

Annual Report

2008

年報

FSFH



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

Stock Code 股份代號: 60

## Contents

Corporate Information	2
Chairman's Statement	3-7
Profiles of Directors and Senior Management	8-10
Report of the Directors	11-22
Corporate Governance Report	23-34
Independent Auditor's Report	35-36
Consolidated Income Statement	37
Balance Sheets	38-39
Consolidated Statement of Changes in Equity	40
Consolidated Cash Flow Statement	41
Notes to the Consolidated Financial Statements	42-87
Five Year Financial Summary	88

**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 eFood Centre  
 No. 2 Hong Ting Road  
 Sai Kung  
 Hong Kong

**SHARE REGISTRARS AND  
TRANSFER OFFICE**

Tricor Abacus Limited  
 26th Floor, Tesbury Centre  
 28 Queen's Road East  
 Wanchai  
 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**

JSM  
 16th-19th Floors, Prince's Building  
 10 Chater Road  
 Central  
 Hong Kong

**AUDITOR**

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

**WEBSITE**

<http://www.fourseasinvestment.com.hk>



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

## RESULTS

On behalf of the board of directors, I would like to announce that the Group's turnover was HK\$530,471,000 (2007: HK\$484,269,000) for the year ended 31 March 2008. Profit for the year was HK\$35,021,000 (2007: HK\$34,802,000) while earnings per share was HK13.49 cents (2007: HK13.41 cents).

## DIVIDENDS

The board of directors has recommended the payment of a final dividend of HK3.0 cents per ordinary share (2007: HK3.0 cents) with respect to the financial year ended 31 March 2008. Subject to the shareholders' approval at the annual general meeting to be held on 9 September 2008, the final dividend will be payable on 23 September 2008. Together with the interim dividend of HK1.0 cent per share, the total dividends distribution for the year ended 31 March 2008 will be HK4.0 cents per share (2007: HK4.0 cents).

## BUSINESS REVIEW

The Group maintained its competitiveness in the frozen meat market by leveraging its comprehensive distribution network, good relationship with vendors, sophisticated and solid frozen meat trading experience and flexible marketing strategy. Despite the continuous cost upsurge of the frozen meat, the Group's turnover maintained steady growth. However, the shortage of the global food supply together with the steeply rising feed price drove up the cost of frozen meat, thus the gross margin was affected. The Group has responded with the implementation of prudent purchasing strategy, upward adjustment of selling prices and effective cost-control.

Apart from the frozen meat trading business, the Group also holds equity interests in Four Seas Mercantile Holdings Limited ("FSMHL"), with a view to diversify the Group's food business investment and portfolio, and therefore providing a stable return to the Group. As at 31 March 2008, FSMHL contributed to the Group a share of profits of HK\$22,921,000 (2007: HK\$29,725,000).





*Four Seas brand products*

### **Frozen Meat Trading**

Frozen meat trading is the core business of the Group which has actively been introducing high quality frozen meat and has built up a solid and good reputation in the market for its products. During the year, owing to the impact of unfavourable external factors, the operating environment of the frozen meat market was persistently volatile. The prices of agricultural products such as corns and soybeans have gone up sharply leading to persistent increase in feed prices. The ever-increasing global demand for frozen meat and the short supply of pork in Mainland China has tightened the global supply of frozen meat, resulting in historically high frozen meat costs. Facing with the uncertain trading environment, the Group adjusted the product mix and quantities through its sophisticated and solid frozen meat trading experience as well as the implementation of prudent purchasing strategy. At the same time, the Group increased the selling prices to reduce the effect of spiraling costs of frozen meat.

### **Investment in Food Business**

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 2008, the Group's equity interests in FSMHL increased to approximately 28.48%.



*Restaurant Shiki*



*Kung Tak Lam Shanghai Vegetarian Cuisine*



*Pokka Café*

### **Food Distribution**

Food distribution has all along been FSMHL's core business. It endeavours to enlist internationally famous brands and high quality food products under its portfolio. Riding on an expanding distribution network and strengthening customer relationship, FSMHL was able to further consolidate its business. Furthermore, as the platform for market trials and new products sales launches of FSMHL, Okashi Land has a distinct brand image and unique market positioning, with new products being popular among consumers. At the end of the year, Okashi Land was honoured by MTR Corporation Limited and Metro Broadcast Corporation Limited as "Most Favourite MTR Shops" and "Student's Most Favourite Brand" respectively.

### **Food Manufacturing**

FSMHL has 19 manufacturing plants producing a wide range of value-added products including seaweed, high quality candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, ham and sausages, biscuits, cakes and bread, chestnuts and frozen dim sums. FSMHL has also been developing new products and has successfully come up with a new series of crispy seaweed products to cater for different consumer tastes. Facing with rising material costs and overseas markets' increasing demand for the safety standards of Chinese food products, FSMHL's unique "integrated business model" of production gains competitive advantage. Through managing costs, enhancing production, professional management, augmenting capacity and improving quality, FSMHL continues to remain highly competitive in the market. In recent years, the manufacturing plants of FSMHL have won numerous awards. Kanro Four Seas Foods (Shantou) Co., Ltd. and Li Fook (Qingdao) Foods Co., Ltd. had been granted ISO 9001 and ISO 22000 (HACCP) certification at the end of last year, being an assertion of the manufacturing plants' efforts on managing food quality that achieved great success.

### **Four Seas Brand**

As a fully indigenous Hong Kong brand, the motto of Four Seas Brand is "Leading in trend, Winning in quality". Its products have long been well received among consumers and have gained widespread market recognition. During the period, FSMHL successfully launched the Four Seas POP crispy seaweed series, which quickly became popular in the market, and shortly after its launch was recognised by 7-Eleven as the "2008 Leading Brand Award". Besides, FSMHL won many accolades including "The Best Brand 2007" by Park'n Shop,

“The Most Honoured Hong Kong Enterprise Brand 2007” organised jointly by Ming Pao and the Chinese University of Hong Kong. FSMHL also received the honour of “Hong Kong Outstanding Enterprise Award” for four years in a row, recognising its achievements in brand building and corporate governance.

### **Catering Business**

FSMHL's catering business which includes Japanese café chain restaurants, Japanese specialty restaurants, high-end vegetarian cuisine restaurants and garden restaurant, was able to achieve satisfactory development. In Mainland China, the longstanding renowned Panxi Restaurant has commenced business in the beginning of the year, starting a new chapter in FSMHL's catering business. In the meantime, FSMHL distributes the high quality dim sums from the restaurant through its distribution network in Mainland China and Hong Kong and expects to bring in a new source of revenue. Pokka Café, a joint venture with Pokka Corporation of Japan, which has long been popular among consumers, has brought in good earnings contribution to FSMHL. Kung Tak Lam Shanghai Vegetarian Cuisine Limited has long maintained a leadership position in the vegetarian restaurant sector with its premium vegetarian cuisine and high quality decoration. Early in the year, Kung Tak Lam was voted by a local magazine as “My Most Favourite Restaurant 2008”. With over 38 years of experience, New Kondo Trading Company Limited is supplying Japanese food products to Japanese restaurants and continued to record good results for the year.

