advance Finance Investments Limited ("AFIL"). Since AFIL is wholly owned by the Company, which in turn Dr. TAI Tak Fung, Stephen, SAL, CGL and FSMHL in aggregate hold more than one-third of the issued share capital of the Company. Therefore, Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in 112,628,000 shares of FSMHL.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)

(b) Interests in shares of the associated corporation (continued)

Notes: (continued)

(ii) The shares, which represent 20.52% of the issued share capital of FSMHL, are owned by 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. Thus Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests therein.

(iii) Such interests in the shares are held by CGL, a company controlled by the Tai Family Trust under which Mr. TAI Chun Leung is a discretionary beneficiary.

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 or chief executives of the Company had, or were deemed under the SFO to have, any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation" and "Share Option Scheme" above, at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2007, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the directors and chief executives of the Company) had interests, being 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company:

	Number of shares held					
Name	Direct/ Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Total Interests	Total interests as % of the relevant issued share capital
SAL	52,907,250 (i)	–	–	–	52,907,250	20.38%
CGL	–	–	–	30,914,000 (iv)	30,914,000	11.91%
WU Mei Yung, Quinly	–	6,730,000 (ii)	53,095,177 (iii)	30,914,000 (iv)	90,739,177	34.95%
HSBC International Trustee Limited	–	–	–	30,914,000 (v)	30,914,000	11.91%

Notes:

(i) SAL is wholly owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

(ii) The shares, which represent 2.59% of the issued share capital of the Company, are beneficially held by Dr. TAI Tak Fung, Stephen. Therefore, his spouse Dr. WU Mei Yung, Quinly is deemed to have interests therein. This interest is also included as personal interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes: (continued)

(iii) Out of the 53,095,177 shares, 187,927 shares, representing 0.072% of the Company's issued share capital, are beneficially owned by FSMHL. SAL and CGL which in aggregate hold more than one-third of the issued share capital of FSMHL. SAL is wholly-owned by Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly; whereas CGL is 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. Accordingly, Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are deemed to have interests in those 187,927 shares of the Company's issued share capital held by FSMHL. The remaining 52,907,250 shares, representing 20.38% of the Company's issued share capital, are owned by SAL, and Dr. TAI Tak Fung, Stephen and his spouse Dr. WU Mei Yung, Quinly are therefore deemed to have interests therein. This interest is also included as corporate interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

(iv) CGL is 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 Dr. WU Mei Yung, Quinly. This interest is also included as trust and similar interests of Dr. TAI Tak Fung, Stephen in "Directors' and Chief Executives' Interests and Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporation".

(v) HSBC International Trustee Limited is the trustee of the discretionary trust, the Tai Family Trust, referred to in Note (iv) above.

All the interests stated above represent long positions in the shares of the Company. Other than as disclosed above, as at 31 March 2007, the Company had not been notified of any persons (other than the directors or chief executives of the Company) who had an interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases for the year attributable to the Group's major suppliers are as follows:

	2007	2006
	%	%
Purchases		
– the largest supplier	**82**	76
– five largest suppliers combined	**91**	91

None of the directors, their associated companies or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers noted above at any time during the year.

The aggregate percentage of sales attributable to the Group's five largest customers is less than 30% of the total sales during the year and therefore no additional disclosure with regard to major customers are made.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31 March 2007, which do not constitute connected transactions under the Listing Rules, are disclosed in Note 32 to the consolidated financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of the Group's bank loans and other borrowings are set out in Note 26 to the consolidated financial statements. The Group had no bank overdrafts as at 31 March 2007.

LIQUIDITY AND FINANCIAL RESOURCES

Operating revenue was the Group's major source of funds during the financial year. As at 31 March 2007, the Group had cash and cash equivalents of approximately HK$51 million (2006: HK$52 million) whilst trade credit facilities were utilised to the extent of approximately HK$56 million (2006: HK$77 million), representing approximately 11% (2006: 14%) of the total banking facilities of HK$492 million (2006: HK$541 million).

The Group had a gearing ratio of 0.14 (2006: 0.20) as at the balance sheet date. Gearing is expressed as total bank borrowings to shareholders' funds.

LIQUIDITY AND FINANCIAL RESOURCES (continued)

Bank borrowings of the Group comprised trust receipt loans which were denominated in Hong Kong dollar. Risk in exchange rate fluctuations will not be material. The trust receipt loans were obtained to finance the purchase of meat products from overseas.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group had no significant contingent liabilities.

RETIREMENT BENEFIT COSTS

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into a mandatory provident fund scheme (the "MPF Scheme").

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. The Group made contributions to the MPF Scheme at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,000 per employee per month or at a rate above 5% of the employees relevant income as determined by the Group. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The Group's contribution to the MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

STAFF EMPLOYMENT

Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Share options were granted to the senior executives in reward for their outstanding performance in management and operation. At 31 March 2007, the Group employed a total of 55 full-time employees.

AUDIT COMMITTEE

The responsibilities of the Audit Committee and the work done during the year are set out in the Corporate Governance Report on pages 25 to 35 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on pages 25 to 35 of this Annual Report.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

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

Hong Kong, 20 July 2007

The board of directors (the "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 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 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.

