Annual Report

2009

年報

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

BOARD OF DIRECTORS

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

* *Independent non-executive directors*

COMPANY SECRETARY

LEUNG Tin Chi

REGISTERED OFFICE

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

SHARE REGISTRARS AND TRANSFER OFFICE

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 Limited
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

AUDITORS

Ernst & Young

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$628,149,000 (2008: HK$530,471,000) for the year ended 31 March 2009. The profit attributable to equity holders of the Company was HK$15,916,000 (2008: HK$35,021,000) while earnings per share was HK6.13 cents (2008: HK 13.49 cents).

DIVIDEND

The board of directors has recommended the payment of a final dividend of HK3.0 cents per ordinary share (2008: HK3.0 cents) with respect to the financial year ended 31 March 2009. Subject to the shareholders' approval at the annual general meeting to be held on 9 September 2009, the final dividend will be payable on 23 September 2009. Together with the interim dividend of HK1.0 cent per share, the total dividend distribution for the year ended 31 March 2009 will be HK4.0 cents per share (2008: HK4.0 cents).

BUSINESS REVIEW

Last year was a year filled with challenges. The operating environment of frozen meat market was persistently affected by short supply and rising prices of frozen meat. Given the Group's solid foundation, financial strength, comprehensive distribution network, excellent relationship with suppliers, flexible pricing strategy and the wealth of management experience, the turnover and business development of frozen meat trading, the core business of the Group, maintained a stable growth.

Apart from frozen meat trading business, the Group has strategically held equity interests in an associate, Four Seas Mercantile Holdings Limited ("FSMHL"), as a long-term investment, which enables the Group to have a diversified business portfolio and enjoy the share of profit from FSMHL. As at 31 March 2009, the Group shared a profit after tax of HK$29,930,000 (2008: HK$22,921,000).

During the year, being adversely affected by global financial tsunami and the fluctuations in the stock market, investment securities held by the Group recorded an unrealised fair value loss of approximately HK$18,308,000 (2008: Gain of HK$6,617,000), causing a decrease in the Group's profit for the year. Nevertheless, the investment of listed securities was funded by internal funds which did not affect the liquidity of the Group.

Frozen Meat Trading

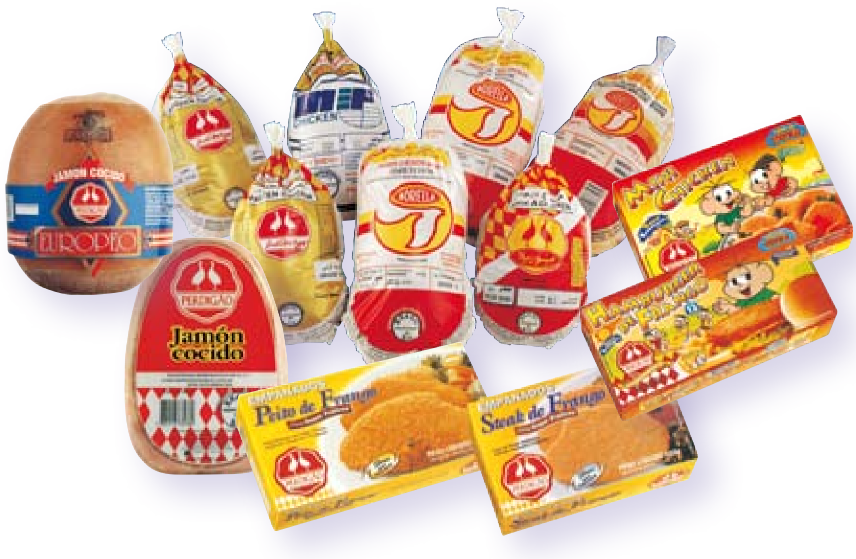
Frozen meat trading is the Group's core business. The Group has been endeavouring to introduce high quality frozen meat products. The Group has established a long-standing reputation in the market where its products are well received by customers. Owing to the persistently strong demand worldwide and soaring feed prices, the cost of frozen meat is relatively higher as compared with last year. Despite the unstable market condition, the Group's turnover was able to increase by 18% through implementation of prudent purchasing strategy, adjustments to product mix and quantities, increase in selling prices and its comprehensive distribution network. Nevertheless, the continued soaring costs of frozen meat had more than offset the increase in turnover and therefore affected profit.

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 2009, the Group's equity interest in FSMHL increased to approximately 28.49%.

Food Distribution

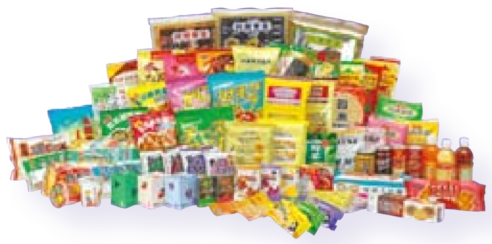
Food distribution has all along been the FSMHL's core business. Riding on renowned and reliable reputation built 38 years, FSMHL was able to strengthen its extensive distribution network, drive continued growth of the business and earned many prestigious awards. During the year, I was honoured by the Japanese government with the "Award of the Ministry of Agriculture, Forestry and Fisheries of Japan" as well as "Certificate of Appreciation" by the Meiji Seika Kaisha, Ltd. These two accolades recognise success in the leadership of promoting Japanese food products by FSMHL over the past 30 years. Besides, Calbee Jagabee, a product marketed by FSMHL, received the "2008 Wellcome Top 10 Favorite Brands" honour from Wellcome Supermarket and the "2008 Leading Brand" award from 7-Eleven Convenience Store. In addition, Okashi Land continued to strengthen its platform for new product distribution and brand name awareness. Recently, Okashi Land was again awarded by Metro Broadcast Corporation Limited as "U! Choice University Students' Most Favorite Brand".