## **PROSPECTS**

Looking ahead, the operating environment in frozen meat market is still volatile. Leveraging on its dominant position in the market, the Group will continue to bring in more premium quality products and diversify product ranges. Facing with unfavourable external factors in the market, the Group will strive to improve its operational efficiency to enhance its competitive edge by prudent purchasing management, flexible sales strategy, and effective risk management and cost-control. Meanwhile, the long-term investment of equity interests in FSMHL will continue to provide stable earnings 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, 18 July 2008



## BOARD OF DIRECTORS

### Executive Directors

**Dr. TAI Tak Fung, Stephen**, SBS, JP, PhD (*honoris causa*), aged 60, has been an executive director of the Company since May 1997. Dr. TAI is the Chairman of the Group, responsible for corporate and policy planning. He holds Honorary Professor of Canadian Chartered Institute of Business Administration in Canada, the Visiting Professor of South China Normal University, Honorary Doctorate of Philosophy of Morrison University in the United States and Doctor of Philosophy in Business Administration (*honoris causa*) of Southern California University for Professional Studies in the United States. He is a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference and a Standing Committee Member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference. Dr. TAI holds several public positions, including the president of Hong Kong Foodstuffs Association, the president of Hong Kong Japan Confectionery, Biscuit & Foodstuffs Association, the chairman of Guangdong Chamber of Foreign Investors, the consultant of China National Food Industry Association, Economic Adviser of Jilin City and member of the Greater Pearl River Delta Business Council of HKSAR. He received a number of awards and accolades, including the World Outstanding Chinese Award, the 30th Food Industry Distinguished Service Award, Award of the Ministry of Agriculture, Forestry and Fisheries of Japan for the Overseas Promotion of Japanese Food, 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 Contribution Award, "Honourable Citizen of Shantou City", "Honourable Citizen of Guangzhou City" and "Honourable Citizen of Jilin City" 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 60, 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.

**Mr. MAN Wing Cheung, Ellis**, aged 52, 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 58, 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 47, 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 53, 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 34, 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 experience 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.

**Independent Non-executive Directors**

**Mr. CHAN Kay Cheung**, aged 61, has been an independent non-executive director of the Company since October 1995. He is currently a consultant of 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 67, 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 48, 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 44, 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.

The directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2008.

## **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.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year are set out in the consolidated income statement on page 37.

The directors declared an interim dividend of HK1.0 cent per ordinary share, totalling HK\$2,596,000 which was paid on 4 February 2008.

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 32 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 movements in share capital of the Company are set out in Note 31 to the consolidated financial statements.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31 March 2008, calculated pursuant to section 79B of the Companies Ordinance, amounted to HK\$94,493,000 (2007: HK\$104,650,000).

## **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 option 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 (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.

*(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 2008, 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.

## SHARE OPTION SCHEME (continued)

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

(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 on 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.

(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 making 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's 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.

## 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. Takeshi NOMAGUCHI, Mr. MAN Wing Cheung, Ellis, Mr. LAI Yuk Chuen and Mr. LUI Shing Ming, Brian retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held on 9 September 2008 (the "AGM").

## DIRECTORS' SERVICE CONTRACTS

Mr. Takeshi NOMAGUCHI has entered into a service contract with the Company for a term of two years commencing on 1 April 2008 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. MAN Wing Cheung, Ellis has entered into a service contract with the Company for a term of two years commencing on 1 April 2008 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. LAI Yuk Chuen has entered into a service contract with the Company for a term of two years commencing on 1 April 2008 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 8 to 10.

## 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 2008, 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

Name of director	Number of shares held			Total interests	Total interests as % of the relevant issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests		
TAI Tak Fung, Stephen	6,730,000	53,095,177 <sup>(i)</sup>	30,914,000 <sup>(ii)</sup>	90,739,177	34.96%
YIP Wai Keung	736,360	-	-	736,360	0.28%
TAI Chun Leung	-	-	30,914,000 <sup>(iii)</sup>	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") 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 a 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 were as follows:

Name of director	Number of shares held			Total interests	Total interests as % of the relevant issued share capital
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests		
TAI Tak Fung, Stephen	–	195,046,000 <sup>(i)</sup>	82,000,000 <sup>(ii)</sup>	277,046,000	69.34%
YIP Wai Keung	680,000	–	–	680,000	0.17%
TAI Chun Leung	–	–	82,000,000 <sup>(iii)</sup>	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 113,796,000 shares, representing 28.48% 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 113,796,000 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 2008, none of the directors nor 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 2008, 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:

Name of substantial shareholder	Number of shares held				Total interests as % of the Total relevant issued share capital	
	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	interests	share capital
SAL	52,907,250 <sup>(i)</sup>	–	–	–	52,907,250	20.38%
CGL	–	–	–	30,914,000 <sup>(iv)</sup>	30,914,000	11.91%
WU Mei Yung, Quinly	–	6,730,000 <sup>(ii)</sup>	53,095,177 <sup>(iii)</sup>	30,914,000 <sup>(iv)</sup>	90,739,177	34.96%
HSBC International Trustee Limited	–	–	–	30,914,000 <sup>(v)</sup>	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 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 2008, 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 of the Company 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.

## MAJOR SUPPLIERS AND CUSTOMERS

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

	2008	2007
	%	%
Purchases		
– the largest supplier	86	82
– five largest suppliers combined	97	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 2008, which do not constitute connected transactions under the Listing Rules, are disclosed in Note 36 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 30 to the consolidated financial statements. The Group had no bank overdrafts as at 31 March 2008.

## LIQUIDITY AND FINANCIAL RESOURCES

Operating revenue was the Group's major source of funds during the financial year. As at 31 March 2008, the Group had cash and cash equivalents of approximately HK\$57 million (2007: HK\$51 million) whilst trade credit facilities were utilised to the extent of approximately HK\$79 million (2007: HK\$56 million), representing approximately 16% (2007: 11%) of the total banking facilities of HK\$492 million (2007: HK\$492 million).

The Group had a gearing ratio of 0.18 (2007: 0.14) as at the balance sheet date. Gearing ratio is expressed as total bank borrowings to shareholders' equity.

## **LIQUIDITY AND FINANCIAL RESOURCES (continued)**

Bank borrowings of the Group comprised trust receipt loans which were denominated in HK dollars. 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 2008, 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 2008, the Group employed a total of 57 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 23 to 34 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.

## CORPORATE GOVERNANCE

The Company's corporate governance practices during the year are set out in the Corporate Governance Report on pages 23 to 34 of this Annual Report.

## AUDITOR

The consolidated 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, 18 July 2008

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 2008.

## 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 periodically reviews and improves 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 the 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.