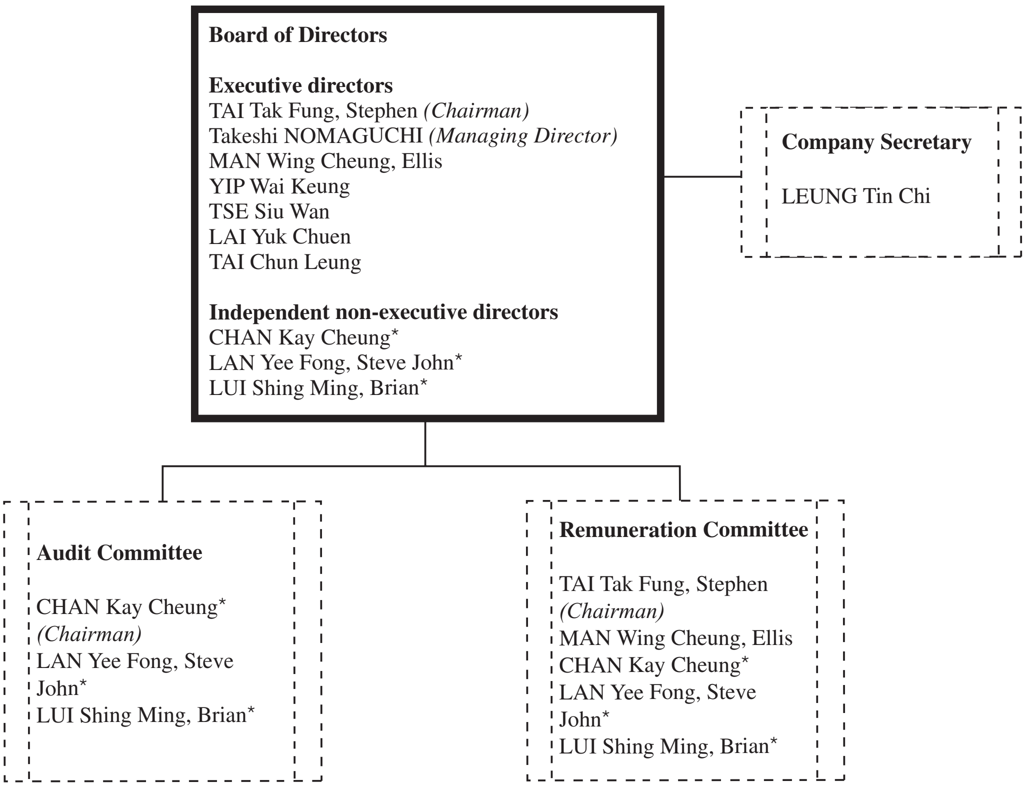
The Company has formalised a written guideline for the division of responsibilities between the Board and management. Certain responsibilities or functions have been delegated by the Board to the management which include the day-to-day business operation of the Group, execution of corporate strategies, 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.

Corporate Governance Report

THE BOARD (continued)

Board Composition

The Board of the Company comprised ten directors, of which seven are executive directors and three 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:



* *Independent non-executive director*

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 four 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 meeting	No. of attendance	Average attendance rate (%)
Executive directors			
TAI Tak Fung, Stephen *(Chairman)*	4	4	100%
Takeshi NOMAGUCHI *(Managing Director)*	4	4	100%
MAN Wing Cheung, Ellis	4	4	100%
YIP Wai Keung	4	4	100%
TSE Siu Wan	4	4	100%
LAI Yuk Chuen	4	4	100%
TAI Chun Leung	4	4	100%
Independent non-executive directors			
CHAN Kay Cheung	4	3	75%
LAN Yee Fong, Steve John	4	4	100%
LUI Shing Ming, Brian	4	4	100%

Corporate Governance Report

THE BOARD (continued)

Board Meeting (continued)

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 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, in 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.

Director's 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 three 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 a written annual confirmation from each independent non-executive director of his independence and the Company considers the existing independent non-executive directors to be independent under the 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.

THE BOARD (continued)

Director's 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.

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 the 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 have not been appointed for a specific term but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company. 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 CG Code.

Corporate Governance Report

THE BOARD (continued)

Director's 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 internal between 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 Mr. Takeshi NOMAGUCHI 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. He 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 two committees, namely, the Audit Committee and 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.

Audit Committee

The Audit Committee was established in October 1999 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 Mr. CHAN Kay Cheung *(Chairman of the Audit Committee)*, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian.

THE BOARD (continued)

Board Committees (continued)

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

Relationship with the Company's external 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 policy on the engagement of external auditors to supply non-audit services;

Review of financial information of the Company

(d) to monitor the integrity of financial statements of the Company, review the Company's 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 the Company's 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 review the Group's financial and accounting policies and practices;

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

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

(k) 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

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

Corporate Governance Report

THE BOARD (continued)

Board Committees (continued)

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 financial statements for the six months ended 30 September 2006 and the consolidated financial statements for the year ended 31 March 2006 of the Group. 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 members during the year are set out below:

Name of the committee members	No. of Audit Committee meeting	No. of attendance	Average attendance rate (%)
CHAN Kay Cheung *(Chairman of the Audit Committee)*	2	2	100%
LAN Yee Fong, Steve John	2	2	100%
LUI Shing Ming, Brian	2	2	100%

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 two executive directors, namely, Dr. TAI Tak Fung, Stephen *(Chairman of the Remuneration Committee)* and Mr. MAN Wing Cheung, Ellis and three independent non-executive directors, namely, Mr. CHAN Kay Cheung, Mr. LAN Yee Fong, Steve John and Mr. LUI Shing Ming, Brian.

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

(a) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(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;

THE BOARD (continued)

Board Committees (continued)

Remuneration Committee (continued)

(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 require shareholders' approval under the Listing Rules.

The Remuneration Committee had its meeting in March 2007 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 in note 14 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 meeting	No. of attendance	Average attendance rate (%)
Executive directors			
TAI Tak Fung, Stephen *(Chairman of the Remuneration Committee)*	1	1	100%
MAN Wing Cheung, Ellis	1	1	100%
Independent non-executive directors			
CHAN Kay Cheung	1	1	100%
LAN Yee Fong, Steve John	1	1	100%
LUI Shing Ming, Brian	1	1	100%

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 dealing 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 ("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 Group 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 consolidated financial statements have been prepared on a going concern basis.

The Board is also responsible for presenting a balanced, clear and understandable assessment on 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 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, PricewaterhouseCoopers ("PwC"), are set out in the Auditors' Report on pages 36 to 37 of this Annual Report.

External Auditors' Remuneration

PwC have been re-appointed as the Company's external auditors by shareholders at the 2006 annual general meeting until the conclusion of the AGM. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements.