Frozen Meat Products

Food Manufacturing

Until now, FSMHL has 20 manufacturing plants in both Mainland China and Hong Kong to produce a wide range of high value-added products including seaweed, candies, snacks and confectioneries, peanuts, potato chips, instant noodles, ice-cream, beverages, ham, sausage, biscuits, cake, chestnuts and frozen dim sums. Four Seas Seaweed products have gained widespread market recognition. FSMHL has once again successfully launched a new favourite "Seaweed Tempura" following the well-received Crispy Seaweed series to cater for different consumer preferences. During the year, FSMHL acquired all the remaining shares in Pokka Four Seas (Suzhou) Food Company Limited which has become a wholly-owned subsidiary of FSMHL and renamed it as Four Seas (Suzhou) Food Co., Ltd. This not only greatly enhances the production capacity, but also augments beverage category with a series of specialty drinks including Tsubu Tsubu Orange, coffee, milk tea, lemon tea, green tea, Oolong tea and fruit juice. Besides, FSMHL continued making remarkable progress with its quality management and won numerous awards. FSMHL was respectively awarded the honorary certificates of "Model Enterprise of Food Safety" and "Distinguished Management Entrepreneur".



Four Seas brand products

Four Seas Brand

As a renowned local brand name with a wide variety of products, Four Seas brand has become an equity brand in Hong Kong people's daily life. FSMHL has successfully signed with the actress Ms. Niki Chow as image ambassador of "Four Seas Crackers", helping to build a healthy, vigorous and trendy product image that further reinforces its leading position in the youth market. There will be new TV commercials with celebrity endorsement by popular singer Mr. Richie Yam to revitalise the unique attribute of Tsubu Tsubu Orange under the Four Seas brand. Four Seas brand was named the "Best Loved Local Brand in Daily Life" during the year. The brand was also voted by "Three Weekly" as "Non-Stop Eating Snack" of "Smart Living 2008". FSMHL was also awarded "The Hong Kong's 100 Most Influential Brands" at the end of last year.

Catering Business

FSMHL's catering business includes Japanese chain restaurants, Japanese specialty restaurant, high-end vegetarian cuisine restaurants and garden restaurants. During the year, the catering business was able to achieve steady growth. Kung Tak Lam Shanghai Vegetarian Cuisine Limited ("Kung Tak Lam") maintained its leadership position in the vegetarian restaurant sector. With its premium healthy vegetarian cuisine and pleasant décor, Kung Tak Lam has maintained a strong demand among the health-conscious young consumers. Early in the year, Kung Tak Lam was voted as "The Emerging Service Brand 2008" of the "Hong Kong Top Service Brand Award" competition. Recognising the enormous brand equity of Kung Tak Lam, FSMHL is planning to open its third outlet by the end of this year to further expand the business and better serve the vegetarian food lovers in Hong Kong. Furthermore, Panxi Restaurant ("Panxi"), one of the largest scale garden restaurants in Mainland China, has attracted innumerably world-renowned patrons and achieved creditable performance. Through FSMHL's distribution network in Hong Kong and Mainland China, the sales of high quality frozen dim sums of Panxi is set to bring a new source of revenue to FSMHL. Meanwhile, business has been stable for FSMHL's Japanese restaurant, Restaurant Shiki, as well as the sushi chain outlets in Mainland China. During the year, FSMHL has successfully sold its 49% of equity interest Pokka Corporation (HK) Limited at a consideration of approximately HK$137,539,000. This disposal contributed a satisfactory return.

Restaurant Shiki

Kung Tak Lam Shanghai Vegetarian Cuisine

Panxi Restaurant

PROSPECTS

Looking ahead, notwithstanding the continuous weakening global economy and unstable frozen meat market environment, the management believes that the Group will reduce such unfavourable influence by its solid foundation, comprehensive distribution network, close relationship with suppliers, extensive frozen meat trading experience, prudent purchasing management, flexible sales strategy, effective risk management and cost-control. The Group will continue to work upon its market position and make efforts to launch more high quality products so as to widen its product varieties. In the meantime, the long-term investment of equity interest in FSMHL will continue to contribute 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, 27 July 2009

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries and associates are set out in notes 16 and 17 to the financial statements, respectively. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 86.

An interim dividend of HK1.0 cent per share was paid by the Company on 21 January 2009. The directors recommend the payment of a final dividend of HK3.0 cents per share in respect of the year to shareholders on the register of members on 9 September 2009. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

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

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**628,149**	530,471	484,269	537,547	539,837
PROFIT FOR THE YEAR	**15,916**	35,021	34,802	17,400	38,372

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
TOTAL ASSETS	**583,344**	571,308	479,661	468,582	548,424
TOTAL LIABILITIES	**(134,664)**	(135,717)	(74,461)	(92,403)	(182,743)
	448,680	435,591	405,200	376,179	365,681

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$84,138,000, of which HK$7,788,000 has been proposed as a final dividend for the year.