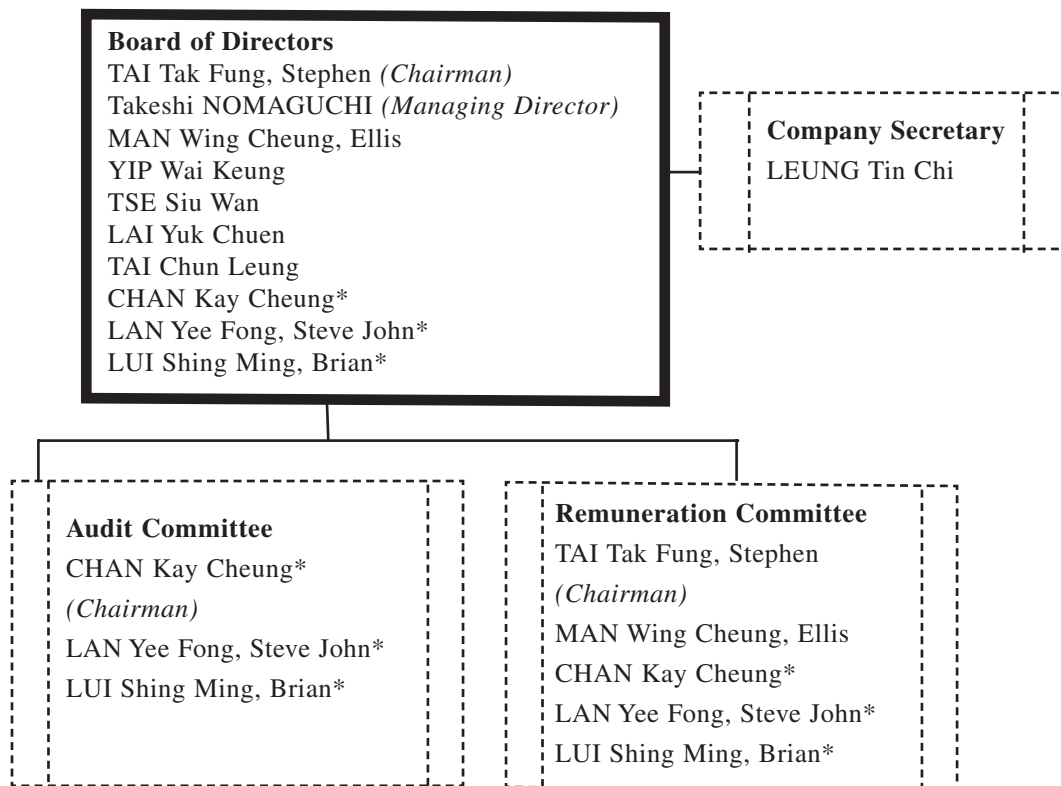
The Company has formalised a written guideline for the division of responsibilities between the Board and management. Certain responsibilities or functions have been delegated by the Board to the management which include the day-to-day business operation of the Group, execution of corporate strategies,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



## 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 directors*

## 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 2008 and the attendance record of each director is set out below:

Name of directors	No. of Board meeting	No. of attendance	Average attendance rate (%)
<i>Executive directors</i>			
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%
<i>Independent non-executive directors</i>			
CHAN Kay Cheung	4	4	100%
LAN Yee Fong, Steve John	4	4	100%
LUI Shing Ming, Brian	4	4	100%

## 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 2008, 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.

## THE BOARD (continued)

### Director's Appointment and Re-election (continued)

#### *Re-election (continued)*

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in CG Code.

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with the Articles of Association, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancy seldom happens and interval between the appointment made to fill casual vacancy and the immediate following annual general meeting is short.

### Roles of Chairman and Managing Director

Currently, Dr. TAI Tak Fung, Stephen and 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.

## THE BOARD (continued)

### Board Committees (continued)

#### *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 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 recommendation 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;

## THE BOARD (continued)

### Board Committees (continued)

- (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.

The Audit Committee held two meetings during the year ended 31 March 2008 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 2007 and the consolidated financial statements for the year ended 31 March 2007 of the Group. The Audit Committee has also reviewed the annual results for the year ended 31 March 2008 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 <i>(Chairman of the Audit Committee)</i>	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 BOARD (continued)

### Board Committees (continued)

#### *Remuneration Committee (continued)*

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;
- (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 2008 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 BOARD (continued)

### Board Committees (continued)

#### Remuneration Committee (continued)

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

Name of the committee members	No. of Audit Remuneration meeting	No. of attendance	Average attendance rate (%)
<b>Executive directors</b>			
TAI Tak Fung, Stephen <i>(Chairman of the Remuneration Committee)</i>	1	1	100%
MAN Wing Cheung, Ellis	1	1	100%
<b>Independent non-executive directors</b>			
CHAN Kay Cheung	1	1	100%
LAN Yee Fong, Steve John	1	1	100%
LUI Shing Ming, Brian	1	1	100%

## 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 2008.

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 2008. In preparing the financial statements for the year ended 31 March 2008, 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.

## ACCOUNTABILITY AND AUDIT (continued)

### Financial Reporting (continued)

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 Auditor's Report on pages 35 to 36 of this Annual Report.

### External Auditor's Remuneration

PwC have been re-appointed as the Company's external auditor by shareholders at the 2007 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 2008, PwC received approximately HK\$615,000 (31 March 2007: HK\$550,000) for audit and related services and HK\$113,000 (31 March 2007: HK\$79,000) 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 maintains a website at [www.fourseasinvestment.com.hk](http://www.fourseasinvestment.com.hk) as a communication platform with shareholders and investors, where information and updates on the Company's announcements, business developments/operations and other information are available for public access.

The Company's annual general meeting provides a forum for the 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 substantial issue 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.



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince's Building  
Central Hong Kong

**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 37 to 87, which comprise the consolidated and company balance sheets as at 31 March 2008, 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 2008 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, 18 July 2008

# Consolidated Income Statement

37

For the year ended 31 March 2008

	<i>Note</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	5	<b>530,471</b>	484,269
Cost of sales	7	<b>(497,229)</b>	(448,562)
Gross profit		<b>33,242</b>	35,707
Other gains, net	6	<b>15,233</b>	7,470
Selling and distribution expenses	7	<b>(3,562)</b>	(3,976)
Administrative expenses	7	<b>(28,920)</b>	(32,791)
Operating profit before finance costs		<b>15,993</b>	6,410
Finance costs, net	8	<b>(1,320)</b>	(318)
Share of profits of associated companies		<b>22,921</b>	29,725
Profit before tax		<b>37,594</b>	35,817
Income tax expense	9	<b>(2,573)</b>	(1,015)
Profit for the year	10	<b>35,021</b>	34,802
Dividends	11	<b>10,384</b>	10,384
Earnings per share			
– basic and diluted	12	<b>HK13.49 cents</b>	HK13.41 cents

The notes on pages 42 to 87 are an integral part of these consolidated financial statements.