For the year ended 31 March 2007, PwC received approximately HK$550,000 (31 March 2006: HK$520,000) for audit and related services and HK$79,000 (31 March 2006: HK$95,000) for other non-audited 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 implementing 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 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.

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 are 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 annual general meeting.

Independent Auditor's Report

PRICEWATERHOUSECOOPERS
羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FOUR SEAS FOOD INVESTMENT HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Four Seas Food Investment Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 87, 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 consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance 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.

Auditor's responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 auditor considers 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 consolidated 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 Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Turnover	5	**484,269**	537,547
Cost of sales	7	**(448,562)**	(519,518)
Gross profit		**35,707**	18,029
Other gains	6	**11,046**	11,357
Selling and distribution expenses	7	**(3,976)**	(4,487)
Administrative expenses	7	**(32,791)**	(30,200)
Operating profit/(loss) before finance costs		**9,986**	(5,301)
Finance costs	8	**(3,894)**	(5,897)
Share of profits of associated companies		**29,725**	25,963
Profit before tax		**35,817**	14,765
Income tax (expense)/credit	9	**(1,015)**	2,635
Profit attributable to equity holders of the Company	10	**34,802**	17,400
Dividends	11	**10,384**	10,384
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	12	**HK13.41 cents**	HK6.72 cents
– diluted	12	**HK13.41 cents**	HK6.72 cents

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

Balance Sheets

As at 31 March 2007

		Group		Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	16	**55,516**	57,417	**–**	–
Leasehold land	15	**31,770**	32,340	**–**	–
Interests in subsidiaries	17	**–**	–	**248,295**	254,231
Interests in associated companies	18	**236,582**	203,751	**–**	–
Deferred income tax assets	29	**2,966**	2,965	**–**	–
		326,834	296,473	**248,295**	254,231
Current assets					
Inventories	19	**44,512**	54,559	**–**	–
Trade receivables	20	**37,981**	52,342	**–**	–
Prepayments, deposits and other receivables		**988**	4,317	**133**	128
Other financial assets at fair value through profit or loss	21	**17,959**	8,656	**–**	–
Due from subsidiaries	22	**–**	–	**1,467**	241
Due from associated companies	23	**19**	–	**–**	–
Cash and cash equivalents	24	**51,368**	52,235	**131**	152
		152,827	172,109	**1,731**	521
Total assets		**479,661**	468,582	**250,026**	254,752
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	27	**25,959**	25,959	**25,959**	25,959
Reserves	28	**371,453**	342,432	**187,998**	198,194
Proposed final dividend	28	**7,788**	7,788	**7,788**	7,788
Total equity		**405,200**	376,179	**221,745**	231,941

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

Balance Sheets

As at 31 March 2007

		Group		Company	
		2007	2006	**2007**	2006
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	29	**161**	–	**–**	–
		161	–	**–**	–
Current liabilities					
Trade and bills payables	25	**5,906**	2,663	**–**	–
Other payables and accrued charges		**9,926**	12,353	**3,241**	3,243
Due to subsidiaries	22	**–**	–	**25,040**	19,568
Due to associated companies	23	**–**	13	**–**	–
Borrowings	26	**55,524**	76,714	**–**	–
Current income tax liabilities		**2,944**	660	**–**	–
		74,300	92,403	**28,281**	22,811
Total liabilities		**74,461**	92,403	**28,281**	22,811
Total equity and liabilities		**479,661**	468,582	**250,026**	254,752
Net current assets/(liabilities)		**78,527**	79,706	**(26,550)**	(22,290)
Total assets less current liabilities		**405,361**	376,179	**221,745**	231,941

On behalf of the Board

Takeshi NOMAGUCHI
Director

MAN Wing Cheung, Ellis
Director

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Total equity at beginning of the year		**376,179**	366,181
Share of other reserves of associated companies	28	**4,603**	1,746
Exercise of share options	27(b)(i)	**–**	1,209
Profit for the year	28	**34,802**	17,400
Dividends	28	**(10,384)**	(10,357)
Total equity at end of the year		**405,200**	376,179

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	30	**33,521**	(35,273)
Interest paid		**(3,894)**	(5,897)
Hong Kong profits tax refund		**1,429**	3,071
Net cash generated from/(used in) operating activities		**31,056**	(38,099)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,108)**	(928)
Proceeds from disposals of property, plant and equipment	30	**878**	41
Purchase of additional interest in an associated company		**(6,273)**	(4,883)
Dividends received from an associated company		**7,770**	7,677
Purchase of other financial assets at fair value through profit or loss		**(8,128)**	(12,860)
Proceeds from disposal of other financial assets at fair value through profit or loss		**3,745**	12,490
Dividends received from other financial assets at fair value through profit or loss		**191**	52
Interest received		**3,576**	5,551
Net cash (used in)/generated from investing activities		**(349)**	7,140
Cash flows from financing activities			
Additions of borrowings		**55,524**	–
Repayment of borrowings		**(76,714)**	(86,664)
Proceeds from issue of shares		**–**	1,209
Dividends paid		**(10,384)**	(10,357)
Net cash used in financing activities		**(31,574)**	(95,812)
Decrease in cash and cash equivalents		**(867)**	(126,771)
Cash and cash equivalents at beginning of the year	24	**52,235**	179,006
Cash and cash equivalents at end of the year	24	**51,368**	52,235

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Four Seas Food Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in trading of frozen meat, seafood and vegetables.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Four Seas *e*Food Centre, No. 2 Hong Ting Road, Sai Kung, Hong Kong.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of Hong Kong dollar ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20 July 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are measured at fair values, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

During the year, the Group adopted the following amendment of HKFRS, which is mandatory for accounting periods beginning on or after 1 January 2006 and relevant to the Group's operations.

HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts

The adoption of the above amendment of HKFRS did not result in substantial changes to the Group's accounting policies. In summary:

HKAS 39 and HKFRS 4 (Amendment) "Financial Guarantee Contracts" requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have significant impact on the Group's financial statements.

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations.