BORROWINGS

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

TAI Tak Fung, Stephen *(Chairman)*
Takeshi NOMAGUCHI *(Managing Director)*
MAN Wing Cheung, Ellis
YIP Wai Keung
TSE Siu Wan
LAI Yuk Chuen
TAI Chun Leung

Independent non-executive directors:

CHAN Kay Cheung
LAN Yee Fong, Steve John
LUI Shing Ming, Brian

In accordance with article 105(A) of the Company's articles of association, Dr. Tai Tak Fung, Stephen, Mr. Tse Siu Wan, Mr. Chan Kay Cheung and Mr. Lan Yee Fong, Steve John will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Chan Kay Cheung, Mr. Lan Yee Fong, Steve John and Mr. Lui Shing Ming, Brian and still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2009, the interests and short positions of the directors 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 corporation (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 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:

Long positions in ordinary shares of the Company

	Number of shares held				
Name of director	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Total interests	Total interests as % of the relevant issued share capital
TAI Tak Fung, Stephen	6,730,000	53,095,177 (i)	30,914,000 (ii)	90,739,177	34.96%
YIP Wai Keung	736,360	–	–	736,360	0.28%
TAI Chun Leung	–	–	30,914,000 (iii)	30,914,000	11.91%
CHAN Kay Cheung	800,000	–	–	800,000	0.31%
LAN Yee Fong, Steve John	800,000	–	–	800,000	0.31%

Notes:

(i) Out of the 53,095,177 shares, 187,927 shares, representing 0.072% of the Company's issued share capital, are beneficially owned by Four Seas Mercantile Holdings Limited ("FSMHL"). Special Access Limited ("SAL") and Careful Guide Limited ("CGL") 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.

(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.

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

Long positions in shares of an associated corporation

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

	Number of shares held				
Name of director	**Personal interests (held as beneficial owner)**	**Corporate interests (interests of controlled corporation)**	**Trust and similar interests**	**Total interests**	**Total interests as % of the relevant issued share capital**
TAI Tak Fung, Stephen	–	195,096,000 (i)	82,000,000 (ii)	277,096,000	69.35%
YIP Wai Keung	680,000	–	–	680,000	0.17%
TAI Chun Leung	–	–	82,000,000 (iii)	82,000,000	20.52%

Notes:

(i) Of which, 81,250,000 shares, representing approximately 20.34% of the issued share capital of FSMHL, are owned by SAL, which in turn is wholly-owned by Dr. Tai Tak Fung, Stephen and his spouse Dr. Wu Mei Yung, Quinly. Another 113,846,000 shares, representing 28.49% 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 113,846,000 shares of FSMHL.

(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 2009, no directors 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 corporation (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' interests and short positions in the shares and underlying shares of the Company or any associated corporation" above and "Share option scheme" below, 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 2009, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the directors of the Company) had interests, being 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company:

	Number of shares held					
Name of substantial shareholder	Direct/ personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Trust and similar interests	Total interests	Total interests as % of the relevant issued share capital
SAL	52,907,250 (i)	–	–	–	52,907,250	20.38%
CGL	–	–	–	30,914,000 (iv)	30,914,000	11.91%
WU Mei Yung, Quinly	–	6,730,000 (ii)	53,095,177 (iii)	30,914,000 (iv)	90,739,177	34.96%
HSBC International Trustee Limited	–	–	–	30,914,000 (v)	30,914,000	11.91%

Notes:

(i) SAL is wholly-owned by Dr. Tai Tak Fung, Stephen and his spouse Dr. Wu Mei Yung, Quinly. This interest is also included as corporate interests of Dr. Tai Tak Fung, Stephen in the above section headed "Directors' 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 interest therein. This interest is also included as personal interests of Dr. Tai Tak Fung, Stephen in the above section headed "Directors' interests and short positions in the shares and underlying shares of the Company or any associated corporation".

(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 a corporate interest of Dr. Tai Tak Fung, Stephen in the above section headed "Directors' 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 a trust and similar interests of Dr. Tai Tak Fung, Stephen in the above section headed "Directors' 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.

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

All the interests stated above represent long positions in the shares of the Company. Other than as disclosed above, as at 31 March 2009, the Company had not been notified of any persons (other than the directors of the Company) who had an interest or a short positions in shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the Company's issued share capital, and short positions in the shares and underlying shares of the Company.

SHARE OPTION SCHEME

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. TAI Tak Fung, Stephen, *SBS, JP, PhD (honoris causa)*, aged 61, 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, a member of the Greater Pearl River Delta Business Council of HKSAR, and a member of the Commission on Strategic Development 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, China Food Safety Annual Conference Award of Distinguished Management Entrepreneur, 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 Main Board of 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 61, 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 53, 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 59, 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 more than 30 years' experience in sales and marketing. Mr. Yip joined the Group in 1997. He is also a director of FSMHL.

Mr. TSE Siu Wan, aged 48, 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive Directors (continued)

Mr. LAI Yuk Chuen, aged 54, 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 35, 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 a son of Dr. Tai Tak Fung, Stephen, an executive director of the Company.

Independent Non-executive Directors

Mr. CHAN Kay Cheung, aged 62, has been an independent non-executive director of the Company since October 1995. He is currently a senior adviser 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 68, 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 vice chairman 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 Grantham Hospital in Hong Kong. Mr. Lan is 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 49, has been an independent non-executive director of the Company since September 2004. Mr. Lui is currently the chairman 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 45, is the financial controller and company secretary, 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.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 95% of the total purchases for the year and purchases from the largest supplier included therein amounted to 87%.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and facilities granted by its principal bankers. As at 31 March 2009, the Group had banking facilities of HK$451,700,000 of which 20% had been utilised. The Group had a gearing ratio of 21% as at 31 March 2009. This is expressed as the total bank borrowings to equity attributable to equity holders. Bank borrowings of the Group, denominated in Hong Kong dollars, mainly comprise trust receipt loans (the "Interest-Bearing Bank Borrowings") at prevailing market interest rates. The Interest-Bearing Bank Borrowings which are classified as current liabilities are repayable within one year. As at 31 March 2009, the Group held cash and cash equivalents of HK$60,889,000. There were no significant changes in the Group's contingent liabilities and no charges on the Group's assets during the year under review.

STAFF EMPLOYMENT

The total number of employees of the Group as at 31 March 2009 was 59. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. The Group operates a mandatory provident fund scheme which covers all the employees of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICES

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

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the independent non-executive directors of the Company.