As at 31 March 2008

	Note	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Leasehold land	15	31,200	31,770	–	–
Property, plant and equipment	16	53,377	55,516	–	–
Interests in subsidiaries	17	–	–	223,764	248,295
Interests in associated companies	18	260,901	236,582	–	–
Deferred income tax assets	33	2,961	2,966	–	–
Other non-current assets	19	540	–	–	–
		<u>348,979</u>	<u>326,834</u>	<u>223,764</u>	<u>248,295</u>
<b>Current assets</b>					
Inventories	20	97,406	44,512	–	–
Trade receivables	21	48,015	37,981	–	–
Due from subsidiaries	25	–	–	322	1,467
Due from associated companies	26	4	19	–	–
Prepayments, deposits and other receivables	22	1,193	988	130	133
Other financial assets at fair value through profit or loss	23	18,339	17,959	–	–
Cash and cash equivalents	27	57,372	51,368	136	131
		<u>222,329</u>	<u>152,827</u>	<u>588</u>	<u>1,731</u>
<b>Total assets</b>		<u><b>571,308</b></u>	<u><b>479,661</b></u>	<u><b>224,352</b></u>	<u><b>250,026</b></u>
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	31	25,959	25,959	25,959	25,959
Reserves	32	401,844	371,453	177,841	187,998
Proposed final dividend	11	7,788	7,788	7,788	7,788
<b>Total equity</b>		<u><b>435,591</b></u>	<u><b>405,200</b></u>	<u><b>211,588</b></u>	<u><b>221,745</b></u>

The notes on pages 42 to 87 are an integral part of these consolidated financial statements.

As at 31 March 2008

	Note	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred income tax liabilities	33	426	161	–	–
<b>Current liabilities</b>					
Trade and bills payable	28	32,841	5,906	–	–
Other payables and accrued charges	29	17,364	9,926	3,455	3,241
Derivative financial instruments	24	644	–	–	–
Due to subsidiaries	25	–	–	9,309	25,040
Borrowings	30	79,195	55,524	–	–
Current income tax liabilities		5,247	2,944	–	–
		135,291	74,300	12,764	28,281
<b>Total liabilities</b>		<b>135,717</b>	<b>74,461</b>	<b>12,764</b>	<b>28,281</b>
<b>Total equity and liabilities</b>		<b>571,308</b>	<b>479,661</b>	<b>224,352</b>	<b>250,026</b>
<b>Net current assets/(liabilities)</b>		<b>87,038</b>	<b>78,527</b>	<b>(12,176)</b>	<b>(26,550)</b>
<b>Total assets less current liabilities</b>		<b>436,017</b>	<b>405,361</b>	<b>211,588</b>	<b>221,745</b>

On behalf of the Board

**Takeshi NOMAGUCHI**  
Director

**MAN Wing Cheung, Ellis**  
Director

The notes on pages 42 to 87 are an integral part of these consolidated financial statements.



## Consolidated Statement Of Changes In Equity

For the year ended 31 March 2008

		2008	2007
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity at beginning of the year		<b>405,200</b>	376,179
Share of other reserves of associated companies	32	<b>5,754</b>	4,603
Profit for the year	32	<b>35,021</b>	34,802
Dividends	32	<b>(10,384)</b>	(10,384)
Total equity at end of the year		<b><u>435,591</u></b>	<b><u>405,200</u></b>

The notes on pages 42 to 87 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	34	(22,660)	33,521
Interest paid		(3,519)	(3,894)
Hong Kong profits tax refund		—	1,429
Net cash (used in)/generated from operating activities		<u>(26,179)</u>	<u>31,056</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(586)	(2,108)
Purchase of other non-current assets		(540)	—
Proceeds from disposal of property, plant and equipment	34	1	878
Purchase of additional interest in an associated company		(3,528)	(6,273)
Dividends received from an associated company		7,884	7,770
Purchase of other financial assets at fair value through profit or loss		(5,005)	(8,128)
Proceeds from disposal of other financial assets at fair value through profit or loss		18,275	3,745
Dividends received from other financial assets at fair value through profit or loss		196	191
Interest received		2,199	3,576
Net cash generated from/(used in) investing activities		<u>18,896</u>	<u>(349)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		79,195	55,524
Repayment of borrowings		(55,524)	(76,714)
Dividends paid to the Company's shareholders		(10,384)	(10,384)
Net cash generated from/(used in) financing activities		<u>13,287</u>	<u>(31,574)</u>
Increase/(decrease) in cash and cash equivalents		6,004	(867)
Cash and cash equivalents at beginning of the year	27	<u>51,368</u>	<u>52,235</u>
Cash and cash equivalents at end of the year	27	<u>57,372</u>	<u>51,368</u>

The notes on pages 42 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 the trading of frozen meat, seafood and vegetables and the principle activities of associated companies are the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, poultry products, ham and ham-related products, and the operations of restaurants.

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

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”). These consolidated financial statements have been approved for issue by the Board of Directors on 18 July 2008.

## 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 Group 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)

- (i) Standards, amendments and interpretations effective and adopted by the Group for the financial year ended 31 March 2008

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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

The adoption of the above new standards, amendments to standards and interpretations have no material impact to the consolidated financial statements of the Group, except for HKFRS 7 and HKAS 1 Amendment, which introduced new disclosures relating to financial instruments and capital management.

- (ii) Standards, amendments and interpretations that have been issued but are not yet effective for the financial year ended 31 March 2008 and have not been early adopted by the Group

HKAS 1 (Revised)	Presentation of Financial Statements (effective from accounting periods commencing on or after 1 January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective from accounting periods commencing on or after 1 January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective from accounting periods commencing on or after 1 July 2009)
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation (effective from accounting periods commencing on or after 1 January 2009)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

- (ii) Standards, amendments and interpretations that have been issued but are not yet effective for the financial year ended 31 March 2008 and have not been early adopted by the Group (continued)

HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations (effective from accounting periods commencing on or after 1 January 2009)
HKFRS 3 (Revised)	Business Combination (effective for business combinations with acquisition date on or after the beginning of the first accounting period commencing on or after 1 July 2009)
HKFRS 8	Operating Segments (effective from accounting periods commencing on or after 1 January 2009)
HK(IFRIC) – Int 12	Service Concession Arrangements (effective from accounting periods commencing on or after 1 January 2008)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (effective from accounting periods commencing on or after 1 July 2008)
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from accounting periods commencing on or after 1 January 2008)

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application. In the opinion of the directors, the above new/revised standards are not expected to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2008.

#### (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 deconsolidated from the date that control ceases.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Consolidation (continued)

#### (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 2.6*).

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 payments 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 associates are stated at cost less provision for impairment losses (*Note 2.7*). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 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\$, 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)

### 2.4 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 charged 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 2.7*).

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

### 2.5 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)

### 2.6 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.

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

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.8 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.8 Financial assets (continued)

(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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.9 Derivative financial instruments

All derivative financial instruments are accounted for at fair value through profit or loss and the gain or loss derived from changes in its fair value is recognised in the consolidated income statement unless the derivative financial instrument qualifies for hedge accounting.

### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) 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 original 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 uncollectable, 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.

### 2.12 Other non-current assets

Other non-current assets represent unlisted club debentures and memberships which are intended to be held for long term purposes, and are stated at cost less any impairment losses.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.13 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### 2.14 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.

### 2.15 Trade payables

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

### 2.16 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.

### 2.17 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Employee benefit (continued)

#### (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.

### 2.18 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Current and deferred income tax (continued)

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, associates, 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:

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability 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 HK\$ and United States dollars ("US\$"). The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk.



### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Foreign exchange risk (continued)

As at 31 March 2008, the post-tax profit of the Group would have been increased by approximately HK\$7,000 (2007: HK\$258,000) if US\$ had strengthened by 1% against HK\$ mainly resulted from foreign exchange gains/losses on translation of US\$ denominated monetary assets and liabilities and gain/loss from foreign exchange forward contracts with all other variables held constant.

##### (b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets (mainly include trade receivables, deposits and other receivables, and bank balances) as stated in the consolidated balance sheet.

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.

The credit risk on liquid funds is limited as the counterparties are renowned financial institutions registered in Hong Kong.

##### (c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and available committed credit facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2008 HK\$'000	2007 HK\$'000
Within one year		
Trade and bills payable	32,841	5,906
Other payables and accrued charges	17,364	9,926
Derivative financial instruments	644	–
Borrowings	79,195	55,524
	<u>130,044</u>	<u>71,356</u>

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.1 Financial risk factors (continued)

##### (d) Cash flow and fair value interest rate risk

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

As at 31 March 2008, the post-tax profit of the Group would have been decreased/increased by approximately HK\$109,000 (2007: HK\$21,000) if the market interest rates had been increased/decreased by 50 basis points with all other variables held constant.

#### 3.2 Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The Group monitors capital using a gearing ratio, which is calculated as total bank borrowings divided by total equity.

The gearing ratios as at the balance sheet dates were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Total borrowings ( <i>Note 30</i> )	79,195	55,524
Total equity	435,591	405,200
Gearing ratio	<u>0.18</u>	<u>0.14</u>

The increase in the gearing ratio during 2008 resulted primarily from increase in trust receipt loans.

### 3 FINANCIAL RISK MANAGEMENT (continued)

#### 3.3 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 ESTIMATES 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 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

**(c) Impairment of trade receivables**

Provision for impairment of trade receivables is determined based on the evaluation of collectability of trade receivables. 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) Estimated write-downs of inventories to net realisable value**

The Group writes down inventories to net realisable value based on an assessment of the realisability of inventories. Provisions are made for inventories where events or changes in circumstances indicate that the balances may not be realised. The identification of obsolescence requires the use of judgment and estimates. Where the exception is different from the original estimate, such difference will impact carrying value of inventories and net realisable value for the periods in which such estimate is changed.

**(e) 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

The Group has only one single business segment which is the trading of frozen meat and the Group's turnover, representing sales of goods, and operating result are substantially derived from the business activities in Hong Kong. Accordingly, no business and geographical segment information is presented.

## 6 OTHER GAINS, NET

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Gross rental income	719	563
Gain on disposal of other financial assets at fair value through profit or loss	7,033	1,039
Dividend income from other financial assets at fair value through profit or loss	196	191
Fair value gains on other financial assets at fair value through profit or loss	6,617	3,881
Exchange gain, net	698	1,081
Gain on disposal of property, plant and equipment	1	33
Claims received	106	682
Commission income	507	–
Fair value loss on derivative financial instruments	(644)	–
	<u>15,233</u>	<u>7,470</u>

## 7 EXPENSES BY NATURE

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of inventories	469,111	422,489
Auditor's remuneration	615	550
Depreciation of property, plant and equipment	2,725	3,164
Amortisation of leasehold land	570	570
Operating leases of land and buildings	19,374	16,747
Employee benefit expense ( <i>Note 13</i> )	18,725	18,680
Impairment of trade receivables	1,002	5,063
Outgoings in respect of rental income	429	350
Other expenses	17,160	17,716
	<u>529,711</u>	<u>485,329</u>

**7 EXPENSES BY NATURE (continued)**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Representing:		
Cost of sales	497,229	448,562
Selling and distribution expenses	3,562	3,976
Administrative expenses	28,920	32,791
Total	<u>529,711</u>	<u>485,329</u>

**8 FINANCE COSTS, NET**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest expense on bank loans and trust receipt loans	(3,519)	(3,894)
Interest income	2,199	3,576
	<u>(1,320)</u>	<u>(318)</u>

**9 INCOME TAX EXPENSE**

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit for the year.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current income tax:		
– Hong Kong profits tax	2,268	855
– Under provision in prior year	35	–
Deferred income tax relating to the origination and reversal of temporary difference ( <i>Note 33</i> )	270	160
Income tax expense	<u>2,573</u>	<u>1,015</u>

## 9 INCOME TAX EXPENSE (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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before tax	37,594	35,817
Less: Share of profits of associated companies	(22,921)	(29,725)
	<u>14,673</u>	<u>6,092</u>
Calculated at a taxation rate of 17.5% (2007: 17.5%)	2,568	1,066
Income not subject to tax	(87)	(100)
Expenses not deductible for tax purposes	97	58
Recognition of previously unrecognised temporary difference	–	1,437
Recognition of previously unrecognised tax losses	–	(1,276)
Utilisation of previously unrecognised tax losses	(40)	(147)
Under provision in prior year	35	–
Others	–	(23)
Income tax expense	<u><u>2,573</u></u>	<u><u>1,015</u></u>

## 10 PROFIT FOR THE YEAR

The profit for the year is dealt with in the financial statements of the Company to the extent of HK\$227,000 (2007: HK\$188,000).

## 11 DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim, paid, of HK1.0 cent (2007: HK1.0 cent) per ordinary share	2,596	2,596
Final, proposed, of HK3.0 cents (2007: HK3.0 cents) per ordinary share	<u>7,788</u>	<u>7,788</u>
	<u><u>10,384</u></u>	<u><u>10,384</u></u>

At a meeting held on 18 July 2008 the 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 2009.

## 12 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the number of ordinary shares in issue during the year.

	2008	2007
Profit for the year (HK\$)	35,021,000	34,802,000
Number of ordinary shares in issue	259,586,000	259,586,000
Basic earnings per share (HK cent per share)	<u>13.49</u>	<u>13.41</u>

The Company had no diluted potential ordinary shares as at 31 March 2008 and 2007.



### 13 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Wages and salaries	16,856	16,773
Unutilised annual leave	23	44
Pension costs – defined contribution plan	1,026	1,038
Other staff benefits	820	825
	<u>18,725</u>	<u>18,680</u>

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 (2007: Nil).