- HKAS 19 Amendment — Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 Amendment — Net investment in a Foreign Operation;
- HKAS 39 Amendment — Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment — The Fair Value Option;
- HKFRS 1 & 6 Amendments — First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;
- HKFRS 6 — Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4 — Determining whether an Arrangement contains a Lease;
- HK(IFRIC)-Int 5 — Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- HK(IFRIC)-Int 6 — Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment; and
- HK(IFRIC)-Int 7 — Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyper Inflationary Economies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The following standards, amendment and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods but that the Group has not early adopted.

- HKAS 1 Amendment – Capital Disclosures;
- 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; and
- HK(IFRIC)-Int 12 – Service Concession Arrangements.

The Group is in the process of making an assessment of the impact of these new/revised standards, amendment and interpretations of HKFRS upon initial application. They are unlikely to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2007.

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Associated companies

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition *(Note 2.7)*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Associated companies (continued)

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associated company.

Unrealised gains or transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses *(Note 2.8)*. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollar, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	2.5%
Leasehold improvements, furniture and fixtures and office equipment	10% to 20%
Motor vehicles	20%
Computer systems	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the consolidated income statement.

2.6 Leasehold land

Leasehold land represents prepaid lease payments for the use of land in Hong Kong and is amortised over the unexpired terms of the leases on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of acquisition. Goodwill on acquisitions of associated companies is included in interests in associated companies and is tested annually for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from business combination in which the goodwill arose.

2.8 Impairment of investments in subsidiaries, associated companies and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet *(Note 2.11)*.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 2.11.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of inventory comprises invoiced price plus any freight and insurance charges. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Employee benefit

(a) *Employee leave entitlements*

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Pension obligations*

The Group makes contribution to the mandatory provident fund scheme (the "MPF" Scheme) in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plan is funded by payments from employees and by the Group.

The Group's contributions to the MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the MPF Scheme prior to vesting fully in the contributions.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sale of goods is recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income is recognised on a time-proportion basis using the effective interest method.

Operating lease rental income is recognised on a straight-line basis.

Dividend income is recognised when the right to receive payment is established.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest-rate risk. Management regularly monitors the financial risks of the Group. Because of the simplicity on the financial structure and the current operations of the Group, no hedging activities were considered by the management.

(a) Foreign exchange risk

The Group primarily operates in Hong Kong with most of the transactions settled in Hong Kong dollar and United States dollar. The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. The Group has not used any forward contracts to hedge its exposure as foreign exchange risk is considered minimal.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for cash at bank and borrowings, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets and current financial liabilities approximate their fair values due to their short maturities.

The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATE AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Impairment of trade receivable

Provision for impairment of trade receivable is determined based on the evaluation of collectibility of trade receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and the current market condition.

(d) Income tax

The Group is subject to income tax in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 TURNOVER AND SEGMENT INFORMATION

Turnover represented sales of invoiced goods.

Primary reporting format – geographical segments

	2007		
	Hong Kong and Macau *HK$'000*	**Mainland China** *HK$'000*	**Group** *HK$'000*
Turnover	**359,847**	**124,422**	**484,269**
Segment results	**8,046**	**6,543**	**14,589**
Unallocated costs			**(4,603)**
Operating profit before finance costs			**9,986**
Finance costs			**(3,894)**
Share of profits of associated companies			**29,725**
Profit before tax			**35,817**
Income tax expense			**(1,015)**
Profit attributable to equity holders of the Company			**34,802**
Segment assets	**237,273**	**4,930**	**242,203**
Interests in associated companies	**236,582**	**–**	**236,582**
Unallocated assets			**876**
Total assets			**479,661**
Segment liabilities	**55,159**	**12,938**	**68,097**
Unallocated liabilities			**6,364**
Total liabilities			**74,461**
Capital expenditure	**2,108**	**–**	**2,108**
Depreciation of property, plant and equipment	**3,164**	**–**	**3,164**
Amortisation of leasehold land	**570**	**–**	**570**

5 TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format – geographical segments (continued)

	2006		
	Hong Kong and Macau *HK$'000*	Mainland China *HK$'000*	Group *HK$'000*
Turnover	422,837	114,710	537,547
Segment results	(3,826)	3,092	(734)
Unallocated costs			(4,567)
Operating loss before finance costs			(5,301)
Finance costs			(5,897)
Share of profits of associated companies			25,963
Profit before tax			14,765
Income tax credit			2,635
Profit attributable to equity holders of the Company			17,400
Segment assets	251,699	9,885	261,584
Interests in associated companies	203,751	–	203,751
Unallocated assets			3,247
Total assets			468,582
Segment liabilities	67,465	21,694	89,159
Unallocated liabilities			3,244
Total liabilities			92,403
Capital expenditure	928	–	928
Depreciation of property, plant and equipment	3,209	–	3,209
Amortisation of leasehold land	570	–	570

6 OTHER GAINS

	2007	2006
	HK$'000	*HK$'000*
Interest income	**3,576**	5,551
Gross rental income	**563**	648
Gain on disposals of other financial assets at fair value through profit or loss	**1,039**	2,623
Dividend income from other financial assets at fair value through profit or loss	**191**	52
Fair value gains on other financial assets at fair value through profit or loss	**3,881**	1,141
Exchange gain, net	**1,081**	856
Gain on disposals of property, plant and equipment	**33**	25
Claims received	**682**	461
	11,046	11,357

7 EXPENSES BY NATURE

	2007	2006
	HK$'000	*HK$'000*
Cost of inventories	**422,489**	492,638
Auditor's remuneration	**550**	520
Depreciation of property, plant and equipment	**3,164**	3,209
Amortisation of leasehold land	**570**	570
Operating leases of land and buildings	**16,747**	16,113
Employee benefit expense *(Note 13)*	**18,680**	19,795
Impairment of trade receivables	**5,063**	623
Other expenses	**18,066**	20,737
Total cost of sales, selling and distribution expenses and administrative expenses	**485,329**	554,205

8 FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest expense on bank loans and trust receipt loans	**3,894**	5,897

9 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

	2007	2006
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**855**	551
– Over provision in prior year	**–**	(73)
Deferred income tax relating to the origination and reversal of temporary difference *(Note 29)*	**160**	(3,113)
Income tax expense/(credit)	**1,015**	(2,635)

9 INCOME TAX EXPENSE/(CREDIT) (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the profit tax rate of Hong Kong as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**35,817**	14,765
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**6,268**	2,584
Income not subject to tax	**(5,302)**	(5,365)
Expenses not deductible for tax purposes	**58**	26
Recognition of previously unrecognised temporary difference	**1,437**	–
Recognition of previously unrecognised tax losses	**(1,276)**	–
Utilisation of previously unrecognised tax losses	**(147)**	(89)
Over provision in prior year	**–**	(73)
Others	**(23)**	282
Income tax expense/(credit)	**1,015**	(2,635)

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$188,000 (2006: HK$113,000).