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

AUDITORS

During the year, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

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

Hong Kong, 27 July 2009

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 2009.

The Company’s corporate governance policies and practices are applied and implemented in the manners as stated in the below Corporate Governance Report.

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 most of the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) except for the deviations from code provisions A.4.1 and A.4.2 which are explained below. The Company 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 OF DIRECTORS

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 OF DIRECTORS (continued)

Board Composition

The Board of the Company comprises ten directors, of which seven are executive directors and three are independent non-executive directors.

The following chart shows the structure and membership of the Board and Board's Committees:

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*

Company Secretary
LEUNG Tin Chi

Audit Committee
CHAN Kay Cheung* *(Chairman)*
LAN Yee Fong, Steve John*
LUI Shing Ming, Brian*

Remuneration Committee
TAI Tak Fung, Stephen *(Chairman)*
MAN Wing Cheung, Ellis
CHAN Kay Cheung*
LAN Yee Fong, Steve John*
LUI Shing Ming, Brian*

* *independent non-executive director*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationship among some members of the Board are disclosed under "Profiles of Directors and Senior Management" in this Annual Report.

THE BOARD OF DIRECTORS (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 2009 and the attendance record of each director is set out below:

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

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, upon the performance of their duties as and when deemed necessary. The Board and each director have separate and independent access to the senior management.

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

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

THE BOARD OF DIRECTORS (continued)

Directors' Independence and Relationship

During the year ended 31 March 2009, 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 possessing appropriate accounting and financial management expertise as required under the Rules 3.10(1) and 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 independence guidelines set out in Rule 3.13 of the Listing Rules up to the date of this Annual Report.

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

Directors' Appointment and Re-election

Appointment

Although the Company has not set up a nomination committee, 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 reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

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

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

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

Re-election

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

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive directors of the Company 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.

THE BOARD OF DIRECTORS (continued)

Directors' Appointment and Re-election (continued)

Re-election (continued)

Under the code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with the Articles of Association of the Company, any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting and shall then be eligible for re-election. The Board considers that such a deviation is not material as casual vacancies seldom arise and the interval between the appointment made to fill the 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 the Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference. The terms of reference of the Board committees are available to shareholders upon request.

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, and one of them possesses the appropriate professional qualifications or accounting or related financial management expertise. As at the date of this Annual Report, the Audit Committee comprises three independent non-executive directors, namely Mr. Chan Kay Cheung *(Chairman of the Audit Committee)*, Mr. Lan Yee Fong, Steve John and Mr. Lui Shing Ming, Brian.

The Board has adopted the new terms of reference of the Audit Committee following the amendments to the Listing Rules effective from 1 January 2009. The Audit Committee will conduct, on behalf of the Board, an annual review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and training programmes and budget.

THE BOARD OF DIRECTORS (continued)

Audit Committee (continued)

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

Relationship with the Company's external auditors

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

(d) to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

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

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

(f) to review the Company's financial controls, internal control and risk management systems;

(g) 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 including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

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

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

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

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

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

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

THE BOARD OF DIRECTORS (continued)

Audit Committee (continued)

The Audit Committee held two meetings during the year ended 31 March 2009 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 2008 and the consolidated financial statements for the year ended 31 March 2008 of the Company. The Audit Committee has also reviewed the annual results for the year ended 31 March 2009 of the Group.

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

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

Remuneration Committee

The Remuneration Committee was established in September 2005 with specific written terms of reference which set out its role and function and is constituted by two executive directors, namely Dr. Tai Tak Fung, Stephen *(Chairman of the Remuneration Committee)* and Mr. Man Wing Cheung, Ellis and three independent non-executive directors, namely Mr. Chan Kay Cheung, Mr. Lan Yee Fong, Steve John and Mr. Lui Shing Ming, Brian.

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

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

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

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

(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 BOARD OF DIRECTORS (continued)

Remuneration Committee (continued)

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by directors of the Company (the "Code of Conduct"). Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standard of dealing as set out in the Code of Conduct throughout the year ended 31 March 2009.

The Company has also established the Code for Securities Transaction by the Relevant Employees (the "Employees Code") on no less exacting terms than the Model Code for securities transactions by the employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Code by the employees was noted by the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2009. In preparing the financial statements for the year ended 31 March 2009, appropriate accounting principles and policies are selected and applied consistently; judgments and estimates made are appropriate and reasonable; and these financial statements have been prepared on a going concern basis.

The senior 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.

ACCOUNTABILITY AND AUDIT (continued)

Financial Reporting (continued)

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

The responsibilities of the Company's external auditors, Messrs. Ernst & Young ("E&Y"), are set out in the Independent Auditors' Report on pages 28 to 29 of this Annual Report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

External Auditors' Remuneration

E&Y were appointed as auditors of the Company during the year to fill the casual vacancy following the resignation of PricewaterhouseCoopers. They are primarily responsible for providing audit services in connection with the annual consolidated financial statements for the year ended 31 March 2009.

During the year, the remuneration in respect of statutory audit services provided by E&Y was HK$615,000. There was no other non-audit service provided by the auditors.

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 including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget.

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 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 20 clear business days before the meeting, setting out details of each proposed resolution, voting procedures and other relevant information. The Listing Rules have been amended in 2009 to require all votes of shareholders at general meetings be taken by poll. The Chairman will therefore demand a poll for every resolution put to the vote at the annual general meeting. Such rights and procedures are detailed in the circular relating to the annual general meeting, and will be explained by the Chairman of the Board during the annual general meeting before voting on the resolutions. An independent scrutineer is appointed to count the votes and the poll results will be posted on the websites of the Stock Exchange and of the Company after the annual general meeting.

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓

To the shareholders of Four Seas Food Investment Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Four Seas Food Investment Holdings Limited set out on pages 30 to 86, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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.