Contributions totalling HK\$132,000 (2007: HK\$127,000) 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 2008 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
<i>Executive directors</i>				
TAI Tak Fung, Stephen	120	2,880	60	3,060
Takeshi NOMAGUCHI	60	1,833	72	1,965
MAN Wing Cheung, Ellis	60	1,230	112	1,402
YIP Wai Keung	60	–	3	63
TSE Siu Wan	60	–	3	63
LAI Yuk Chuen	60	638	64	762
TAI Chun Leung	60	–	3	63
<i>Independent non-executive directors</i>				
CHAN Kay Cheung	60	–	–	60
LAN Yee Fong, Steve John	60	–	–	60
LUI Shing Ming, Brian	60	–	–	60
	<u>660</u>	<u>6,581</u>	<u>317</u>	<u>7,558</u>

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
<i>Executive directors</i>				
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
<i>Independent non-executive directors</i>				
CHAN Kay Cheung	60	–	–	60
LAN Yee Fong, Steve John	60	–	–	60
LUI Shing Ming, Brian	60	–	–	60
	<u>660</u>	<u>7,032</u>	<u>313</u>	<u>8,005</u>

## 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 four (2007: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the one individual for the year ended 31 March 2008 was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Basic salaries, housing allowances, share options, other allowances and benefits in kind	<u>653</u>	<u>–</u>

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emolument bands		
Nil to HK\$1,000,000	<u>1</u>	<u>–</u>

## 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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
In Hong Kong held on:		
Leases of over 50 years	9,534	9,548
Leases of between 10 to 50 years	<u>21,666</u>	<u>22,222</u>
	<u>31,200</u>	<u>31,770</u>
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At beginning of the year	31,770	32,340
Amortisation of prepaid operating lease payments	<u>(570)</u>	<u>(570)</u>
At end of the year	<u>31,200</u>	<u>31,770</u>

## 16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings		Leasehold improvement furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Computer systems HK\$'000	Office equipment HK\$'000	Total HK\$'000
	Held under leases of between 10 to 50 years in Hong Kong HK\$'000	Held under leases of over 50 years in Hong Kong HK\$'000					
<b>At 1 April 2006</b>							
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	<u>48,572</u>	<u>4,875</u>	<u>1,331</u>	<u>2,069</u>	<u>441</u>	<u>129</u>	<u>57,417</u>
<b>Year ended 31 March 2007</b>							
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	<u>47,143</u>	<u>4,786</u>	<u>1,008</u>	<u>2,315</u>	<u>130</u>	<u>134</u>	<u>55,516</u>
<b>At 31 March 2007</b>							
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	<u>47,143</u>	<u>4,786</u>	<u>1,008</u>	<u>2,315</u>	<u>130</u>	<u>134</u>	<u>55,516</u>
<b>Year ended 31 March 2008</b>							
Opening net book amount	47,143	4,786	1,008	2,315	130	134	55,516
Additions	–	–	–	473	102	11	586
Disposals	–	–	–	–	–	–	–
Depreciation	(1,429)	(89)	(325)	(732)	(105)	(45)	(2,725)
Closing net book amount	<u>45,714</u>	<u>4,697</u>	<u>683</u>	<u>2,056</u>	<u>127</u>	<u>100</u>	<u>53,377</u>
<b>At 31 March 2008</b>							
Cost	57,145	9,173	3,310	4,629	2,768	980	78,005
Accumulated depreciation and impairment	(11,431)	(4,476)	(2,627)	(2,573)	(2,641)	(880)	(24,628)
Net book amount	<u>45,714</u>	<u>4,697</u>	<u>683</u>	<u>2,056</u>	<u>127</u>	<u>100</u>	<u>53,377</u>

## 17 INTERESTS IN SUBSIDIARIES – COMPANY

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Unlisted shares, at cost ( <i>Note a</i> )	39,004	39,004
Advances to subsidiaries ( <i>Note b</i> )	193,809	218,340
Less: Provision for diminution in value	(9,049)	(9,049)
	<u>223,764</u>	<u>248,295</u>

### (a) Particulars of the principal subsidiaries at 31 March 2008:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
<b>Interests held directly:</b>				
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%
<b>Interests held indirectly:</b>				
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.

**17 INTERESTS IN SUBSIDIARIES – COMPANY (continued)****(b) Advances to subsidiaries**

The advances to subsidiaries are unsecured and interest-free. It is the intention of the management not to demand 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**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At beginning of the year	236,582	203,751
Share of associated companies' results		
– profit before tax	31,774	36,315
– income tax expense	(7,440)	(5,378)
– minority interest	(1,413)	(1,212)
	<u>22,921</u>	<u>29,725</u>
Dividend received	(7,884)	(7,770)
Share of other reserves ( <i>Note 32</i> )	5,754	4,603
Additional investment	3,528	6,273
At end of the year	<u><u>260,901</u></u>	<u><u>236,582</u></u>

Interests in associated companies at 31 March 2008 included goodwill of HK\$12,333,000 (2007: HK\$11,317,000).

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Investments at cost:		
Shares listed in Hong Kong	<u><u>186,214</u></u>	<u><u>182,686</u></u>
Market value of listed shares	<u><u>330,008</u></u>	<u><u>379,147</u></u>

## 18 INTERESTS IN ASSOCIATED COMPANIES – GROUP (continued)

Particulars of the principal associated companies at 31 March 2008:

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
<b>Interests held indirectly:</b>				
Four Seas Mercantile Holdings Limited	Cayman Islands/ Hong Kong	Investment holding	HK\$39,956,564	28.48%
Fancy Talent Limited	Hong Kong	Marketing of snack foods	HK\$100,000,000	28.48%
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	28.48%
Four Seas Foods (Shantou) Co., Ltd. <sup>1</sup>	Mainland China	Trading in confectionery and food products	HK\$61,000,000	28.48%
Hong Kong Biscuit (International) Limited	Hong Kong	Investment holding	HK\$40,000,000	28.28%
Hong Kong Ham Holdings Limited	Hong Kong	Manufacturing and packaging of ham and ham-related products	HK\$20	28.48%
J.P. Inglis Company Limited	Hong Kong	Trading in food materials	HK\$1,000,000	28.48%
Kung Tak Lam Shanghai Vegetarian Cuisine Limited	Hong Kong	Restaurant operations	HK\$3,660,000	28.20%

## 18 INTERESTS IN ASSOCIATED COMPANIES – GROUP (continued)

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Li Fook (Qingdao) Foods Co., Ltd. <sup>1</sup>	Mainland China	Manufacturing of noodles	US\$3,320,000	28.48%
Wide Success Holdings Limited	Hong Kong	Restaurant operations	HK\$10,000	28.48%
New Kondo Trading Company Limited	Hong Kong	Trading in Japanese food materials	HK\$1,000,000	28.48%

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.

<sup>1</sup> These companies are wholly owned foreign enterprises



## 18 INTERESTS IN ASSOCIATED COMPANIES – GROUP (continued)

Details of information, as extracted from the financial statements of Four Seas Mercantile Holdings Limited, a material associated company, for the year ended 31 March 2008, are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Consolidated income statement:		
Revenue	<u>2,096,535</u>	<u>1,875,515</u>
Net profit from ordinary activities attributable to shareholders	<u>81,172</u>	<u>106,419</u>
Consolidated balance sheet:		
Property, plant and equipment	413,092	303,323
Prepaid land lease payments	126,833	123,061
Goodwill	26,809	26,809
Deferred income tax assets	1,491	2,717
Interests in associated companies	189,172	169,693
Available-for-sale investments	56,803	29,573
Other non-current assets	34,378	28,145
Current assets	<u>1,091,564</u>	<u>933,987</u>
Total assets	<u>1,940,142</u>	<u>1,617,308</u>
Share capital	39,956	39,956
Reserves	812,014	738,607
Proposed final dividend	<u>19,978</u>	<u>19,978</u>
Shareholders' funds	871,948	798,541
Minority interests	<u>32,348</u>	<u>30,343</u>
Total equity	<u>904,296</u>	<u>828,884</u>
Current liabilities	943,939	680,478
Non-current liabilities	<u>91,907</u>	<u>107,946</u>
Total liabilities	<u>1,035,846</u>	<u>788,424</u>
Net current assets	<u>147,625</u>	<u>253,509</u>

## 19 OTHER NON-CURRENT ASSETS – GROUP

The club debenture represents entrance fee paid for use of the club facilities and is held on a long term basis.