11 DIVIDENDS

	2007	2006
	HK$'000	*HK$'000*
Interim, paid, of HK1.0 cent (2006: HK1.0 cent) per ordinary share	**2,596**	2,596
Final, proposed, of HK3.0 cents (2006: HK3.0 cents) per ordinary share	**7,788**	7,788
	10,384	10,384

At a meeting held on 20 July 2007, the board of directors declared a final dividend of HK3.0 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2008.

12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (HK$)	**34,802,000**	17,400,000
Weighted average number of ordinary shares in issue	**259,586,000**	258,905,000
Basic earnings per share (HK cent per share)	**13.41**	6.72

The Company had no diluted potential ordinary shares as at 31 March 2006 and 2007.

13 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	*HK$'000*
Wages and salaries	**16,773**	18,025
Unutilised annual leave	**44**	(50)
Pension costs – defined contribution plan	**1,038**	1,088
Other staff benefits	**825**	732
	18,680	19,795

Pursuant to the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), companies within the Group in Hong Kong have enrolled all employees in Hong Kong aged between 18 and 65 into the MPF Scheme.

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the Group, the trustees and other service providers. The Group made contributions to the MPF Scheme at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,000 per employee per month or at any rate above 5% of the employees' relevant income as determined by the Group. The employees are also required to contribute 5% of their relevant income to the MPF Scheme up to a maximum of HK$1,000 per month if their relevant income is more than HK$5,000 per month.

The Group's contribution to the MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There were no forfeited contributions utilised during the year. (2006: Nil)

Contributions totalling HK$127,000 (2006: HK$132,000) were payable to the fund at the year end.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director for the year ended 31 March 2007 is set out below:

Name of director	Fees *HK$'000*	Salary and other benefits *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive directors				
TAI Tak Fung, Stephen	120	2,880	60	3,060
Takeshi NOMAGUCHI	60	1,824	72	1,956
MAN Wing Cheung, Ellis	60	1,230	93	1,383
YIP Wai Keung	60	–	–	60
TSE Siu Wan	60	–	–	60
LAI Yuk Chuen	60	638	64	762
TAI Chun Leung	60	460	24	544
Independent non-executive directors				
CHAN Kay Cheung	60	–	–	60
LAN Yee Fong, Steve John	60	–	–	60
LUI Shing Ming, Brian	60	–	–	60
	660	7,032	313	8,005

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of director	Fees *HK$'000*	Salary and other benefits *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Executive directors				
TAI Tak Fung, Stephen	120	2,880	60	3,060
Takeshi NOMAGUCHI	60	1,799	72	1,931
MAN Wing Cheung, Ellis	60	1,230	93	1,383
YIP Wai Keung	60	491	32	583
TSE Siu Wan	60	–	–	60
LAI Yuk Chuen	60	638	64	762
TAI Chun Leung	60	460	24	544
Independent non-executive directors				
CHAN Kay Cheung	60	–	–	60
LAN Yee Fong, Steve John	60	–	–	60
LUI Shing Ming, Brian	60	–	–	60
	660	7,498	345	8,503

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include five (2006: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the one individual for the year ended 31 March 2006 was as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	–	622

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument band		
Nil to HK$1,000,000	–	1

15 LEASEHOLD LAND – GROUP

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	2007	2006
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of over 50 years	**9,548**	9,563
Leases of between 10 to 50 years	**22,222**	22,777
	31,770	32,340

	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**32,340**	32,910
Amortisation of prepaid operating lease payment	**(570)**	(570)
At end of the year	**31,770**	32,340

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings						
	Held under leases of between 10 to 50 years in Hong Kong	Held under leases of over 50 years in Hong Kong	Leasehold improvement, furniture and fixtures	Motor vehicles	Computer systems	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005							
Cost	57,145	9,173	3,308	3,903	2,847	865	77,241
Accumulated depreciation and impairment	(7,143)	(4,208)	(1,652)	(1,967)	(1,850)	(707)	(17,527)
Net book amount	50,002	4,965	1,656	1,936	997	158	59,714
Year ended 31 March 2006							
Opening net book amount	50,002	4,965	1,656	1,936	997	158	59,714
Additions	–	–	–	825	48	55	928
Disposals	–	–	–	(16)	–	–	(16)
Depreciation	(1,430)	(90)	(325)	(676)	(604)	(84)	(3,209)
Closing net book amount	48,572	4,875	1,331	2,069	441	129	57,417
At 31 March 2006							
Cost	57,145	9,173	3,308	4,208	2,620	920	77,374
Accumulated depreciation and impairment	(8,573)	(4,298)	(1,977)	(2,139)	(2,179)	(791)	(19,957)
Net book amount	48,572	4,875	1,331	2,069	441	129	57,417
Year ended 31 March 2007							
Opening net book amount	**48,572**	**4,875**	**1,331**	**2,069**	**441**	**129**	**57,417**
Additions	**–**	**–**	**2**	**1,996**	**46**	**64**	**2,108**
Disposals	**–**	**–**	**–**	**(845)**	**–**	**–**	**(845)**
Depreciation	**(1,429)**	**(89)**	**(325)**	**(905)**	**(357)**	**(59)**	**(3,164)**
Closing net book amount	**47,143**	**4,786**	**1,008**	**2,315**	**130**	**134**	**55,516**
At 31 March 2007							
Cost	**57,145**	**9,173**	**3,310**	**4,156**	**2,666**	**984**	**77,434**
Accumulated depreciation and impairment	**(10,002)**	**(4,387)**	**(2,302)**	**(1,841)**	**(2,536)**	**(850)**	**(21,918)**
Net book amount	**47,143**	**4,786**	**1,008**	**2,315**	**130**	**134**	**55,516**