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

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

ERNST & YOUNG
安 永

To the shareholders of Four Seas Food Investment Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 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.

Ernst & Young
Certified Public Accountants

Hong Kong, 27 July 2009

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	5	**628,149**	530,471
Cost of sales		**(598,987)**	(497,229)
Gross profit		**29,162**	33,242
Other income and gains	5	**4,978**	10,815
Selling and distribution expenses		**(3,806)**	(3,562)
Administrative expenses		**(24,809)**	(28,920)
Finance costs	6	**(3,073)**	(3,519)
Share of profits and losses of associates		**29,930**	22,921
Fair value gains/(losses) on financial assets at fair value through profit or loss		**(18,308)**	6,617
PROFIT BEFORE TAX	7	**14,074**	37,594
Tax	10	**1,842**	(2,573)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	**15,916**	35,021
DIVIDENDS	12		
Interim		**2,596**	2,596
Proposed final		**7,788**	7,788
		10,384	10,384
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY – Basic	13	**6.13 cents**	13.49 cents

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	55,185	53,377
Prepaid land lease payments	15	30,060	30,630
Interests in associates	17	290,562	260,901
Deferred tax assets	28	4,993	2,961
Other non-current asset	18	540	540
Total non-current assets		381,340	348,409
CURRENT ASSETS			
Due from associates	17	97	4
Inventories	19	65,452	97,406
Trade receivables	20	58,056	48,015
Prepayments, deposits and other receivables	21	1,527	1,763
Financial assets at fair value through profit or loss	22	15,983	18,339
Cash and cash equivalents	23	60,889	57,372
Total current assets		202,004	222,899
CURRENT LIABILITIES			
Trade and bills payables	24	27,644	32,841
Other payables and accruals	25	12,318	17,364
Derivative financial instrument	26	35	644
Interest-bearing bank borrowings	27	92,488	79,195
Tax payable		1,538	5,247
Total current liabilities		134,023	135,291
NET CURRENT ASSETS		67,981	87,608
TOTAL ASSETS LESS CURRENT LIABILITIES		449,321	436,017
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	641	426
Net assets		448,680	435,591

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Issued capital	29	**25,959**	25,959
Reserves	31(a)	**414,933**	401,844
Proposed final dividend	12	**7,788**	7,788
Total equity		**448,680**	435,591

Takeshi NOMAGUCHI
Director

MAN Wing Cheung, Ellis
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Note	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Share of other reserves of associates HK$'000 (Note 31(a))	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 April 2007		25,959	90,557	579	5,504	274,813	7,788	405,200
Changes in fair value of available-for-sale investments of associates		–	–	–	3,112	–	–	3,112
Exchange realignment of associates		–	–	–	10,816	–	–	10,816
Transfer to the income statement on disposals of available-for-sale investments of associates		–	–	–	(8,174)	–	–	(8,174)
Total income and expense for the year recognised directly in equity		–	–	–	5,754	–	–	5,754
Profit for the year		–	–	–	–	35,021	–	35,021
Total income and expense for the year		–	–	–	5,754	35,021	–	40,775
Final 2007 dividend declared		–	–	–	–	–	(7,788)	(7,788)
Interim 2008 dividend	12	–	–	–	–	(2,596)	–	(2,596)
Proposed final 2008 dividend	12	–	–	–	–	(7,788)	7,788	–
At 31 March 2008		25,959	90,557	579	11,258	299,450	7,788	435,591
At 1 April 2008		25,959	90,557	579	11,258	299,450	7,788	435,591
Changes in fair value of available-for-sale investments of associates		–	–	–	(5,906)	–	–	(5,906)
Exchange realignment of associates		–	–	–	3,419	–	–	3,419
Transfer to the income statement on disposals of available-for-sale investments of associates		–	–	–	(297)	–	–	(297)
Total income and expense for the year recognised directly in equity		–	–	–	(2,784)	–	–	(2,784)
Impairment of available-for-sale investments of associates		–	–	–	10,354	–	–	10,354
Profit for the year		–	–	–	–	15,916	–	15,916
Total income and expense for the year		–	–	–	7,570	15,916	–	23,486
Disposal of an associate		–	–	–	(13)	–	–	(13)
Final 2008 dividend declared		–	–	–	–	–	(7,788)	(7,788)
Interim 2009 dividend	12	–	–	–	–	(2,596)	–	(2,596)
Proposed final 2009 dividend	12	–	–	–	–	(7,788)	7,788	–
Transfer to share of other reserves of associates		–	–	–	275	(275)	–	–
At 31 March 2009		25,959	90,557*	579*	19,090*	304,707*	7,788	448,680

* These reserve accounts comprise the consolidated reserves of HK$414,933,000 (2008: HK$401,844,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**14,074**	37,594
Adjustments for:			
Finance costs	6	**3,073**	3,519
Share of profits and losses of associates		**(29,930)**	(22,921)
Bank interest income	5	**(905)**	(2,199)
Dividend income from financial assets at fair value through profit or loss	5	**(298)**	(196)
Fair value loss/(gain) on a derivative financial instrument	5	**(609)**	644
Gain on disposal of items of property, plant and equipment	5	**–**	(1)
Gain on disposal of financial assets at fair value through profit or loss	5	**(25)**	(7,033)
Depreciation	7	**3,108**	2,725
Fair value losses/(gains) on financial assets at fair value through profit or loss	7	**18,308**	(6,617)
Impairment of trade receivables	7	**434**	1,002
Recognition of prepaid land lease payments	7	**570**	570
		7,800	7,087
Decrease/(increase) in amounts due from associates		**(93)**	15
Decrease/(increase) in inventories		**31,954**	(52,894)
Increase in trade receivables		**(10,475)**	(11,036)
Decrease/(increase) in prepayments, deposits and other receivables		**236**	(205)
Increase/(decrease) in trade and bills payables		**(5,197)**	26,935
Increase/(decrease) in other payables and accruals		**(5,046)**	7,438
Cash generated from/(used in) operations		**19,179**	(22,660)
Hong Kong profits tax paid		**(3,684)**	–
Net cash inflow/(outflow) from operating activities – page 35		**15,495**	(22,660)