## 20 INVENTORIES – GROUP

The Group recognised an inventory write down of HK\$1,515,000 (2007: Nil). The amount has been included in cost of goods sold in the consolidated income statement.

The cost of inventories recognised as expense and included in cost of sales amounted to HK\$469,111,000 (2007: HK\$422,489,000).

## 21 TRADE RECEIVABLES – GROUP

Movements on the provision for impairment of trade receivables are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At 1 April	–	2,452
Provision for impairment	1,002	5,083
Receivables written off as uncollectable	(1,002)	(7,515)
Unused amounts reversed	–	(20)
	<hr/>	<hr/>
At 31 March	<u>–</u>	<u>–</u>

As at 31 March 2008, the ageing analysis of the trade receivables was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	36,404	30,116
31 – 60 days	11,176	6,740
Over 60 days	435	1,125
	<hr/>	<hr/>
	<u>48,015</u>	<u>37,981</u>

## 21 TRADE RECEIVABLES – GROUP (continued)

As at 31 March 2008, trade receivables of HK\$47,515,000 (2007: HK\$36,728,000) were neither past due nor impaired. These related to a number of independent customers for whom there was no relevant history of default. The ageing analysis of trade receivables by past due date is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Not past due	47,515	36,728
0 – 30 days past due	194	158
31 – 60 days past due	2	769
Over 60 days past due	304	326
	<u>48,015</u>	<u>37,981</u>

All trade receivables are denominated in HK\$.

The carrying amount of trade receivables approximate to their fair value due to short maturity. The Group has a credit policy with general credit terms ranging from 30 days to 90 days.

## 22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Prepayments	670	433	121	121
Utilities and other deposits	458	480	–	–
Other receivables	65	75	9	12
	<u>1,193</u>	<u>988</u>	<u>130</u>	<u>133</u>

All prepayments, deposits and other receivables of the Group and the Company are denominated in HK\$ and their carrying amounts approximate their fair values.

The maximum exposure to credit risk in respect of the above other current assets at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Equity securities listed in Hong Kong at market value	<u>18,339</u>	<u>17,959</u>

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*).

## 24 DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

Derivative financial instruments represented foreign exchange forward contracts that are not qualified for hedge accounting under the requirements of HKAS 39 and the amount are denominated in US\$.

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2008 are HK\$3,872,500 (2007: Nil).

## 25 DUE FROM/(TO) SUBSIDIARIES – COMPANY

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

## 26 DUE FROM ASSOCIATED COMPANIES – GROUP

The amounts due from associated companies are unsecured, interest-free and repayable on demand.

## 27 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash at bank and in hand	25,427	21,249	136	131
Short-term bank deposits	31,945	30,119	–	–
	<u>57,372</u>	<u>51,368</u>	<u>136</u>	<u>131</u>

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Denominated in:				
HK\$	24,391	19,683	136	131
US\$	32,981	31,685	–	–
	<u>57,372</u>	<u>51,368</u>	<u>136</u>	<u>131</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The effective interest rate on short-term bank deposits was 2.7% (2007: 5.2%); these deposits have an average maturity of 3 days.

## 28 TRADE AND BILLS PAYABLE – GROUP

As at 31 March 2008, the ageing analysis of the trade and bills payable was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 30 days	32,839	5,902
31 – 60 days	2	4
	<u>32,841</u>	<u>5,906</u>
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Denominated in:		
HK\$	–	12
US\$	<u>32,841</u>	<u>5,894</u>
	<u>32,841</u>	<u>5,906</u>

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

## 29 OTHER PAYABLES AND ACCRUED CHARGES

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Other payables	6,664	1,629	–	–
Accrued charges	<u>10,700</u>	<u>8,297</u>	<u>3,455</u>	<u>3,241</u>
	<u>17,364</u>	<u>9,926</u>	<u>3,455</u>	<u>3,241</u>

All other payables and accrued charges of the Group and the Company are denominated in HK\$ and their carrying amounts approximate their fair values.

### 30 BORROWINGS – GROUP

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amounts due within 12 months:		
Trust receipt loans, secured	<u>79,195</u>	<u>55,524</u>

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:

	2008	2007
Trust receipt loans, secured	<u>2.83%</u>	<u>4.90%</u>

The carrying amount of borrowings approximates their fair value.

The Group's borrowings are all denominated in HK\$.

### 31 SHARE CAPITAL

#### (a) Authorised and issued capital

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Authorised</b>		
400,000,000 (2007: 400,000,000) ordinary shares of HK\$0.10 each	<u>40,000</u>	<u>40,000</u>
<b>Issued and fully paid</b>		
259,586,000 (2007: 259,586,000) ordinary shares of HK\$0.10 each	<u>25,959</u>	<u>25,959</u>

## 31 SHARE CAPITAL (continued)

### (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.

There was no share options outstanding under the Scheme for the year ended 31 March 2008 and 2007. During the year, no share option was granted under the Scheme.



## 32 RESERVES

### Group

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share of other reserves of associated companies <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	90,557	579	901	258,183	350,220
Surplus on revaluation of available-for-sale financial assets	–	–	614	–	614
Transfer to the income statement 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	<u>90,557</u>	<u>579</u>	<u>5,504</u>	<u>282,601</u>	<u>379,241</u>
Representing:					
Reserves	90,557	579	5,504	274,813	371,453
2007 proposed final dividend	–	–	–	7,788	7,788
At 31 March 2007	<u>90,557</u>	<u>579</u>	<u>5,504</u>	<u>282,601</u>	<u>379,241</u>
Company and subsidiaries	90,557	579	–	158,745	249,881
Associated companies	–	–	5,504	123,856	129,360
At 31 March 2007	<u>90,557</u>	<u>579</u>	<u>5,504</u>	<u>282,601</u>	<u>379,241</u>

**32 RESERVES (continued)****Group**

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share of other reserves of associated companies <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2007	90,557	579	5,504	282,601	379,241
Surplus on revaluation of available-for-sale financial assets	–	–	3,112	–	3,112
Transfer to the income statement on disposal of available-for-sale financial assets	–	–	(8,174)	–	(8,174)
Exchange and other reserves	–	–	10,816	–	10,816
Profit for the year	–	–	–	35,021	35,021
2007 Final dividend	–	–	–	(7,788)	(7,788)
2008 Interim dividend	–	–	–	(2,596)	(2,596)
At 31 March 2008	<u>90,557</u>	<u>579</u>	<u>11,258</u>	<u>307,238</u>	<u>409,632</u>
Representing:					
Reserves	90,557	579	11,258	299,450	401,844
2008 proposed final dividend	–	–	–	7,788	7,788
At 31 March 2008	<u>90,557</u>	<u>579</u>	<u>11,258</u>	<u>307,238</u>	<u>409,632</u>
Company and subsidiaries	90,557	579	–	160,461	251,597
Associated companies	–	–	11,258	146,777	158,035
At 31 March 2008	<u>90,557</u>	<u>579</u>	<u>11,258</u>	<u>307,238</u>	<u>409,632</u>