17 INTERESTS IN SUBSIDIARIES – COMPANY

	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note a)*	**39,004**	39,004
Advances to subsidiaries *(Note b)*	**218,340**	224,276
Less: Provision for diminution in value	**(9,049)**	(9,049)
	248,295	254,231

(a) The following is a list of the principal subsidiaries at 31 March 2007:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Interests held directly:				
William Food Company Limited	Hong Kong	Trading of frozen meat, seafood and vegetables in Hong Kong	100,000 ordinary shares of HK$100 each	100%
Capital Season Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Interests held indirectly:				
Hung King Development Limited	Hong Kong	Property holding in Hong Kong	400,000 ordinary shares of HK$1 each	100%

The above list contains particulars of principal subsidiaries of the Group which in the opinion of the directors, materially affect the results and assets of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

(b) Advances to subsidiaries

The advances to subsidiaries are unsecured, interest free and will not be demanded for repayment within the next twelve months from the balance sheet date. These advances are considered as quasi – equity loans to the subsidiaries.

18 INTERESTS IN ASSOCIATED COMPANIES – GROUP

	2007 HK$'000	2006 HK$'000
At beginning of the year	**203,751**	178,836
Share of associated companies' results		
– profit before tax	**36,315**	29,147
– income tax expense	**(5,378)**	(4,793)
– minority interest	**(1,212)**	1,609
	29,725	25,963
Dividend income	**(7,770)**	(7,677)
Share of other reserves *(Note 28)*	**4,603**	1,746
Additional investment	**6,273**	4,883
At end of the year	**236,582**	203,751

Interests in associated companies at 31 March 2007 include goodwill of HK$11,317,000 (2006: HK$9,292,000).

	2007 HK$'000	2006 HK$'000
Investments at cost:		
Shares listed in Hong Kong	**182,686**	176,413
Market value of listed shares	**379,147**	320,027

18 INTERESTS IN ASSOCIATED COMPANIES – GROUP (continued)

The following is a list of the principal associated companies at 31 March 2007:

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Interests held indirectly:				
Four Seas Mercantile Holdings Limited	Cayman Islands/ Hong Kong	Investment holding	HK$39,956,564	28.19%
Fancy Talent Limited	Hong Kong	Marketing of snack foods	HK$100,000,000	28.19%
Four Seas Mercantile Limited	Hong Kong	Trading in snack foods, confectionery and beverages	(i) Ordinary shares of HK$200 (ii) Non-voting deferred shares HK$20,000,000	28.19%
Four Seas Foods (Shantou) Co., Ltd[1]	Mainland China	Trading in confectionery and food products	HK$41,000,000	28.19%
Hong Kong Biscuit (International) Limited	Hong Kong	Investment holding	HK$40,000,000	27.99%
Hong Kong Ham Holdings Limited	Hong Kong	Manufacturing and packaging of ham and ham-related products	HK$20	28.19%
J.P. Inglis Company Limited	Hong Kong	Trading in food materials	HK$1,000,000	28.19%
Kung Tak Lam Shanghai Vegetarian Cuisine Limited	Hong Kong	Restaurant operations	HK$3,660,000	27.91%

18 INTERESTS IN ASSOCIATED COMPANIES – GROUP (continued)

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Interests held indirectly (continued):				
Li Fook (Qingdao) Foods Co., Ltd.[1]	Mainland China	Manufacturing of noodles	US$3,320,000	28.19%
Wide Success Holdings Limited	Hong Kong	Restaurant operations	HK$10,000	28.19%

The above list contains particulars of principal associated companies of the Group which in the opinion of the directors, materially affect the results and assets of the Group. To give details of other associated companies would, in the opinion of directors, result in particulars of excessive length.

All associated companies were not audited by PricewaterhouseCoopers.

[1] These companies are wholly owned foreign enterprises

18 INTERESTS IN ASSOCIATED COMPANIES – GROUP (continued)

Details of information, as extracted from the annual report of Four Seas Mercantile Holdings Limited, a material associated company, for the year ended 31 March 2007, are as follows:

	2007	2006
	HK$'000	*HK$'000*
Consolidated income statement:		
Revenue	**1,875,515**	1,747,716
Net profit from ordinary activities attributable to shareholders	**106,419**	94,561
Consolidated balance sheet:		
Property, plant and equipment	**303,323**	257,483
Prepaid land lease payments	**126,443**	75,859
Goodwill	**26,809**	17,715
Deferred income tax assets	**2,717**	3,500
Interests in associated companies	**169,693**	153,797
Available-for-sale investments	**29,573**	18,198
Other non-current assets	**28,145**	25,919
Current assets	**930,605**	977,636
Total assets	**1,617,308**	1,530,107
Share capital	**39,956**	39,956
Reserves	**738,607**	643,827
Proposed final dividend	**19,978**	19,978
Shareholders' funds	**798,541**	703,761
Minority interests	**30,343**	26,699
Total equity	**828,884**	730,460
Current liabilities	**680,478**	758,014
Long-term liabilities	**107,946**	41,633
Total liabilities	**788,424**	799,647
Net current assets	**250,127**	219,622

19 INVENTORIES – GROUP

	2007	2006
	HK$'000	*HK$'000*
Finished goods	**28,284**	36,997
Goods in transit	**16,228**	17,562
	44,512	54,559

As at 31 March 2007 and 2006, all inventories are stated at cost.