Year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Net cash inflow/(outflow) from operating activities – page 34		**15,495**	(22,660)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**905**	2,199
Dividends received from financial assets at fair value through profit or loss		**298**	196
Dividends received from an associate		**7,969**	7,884
Purchases of items of property, plant and equipment		**(4,916)**	(586)
Purchase of other non-current asset		**–**	(540)
Purchases of additional interests in associates		**(143)**	(3,528)
Purchases of financial assets at fair value through profit or loss		**(15,952)**	(5,005)
Proceeds from disposal of items of property, plant and equipment		**–**	1
Proceeds from disposal of financial assets at fair value through profit or loss		**25**	18,275
Net cash inflow/(outflow) from investing activities		**(11,814)**	18,896
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in bank and trust receipt loans, net		**13,293**	23,671
Interest paid		**(3,073)**	(3,519)
Dividends paid		**(10,384)**	(10,384)
Net cash inflow/(outflow) from financing activities		**(164)**	9,768
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,517**	6,004
Cash and cash equivalents at beginning of year		**57,372**	51,368
CASH AND CASH EQUIVALENTS AT END OF YEAR		**60,889**	57,372
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**29,272**	25,427
Time deposits with original maturity of less than three months when acquired	23	**31,617**	31,945
		60,889	57,372

Balance Sheet

31 March 2009

	Notes	2009 *HK$'000*	2008 *HK$'000*
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**233,222**	223,764
CURRENT ASSETS			
Due from subsidiaries	16	**340**	322
Prepayments, deposits and other receivables	21	**130**	130
Cash and bank balances	23	**124**	136
Total current assets		**594**	588
CURRENT LIABILITIES			
Due to subsidiaries	16	**32,102**	9,309
Accruals	25	**481**	3,455
Total current liabilities		**32,583**	12,764
NET CURRENT LIABILITIES		**(31,989)**	(12,176)
Net assets		**201,233**	211,588
EQUITY			
Issued capital	29	**25,959**	25,959
Reserves	31(b)	**167,486**	177,841
Proposed final dividend	12	**7,788**	7,788
Total equity		**201,233**	211,588

Takeshi NOMAGUCHI
Director

MAN Wing Cheung, Ellis
Director

1. CORPORATE INFORMATION

Four Seas Food Investment Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Four Seas *e*Food Centre, No. 2 Hong Ting Road, Sai Kung, Hong Kong.

During the year, the Group's principal activities consisted of the trading of frozen meat, seafood and vegetables and the principal activities of associates 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain derivative financial instrument and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

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

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(c) HK(IFRIC)-Int 14 *HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*[2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[4]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[3]
HK(IFRIC)-Int 18	*Transfers of Assets from Customer*[6]
Annual Improvement project	*Improvements to HKFRSs*[7*]
Annual Improvement project	*Improvements to HKFRSs 2009*[8**]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods ending on or after 30 June 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 October 2008
6 Effective for transfers of assets from customers received on or after 1 July 2009
7 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
8 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.
** *Improvements to HKFRSs 2009* contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

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

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investments in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The Group expects to adopt the HKAS 27 Amendment from 1 April 2009. The amendments have no impact on the consolidated financial statements. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

HKFRS 1 (Revised) requires a first-time adopter to comply with each HKFRS effective at the end of its first HKFRS reporting period. In particular, the HKFRS requires an entity to restate the opening HKFRS statement of financial position that it prepares as a starting point for its accounting under HKFRSs. Furthermore, the revised standard requires disclosures that explain how the transition from previous GAAP to HKFRSs affected the entity's reported financial position, financial performance and cash flows. As the Group is not a first-time adopter of HKFRSs, HKFRS 1 (Revised) is not applicable to the Group.

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, the amendments are unlikely to have any significant implications on its accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 April 2010. The changes introduced by these revised standards must be applied prospectively and will affect future acquisitions, loss of control and transactions with minority interests.

The main change for amendments to HKFRS 7 is to add disclosure of any change in the method for determining fair value and the reasons for the change. It also adds disclosure for a three-level hierarchy for fair value measurements.

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

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group expects to adopt HKAS 1 (Revised) from 1 April 2009.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments are unlikely to have any financial impact on the Group.

The amendment to HKAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The amendments to HKAS 39 and HK(IFRIC)-Int 9 require an entity to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. Such assessment shall be made either when the entity first became a party to the contract or when a change in the terms of the contract significantly modifies expected cash flows.

HK(IFRIC)-Int 13 requires that customer loyalty award credits granted to customers as part of a sales transaction are to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no significant customer loyalty award scheme, the interpretation is not applicable to the Group and therefore is unlikely to have any financial impact on the Group.

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

HK(IFRIC)-Int 15 will replace HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has not hedged of a net investment in a foreign operation, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 April 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Balance Sheet Date* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 18 clarifies the requirements of HKFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or both. The interpretation is issued to provide additional guidance on the accounting for those transfers of assets from customers. It clarifies:

(i) the circumstances in which the definition of an asset is met;

(ii) the recognition of the asset and the measurement of its cost on initial recognition;

(iii) the identification of the separately identifiable services (one or more services in exchange for the transferred asset);

(iv) the recognition of revenue; and

(v) the accounting for transfers of cash from customers.

The interpretation is unlikely to have any material financial impact on the Group.