## 32 RESERVES (continued)

### Company

	<b>Share premium</b>	<b>Capital redemption reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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)
	<u>90,557</u>	<u>579</u>	<u>104,650</u>	<u>195,786</u>
At 31 March 2007	<u>90,557</u>	<u>579</u>	<u>104,650</u>	<u>195,786</u>
Representing:				
Reserves	90,557	579	96,862	187,998
2007 Final dividend proposed	–	–	7,788	7,788
	<u>90,557</u>	<u>579</u>	<u>104,650</u>	<u>195,786</u>
At 31 March 2007	<u>90,557</u>	<u>579</u>	<u>104,650</u>	<u>195,786</u>
At 1 April 2007	90,557	579	104,650	195,786
Profit for the year	–	–	227	227
2007 Final dividend	–	–	(7,788)	(7,788)
2008 Interim dividend	–	–	(2,596)	(2,596)
	<u>90,557</u>	<u>579</u>	<u>94,493</u>	<u>185,629</u>
At 31 March 2008	<u>90,557</u>	<u>579</u>	<u>94,493</u>	<u>185,629</u>
Representing:				
Reserves	90,557	579	86,705	177,841
2008 Final dividend proposed	–	–	7,788	7,788
	<u>90,557</u>	<u>579</u>	<u>94,493</u>	<u>185,629</u>
At 31 March 2008	<u>90,557</u>	<u>579</u>	<u>94,493</u>	<u>185,629</u>

As at 31 March 2008, the reserves of the Company that are available for distribution as dividends amounted to HK\$94,493,000 (2007: HK\$104,650,000).

### 33 DEFERRED INCOME TAX – GROUP

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Deferred income tax assets	(2,961)	(2,966)
Deferred income tax liabilities	426	161
	<u>(2,535)</u>	<u>(2,805)</u>

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:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At beginning of the year	(2,805)	(2,965)
Charged to consolidated income statement ( <i>Note 9</i> )	270	160
At end of the year	<u>(2,535)</u>	<u>(2,805)</u>

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

	<b>Accelerated tax depreciation</b>	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
At beginning of the year	1,915	426
Charged to consolidated income statement	137	1,489
At end of the year	<u>2,052</u>	<u>1,915</u>

### 33 DEFERRED INCOME TAX – GROUP (continued)

#### Deferred income tax assets

	Decelerated		Tax loss		Total	
	tax depreciation					
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	(2)	–	(4,718)	(3,391)	(4,720)	(3,391)
(Credited)/charged to consolidated income statement	(31)	(2)	164	(1,327)	133	(1,329)
At end of the year	<u>(33)</u>	<u>(2)</u>	<u>(4,554)</u>	<u>(4,718)</u>	<u>(4,587)</u>	<u>(4,720)</u>

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\$4,189,000 (2007: HK\$4,415,000) to carry forward against future taxable income, these tax losses have no expiry date.

**34 CASH (USED IN)/GENERATED FROM OPERATIONS**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before tax	37,594	35,817
Adjustments for		
– Share of profits of associated companies	(22,921)	(29,725)
– Depreciation of property, plant and equipment	2,725	3,164
– Amortisation of leasehold land	570	570
– Gain on disposal of property, plant and equipment	(1)	(33)
– Interest expenses	3,519	3,894
– Interest income	(2,199)	(3,576)
– Gain on disposal of other financial assets at fair value through profit or loss	(7,033)	(1,039)
– Dividend income from other financial assets at fair value through profit or loss	(196)	(191)
– Fair value gains on other financial assets at fair value through profit or loss	(6,617)	(3,881)
– Fair value loss on derivative financial instruments	644	–
	<u>6,085</u>	<u>5,000</u>
Changes in working capital:		
– Inventories	(52,894)	10,047
– Trade receivables, prepayments, deposits and other receivables and due from associated companies	(10,224)	17,671
– Trade and bills payable, other payables and accrued charges	34,373	803
	<u>34,373</u>	<u>803</u>
Cash (used in)/generated from operations	<u>(22,660)</u>	<u>33,521</u>

### 34 CASH (USED IN)/GENERATED FROM OPERATIONS (continued)

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net book amount ( <i>Note 16</i> )	–	845
Gain on disposal of property, plant and equipment	<u>1</u>	<u>33</u>
Proceeds from disposal of property, plant and equipment	<u><u>1</u></u>	<u><u>878</u></u>

### 35 OPERATING LEASE COMMITMENTS

At 31 March 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within one year	<u><u>360</u></u>	<u><u>333</u></u>	<u><u>360</u></u>	<u><u>333</u></u>

### 36 RELATED PARTY TRANSACTIONS

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

**(a) Transactions with related parties**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Rental and building management fees received from related companies	289	192
Commission received from an associated company	507	–
	<u>796</u>	<u>192</u>

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.

- (i) Tenancy agreements were entered into with a related party to lease. The lease were extended and renewed until terminated by either party. The lease was entered into on mutually agreed term.
- (ii) Commission income was charged based on normal commercial terms and in the ordinary course of business.

**(b) Key management compensation**

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other short-term employee benefits	8,186	8,967
Pension costs – defined contribution plan	435	455
	<u>8,621</u>	<u>9,422</u>



## Five Year Financial Summary

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)	2004 <i>HK\$'000</i> (restated)
<b>Results</b>					
Turnover	<u>530,471</u>	<u>484,269</u>	<u>537,547</u>	<u>539,837</u>	<u>532,679</u>
Operating profit/(loss) before finance costs	15,993	6,410	(10,852)	18,216	33,248
Finance costs, net	(1,320)	(318)	(346)	(1,176)	5,200
Share of profits of associated companies	<u>22,921</u>	<u>29,725</u>	<u>25,963</u>	<u>21,760</u>	<u>17,378</u>
Profit before tax	37,594	35,817	14,765	38,800	55,826
Income tax (expense)/credit	<u>(2,573)</u>	<u>(1,015)</u>	<u>2,635</u>	<u>(428)</u>	<u>(7,467)</u>
Profit for the year	<u>35,021</u>	<u>34,802</u>	<u>17,400</u>	<u>38,372</u>	<u>48,359</u>
<b>Assets and liabilities</b>					
Total assets	571,308	479,661	468,582	548,424	522,779
Total liabilities	<u>(135,717)</u>	<u>(74,461)</u>	<u>(92,403)</u>	<u>(182,743)</u>	<u>(194,224)</u>
Total equity	<u>435,591</u>	<u>405,200</u>	<u>376,179</u>	<u>365,681</u>	<u>328,555</u>