The cost of inventories recognised as expense and included in cost of sales amounted to HK$422,489,000 (2006: HK$492,638,000).

20 TRADE RECEIVABLES – GROUP

As at 31 March 2007, the ageing analysis of the trade receivables was as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**30,116**	43,904
31 – 60 days	**6,740**	7,108
Over 60 days	**1,125**	1,330
	37,981	52,342

The Group has a credit policy with general credit terms ranging from 30 days to 90 days.

All trade receivables are denominated in Hong Kong dollar.

The carrying amount of trade receivables approximate to their fair value due to short maturity.

21 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

	2007	2006
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at market value	**17,959**	8,656

Purchase and disposal of other financial assets at fair value through profit or loss are presented within the section of investing activities in the consolidated cash flow statement.

Change in fair values of financial assets at fair value through profit or loss are recorded in other gains in the consolidated income statement *(Note 6)*.

22 DUE FROM/(TO) SUBSIDIARIES – COMPANY

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

23 DUE FROM/(TO) ASSOCIATED COMPANIES – GROUP

The amounts due from/(to) associated companies are unsecured, interest free and repayable on demand.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**21,249**	25,305	**131**	152
Short-term bank deposits	**30,119**	26,930	**–**	–
	51,368	52,235	**131**	152

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Denominated in:				
Hong Kong dollar	**19,683**	22,766	**131**	152
United States dollar	**31,685**	2,539	**–**	–
Australian dollar	**–**	26,930	**–**	–
	51,368	52,235	**131**	152

Cash at bank earns interest at floating rates based on daily bank deposit rates. The effective interest rate on short-term bank deposits was 5.2% (2006: 5.4%); these deposits have an average maturity of 3 days.

25 TRADE AND BILLS PAYABLES – GROUP

As at 31 March 2007, the ageing analysis of the trade and bills payables was as follows:

	2007 *HK$'000*	2006 *HK$'000*
0 – 30 days	**5,902**	2,522
31 – 60 days	**4**	116
Over 60 days	**–**	25
	5,906	2,663

	2007 *HK$'000*	2006 *HK$'000*
Denominated in:		
Hong Kong dollar	**12**	166
United States dollar	**5,894**	2,497
	5,906	2,663

The carrying amount of trade and bills payables approximate to their fair value due to short maturity.

26 BORROWINGS – GROUP

	2007 *HK$'000*	2006 *HK$'000*
Amounts due within 12 months:		
Trust receipt loans, secured	**55,524**	76,714

The trust receipt loans of the Group are secured by corporate guarantees of the Company.

The effective interest rates of borrowings at the respective balance sheet dates are as follows:

	2007	2006
Trust receipt loans, secured	**4.90%**	4.84%

The carrying amount of borrowings approximates their fair value.

The Group's borrowings were all denominated in Hong Kong dollar.

27 SHARE CAPITAL

(a) Authorised and issued capital

	2007	2006
	HK$'000	*HK$'000*
Authorised		
400,000,000 (2006: 400,000,000) ordinary shares of HK$0.10 each	**40,000**	40,000
Issued and fully paid		
259,586,000 (2006: 259,586,000) ordinary shares of HK$0.10 each	**25,959**	25,959

(b) Share options

Share options were granted to the directors and executives under the Share Option Scheme (the "Scheme") adopted by the Company on 2 September 2002. The directors of the Company are authorised to grant options to any qualifying participant of the Company, any of its subsidiaries or any invested entity to subscribe for shares in the Company at prices according to the terms of the Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

27 SHARE CAPITAL (continued)

(b) Share options (continued)

There was no share options outstanding under the Scheme for the year ended 31 March 2007. Movements in the number of share options outstanding under the Scheme for the year ended 31 March 2006 was as follows:

		Number of share options			
Category	**Exercise price** *HK$*	**Outstanding as at 1 April 2005**	**Exercised during the year** *(Note i)*	**Lapsed during the year** *(Note ii)*	**Outstanding as at 31 March 2006**
Directors	0.93	3,020,000	(800,000)	(2,220,000)	–
Continuous contract employees	0.93	5,000,000	(500,000)	(4,500,000)	–
		8,020,000	(1,300,000)	(6,720,000)	–

Notes:

(i) The related weighted average share price at the dates on which the options were exercised was HK$1.02.

	2007 *HK$'000*	2006 *HK$'000*
Ordinary share capital – at par	–	130
Share premium	–	1,079
Proceeds	–	1,209

(ii) A total of 6,720,000 share options at exercise price of HK$0.93 were lapsed for the year ended 31 March 2006.

(iii) During the year, no share option was granted under the Scheme.

28 RESERVES

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Share of other reserves of associated companies HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2005	89,478	579	(845)	251,140	340,352
Surplus on revaluation of available-for-sale financial assets	–	–	44	–	44
Gain on disposal of available-for-sale financial assets	–	–	223	–	223
Exercise of share option *(Note 27(b))*	1,079	–	–	–	1,079
Exchange and other reserves	–	–	1,479	–	1,479
Profit for the year	–	–	–	17,400	17,400
2005 Final dividend	–	–	–	(7,761)	(7,761)
2006 Interim dividend	–	–	–	(2,596)	(2,596)
At 31 March 2006	90,557	579	901	258,183	350,220
Representing:					
Reserves	90,557	579	901	250,395	342,432
2006 proposed final dividend	–	–	–	7,788	7,788
At 31 March 2006	90,557	579	901	258,183	350,220
Company and subsidiaries	90,557	579	–	164,052	255,188
Associated companies	–	–	901	94,131	95,032
At 31 March 2006	90,557	579	901	258,183	350,220

28 RESERVES (continued)

Group (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Share of other reserves of associated companies HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2006	90,557	579	901	258,183	350,220
Surplus on revaluation of available-for-sale financial assets	–	–	614	–	614
Gain on disposal of available-for-sale financial assets	–	–	59	–	59
Exchange and other reserves	–	–	3,930	–	3,930
Profit for the year	–	–	–	34,802	34,802
2006 Final dividend	–	–	–	(7,788)	(7,788)
2007 Interim dividend	–	–	–	(2,596)	(2,596)
At 31 March 2007	90,557	579	5,504	282,601	379,241
Representing:					
Reserves	90,557	579	5,504	274,813	371,453
2007 proposed final dividend	–	–	–	7,788	7,788
At 31 March 2007	90,557	579	5,504	282,601	379,241
Company and subsidiaries	90,557	579	–	158,745	249,881
Associated companies	–	–	5,504	123,856	129,360
At 31 March 2007	90,557	579	5,504	282,601	379,241

28 RESERVES (continued)

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2005	89,478	579	125,090	215,147
Exercise of share option *(Note 27(b))*	1,079	–	–	1,079
Profit for the year	–	–	113	113
2005 Final dividend	–	–	(7,761)	(7,761)
2006 Interim dividend	–	–	(2,596)	(2,596)
At 31 March 2006	90,557	579	114,846	205,982
Representing:				
Reserves	90,557	579	107,058	198,194
2006 proposed final dividend	–	–	7,788	7,788
At 31 March 2006	90,557	579	114,846	205,982
At 1 April 2006	**90,557**	**579**	**114,846**	**205,982**
Profit for the year	**–**	**–**	**188**	**188**
2006 Final dividend	**–**	**–**	**(7,788)**	**(7,788)**
2007 Interim dividend	**–**	**–**	**(2,596)**	**(2,596)**
At 31 March 2007	**90,557**	**579**	**104,650**	**195,786**
Representing:				
Reserves	**90,557**	**579**	**96,862**	**187,998**
2007 proposed final dividend	**–**	**–**	**7,788**	**7,788**
At 31 March 2007	**90,557**	**579**	**104,650**	**195,786**

As at 31 March 2007, the reserves of the Company that are available for distribution as dividends amounted to HK$104,650,000 (2006: HK$114,846,000).

29 DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Deferred income tax assets	**(2,966)**	(2,965)
Deferred income tax liabilities	**161**	–
	(2,805)	(2,965)

The deferred tax assets and liabilities are to be recovered after more than 12 months.

The gross movement on the deferred income tax (assets)/liabilities is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**(2,965)**	148
Charged/(credited) to consolidated income statement *(Note 9)*	**160**	(3,113)
At end of the year	**(2,805)**	(2,965)

29 DEFERRED INCOME TAX (continued)

The movement of the Group's deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same taxation jurisdiction, is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	
	2007	2006
	HK$'000	*HK$'000*
At beginning of the year	**426**	148
Charged to consolidated income statement	**1,489**	278
At end of the year	**1,915**	426

Deferred income tax assets

	Decelerated tax depreciation		Tax loss		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of the year	**–**	–	**(3,391)**	–	**(3,391)**	–
Credited to consolidated income statement	**(2)**	–	**(1,327)**	(3,391)	**(1,329)**	(3,391)
At end of the year	**(2)**	–	**(4,718)**	(3,391)	**(4,720)**	(3,391)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$4,415,000 (2006: HK$12,549,000) to carry forward against future taxable income, these tax losses have no expiry date.

30 CASH GENERATED FROM OPERATIONS

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	**35,817**	14,765
Adjustments for		
– Share of profits of associated companies	**(29,725)**	(25,963)
– Depreciation of property, plant and equipment	**3,164**	3,209
– Amortisation of leasehold land	**570**	570
– Gain on disposals of property, plant and equipment	**(33)**	(25)
– Interest expenses	**3,894**	5,897
– Interest income	**(3,576)**	(5,551)
– Gain on disposals of other financial assets at fair value through profit or loss	**(1,039)**	(2,623)
– Dividends income from other financial assets at fair value through profit or loss	**(191)**	(52)
– Fair value gains on other financial assets at fair value through profit or loss	**(3,881)**	(1,141)
	5,000	(10,914)
Changes in working capital:		
– Inventories	**10,047**	(13,619)
– Trade receivables, prepayments, deposits and other receivables and due from associated companies	**17,671**	(6,552)
– Trade and bills payables, other payables and accrued charges and due to associated companies	**803**	(4,188)
Cash generated from/(used in) operations	**33,521**	(35,273)

In the cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2007	2006
	HK$'000	*HK$'000*
Net book amount *(Note 16)*	**845**	16
Gain on disposals of property, plant and equipment	**33**	25
Proceeds from disposals of property, plant and equipment	**878**	41

31 OPERATING LEASE COMMITMENTS

At 31 March 2007, the Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**333**	333	**333**	333

32 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

(a) Transactions with related party

	2007	2006
	HK$'000	*HK$'000*
Rental and building management fees from a related company	**192**	192

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other parties in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Tenancy agreement was entered into with a related party to lease. The lease was extended and renewed until terminated by either party. The lease was entered into on mutually agreed term.

(b) Key management compensation

	2007	2006
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**8,967**	9,610
Pension costs – defined contribution plan	**455**	501
	9,422	10,111

Five Year Financial Summary

The following table summarises the results, assets and liabilities of the Group for each of the last five years ended 31 March:

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	(restated)	(restated)
Results					
Turnover	**484,269**	537,547	539,837	532,679	474,422
Operating profit/(loss) before finance costs	**9,986**	(5,301)	19,399	40,855	22,938
Finance costs	**(3,894)**	(5,897)	(2,359)	(2,407)	(3,569)
Share of profits of associated companies	**29,725**	25,963	21,760	17,378	16,780
Profit before tax	**35,817**	14,765	38,800	55,826	36,149
Income tax (expense)/ credit	**(1,015)**	2,635	(428)	(7,467)	(3,585)
Profit attributable to equity holders of the Company	**34,802**	17,400	38,372	48,359	32,564
Assets and liabilities					
Total assets	**479,661**	468,582	548,424	522,779	425,362
Total liabilities	**(74,461)**	(92,403)	(182,743)	(194,224)	(136,404)
Total equity	**405,200**	376,179	365,681	328,555	288,958

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