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

In October 2008 and May 2009, the HKICPA issued its *Improvements to HKFRSs* and *Improvements to HKFRSs 2009* which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. The Group is in the process of making an assessment of the impact of these amendments upon initial application. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Associates

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

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

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Impairment of non-financial assets other than goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(b) the party is an associate;

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

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

Derecognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Derivative financial instrument

The Group uses a derivative financial instrument that is a forward currency contract to hedge its risks associated with foreign currency fluctuations. Such derivative financial instrument is initially recognised at fair value on the date on which the derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of the forward currency contract is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Other non-current asset

Other non-current asset represents an unlisted club debenture which is intended to be held for long term purposes, and is stated at cost less any impairment losses. The club debenture is tested for impairment annually either individually or at the cash-generating unit level.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Revenue recognition

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

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

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

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

(d) rental income, on a time proportion basis over the lease terms; and

(e) commission income, in the period in which services are rendered.

Employee benefits

Pension scheme

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

Share-based payment transactions

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2009 was HK$12,364,000 (2008: HK$12,333,000).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2009 was HK$6,212,000 (2008: HK$4,554,000). The amounts of unrecognised tax losses at 31 March 2009 was HK$11,147,000 (2008: HK$4,189,000). Further details are contained in note 28 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of trade receivables

The Group conducts impairment reviews of financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. At 31 March 2009, a provision for impairment loss of trade receivables of HK$434,000 (2008: Nil) has been made and the carrying amount of trade receivables was HK$58,056,000 (2008: HK$48,015,000).

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 the carrying value and the net realisable value of inventories for the periods in which such estimate is changed.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. 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.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Revenue	628,149	530,471
Other income		
Bank interest income	905	2,199
Dividend income from financial assets at fair value through profit or loss	298	196
Gross rental income	600	719
Commission income	267	507
Claims received	171	106
	2,241	3,727
Gains		
Fair value gain/(loss) on a derivative financial instrument	609	(644)
Gain on disposal of items of property, plant and equipment	–	1
Gain on disposal of financial assets at fair value through profit or loss	25	7,033
Foreign exchange differences, net	2,103	698
	2,737	7,088
	4,978	10,815

6. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within three months	3,073	3,519

7. PROFIT BEFORE TAX

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

		Group	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Cost of inventories sold		**598,987**	497,229
Depreciation	14	**3,108**	2,725
Recognition of prepaid land lease payments		**570**	570
Minimum lease payments under operating leases in respect of land and buildings		**17,454**	19,374
Auditors' remuneration		**615**	615
Employee benefits expense (including directors' remuneration *(note 8)*):			
Wages, salaries, allowances and benefits in kind		**13,925**	17,699
Pension scheme contributions		**1,023**	1,026
		14,948	18,725
Foreign exchange differences, net		**(2,103)**	(698)
Net rental income		**224**	290
Fair value losses/(gains) on financial assets at fair value through profit or loss		**18,308**	(6,617)
Impairment of trade receivables	20	**434**	1,002
Write-down of inventories to net realisable value*		**–**	1,515

* The write-down of inventories is included in "Cost of sales" on the face of the consolidated income statement.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Fees	**660**	660
Other emoluments:		
Salaries, allowances and benefits in kind	**3,728**	6,581
Pension scheme contributions	**276**	317
	4,004	6,898
	4,664	7,558

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009	2008
	HK$'000	*HK$'000*
CHAN Kay Cheung	**60**	60
LAN Yee Fong, Steve John	**60**	60
LUI Shing Ming, Brian	**60**	60
	180	180

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009				
TAI Tak Fung, Stephen	**120**	**–**	**6**	**126**
Takeshi NOMAGUCHI	**60**	**1,860**	**72**	**1,992**
MAN Wing Cheung, Ellis	**60**	**1,230**	**125**	**1,415**
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**
	480	**3,728**	**276**	**4,484**
2008				
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
	480	6,581	317	7,378

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2008: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2008: one) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**980**	598
Pension scheme contributions	**91**	55
	1,071	653

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

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**2**	1

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	2,268
Underprovision/(overprovision) in prior years	**(25)**	35
Deferred *(note 28)*	**(1,817)**	270
Total tax charge/(credit) for the year	**(1,842)**	2,573

10. TAX (continued)

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

	Group			
	2009		2008	
	HK$'000	***%***	*HK$'000*	*%*
Profit before tax	**14,074**		37,594	
Tax at applicable tax rate	**2,322**	**16.5**	6,579	17.5
Effect on opening deferred tax of decrease in rates	**145**	**1.0**	–	–
Adjustments in respect of current tax of previous periods	**(25)**	**(0.2)**	35	0.1
Profits and losses attributable to associates	**(4,938)**	**(35.1)**	(4,011)	(10.7)
Income not subject to tax	**(198)**	**(1.4)**	(87)	(0.2)
Expenses not deductible for tax	**371**	**2.6**	97	0.2
Tax losses utilised from previous periods	**(4)**	**–**	(40)	(0.1)
Tax losses not recognised	**1,152**	**8.2**	–	–
Others	**(667)**	**(4.7)**	–	–
Tax charge/(credit) at the Group's effective rate	**(1,842)**	**(13.1)**	2,573	6.8

The share of tax attributable to associates amounting to HK$4,626,000 (2008: HK$7,440,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. PROFIT FOR THE YEAR

The consolidated profit attributable to equity holders of the Company for the year ended 31 March 2009 includes a profit of HK$29,000 (2008: HK$227,000) which has been dealt with in the financial statements of the Company (note 31(b)).

12. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim – HK1.0 cent (2008: HK1.0 cent) per ordinary share	**2,596**	2,596
Proposed final dividend – HK3.0 cents (2008: HK3.0 cents) per ordinary share	**7,788**	7,788
	10,384	10,384

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

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$15,916,000 (2008: HK$35,021,000), and on the 259,586,000 (2008: 259,586,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the years ended 31 March 2009 and 2008 have not been disclosed as no diluting events existed during these years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Computer systems HK$'000	Office equipment HK$'000	Total HK$'000
31 March 2009						
At 31 March 2008 and at 1 April 2008:						
Cost	66,318	3,310	4,629	2,768	980	78,005
Accumulated depreciation and impairment	(15,907)	(2,627)	(2,573)	(2,641)	(880)	(24,628)
Net carrying amount	50,411	683	2,056	127	100	53,377
At 1 April 2008, net of accumulated depreciation and impairment	50,411	683	2,056	127	100	53,377
Additions	–	–	4,800	94	22	4,916
Depreciation provided during the year	(1,518)	(325)	(1,138)	(80)	(47)	(3,108)
At 31 March 2009, net of accumulated depreciation and impairment	48,893	358	5,718	141	75	55,185
At 31 March 2009:						
Cost	66,318	3,310	9,429	2,862	970	82,889
Accumulated depreciation and impairment	(17,425)	(2,952)	(3,711)	(2,721)	(895)	(27,704)
Net carrying amount	48,893	358	5,718	141	75	55,185

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Buildings HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Computer systems HK$'000	Office equipment HK$'000	Total HK$'000
31 March 2008						
At 1 April 2007:						
Cost	66,318	3,310	4,156	2,666	984	77,434
Accumulated depreciation and impairment	(14,389)	(2,302)	(1,841)	(2,536)	(850)	(21,918)
Net carrying amount	51,929	1,008	2,315	130	134	55,516
At 1 April 2007, net of accumulated depreciation and impairment	51,929	1,008	2,315	130	134	55,516
Additions	–	–	473	102	11	586
Depreciation provided during the year	(1,518)	(325)	(732)	(105)	(45)	(2,725)
At 31 March 2008, net of accumulated depreciation and impairment	50,411	683	2,056	127	100	53,377
At 31 March 2008:						
Cost	66,318	3,310	4,629	2,768	980	78,005
Accumulated depreciation and impairment	(15,907)	(2,627)	(2,573)	(2,641)	(880)	(24,628)
Net carrying amount	50,411	683	2,056	127	100	53,377

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Carrying amount at 1 April	**31,200**	31,770
Recognised during the year	**(570)**	(570)
Carrying amount at 31 March	**30,630**	31,200
Current portion included in prepayments, deposits and other receivables	**(570)**	(570)
Non-current portion	**30,060**	30,630

As at 31 March 2009, the Group's prepaid land lease payments are situated in Hong Kong and are held under the following lease terms:

	HK$'000
Long term leases	9,519
Medium term leases	21,111
	30,630

16. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**39,004**	39,004
Loans to subsidiaries	**203,267**	193,809
	242,271	232,813
Impairment #	**(9,049)**	(9,049)
	233,222	223,764

An impairment was recognised for an unlisted investment with a carrying amount of HK$12,049,000 (before deducting the impairment loss) (2008: HK$12,049,000) because the carrying amount of the investment in the subsidiary exceeded its recoverable amount as estimated by the directors. There was no change in the impairment account during the current and prior years.

16. INTERESTS IN SUBSIDIARIES (continued)

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$340,000 (2008: HK$322,000) and HK$32,102,000 (2008: HK$9,309,000), respectively, are unsecured, interest-free and are repayable on demand.

The amounts advanced to subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name	Place of registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Capital Season Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100.0	Investment holding
Hung King Development Limited	Hong Kong	HK$400,000	–	100.0	Property holding
William Food Company Limited	Hong Kong	HK$10,000,000	100.0	–	Trading of frozen meats, seafood and vegetables

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

17. INTERESTS IN ASSOCIATES

	Group 2009 HK$'000	Group 2008 HK$'000
Share of net assets	**278,198**	248,568
Goodwill on acquisition	**12,364**	12,333
	290,562	260,901
Market value of listed shares	**273,230**	330,008

Goodwill

	2009 HK$'000	2008 HK$'000
Cost and carrying amount at beginning of the year	**12,333**	11,317
Acquisition of additional interests in the associates	**31**	1,016
Cost and carrying amount at end of the year	**12,364**	12,333

The amounts due from associates included in the Group's current assets are unsecured, interest-free and repayable on demand.

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Four Seas Mercantile Holdings Limited ("FSMHL")	Ordinary shares of HK$0.10 each	Cayman Islands	28.49	Investment holding
Fancy Talent Limited*	Ordinary shares of HK$1 each	Hong Kong	28.49	Marketing of snack foods
Four Seas Mercantile Limited	(i) Ordinary shares of HK$100 each (ii) Non-voting deferred shares of HK$100 each	Hong Kong	28.49	Trading in snack foods, confectionery and beverages

17. INTERESTS IN ASSOCIATES (continued)

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

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Four Seas Foods (Shantou) Co., Ltd.*	Paid-up capital of HK$61,000,000	People's Republic of China ("PRC")/ Mainland China	28.49	Trading in confectionery and food products
Hong Kong Biscuit (International) Limited*	Ordinary shares of HK$1 each	Hong Kong	28.28	Investment holding
Hong Kong Ham Holdings Limited	Ordinary shares of HK$10 each	Hong Kong	28.49	Manufacturing and packaging of ham and ham-related products
J.P. Inglis Company Limited	Ordinary shares of HK$10 each	Hong Kong	28.49	Trading in food materials
Kung Tak Lam Shanghai Vegetarian Cuisine Limited	Ordinary shares of HK$1 each	Hong Kong	28.21	Restaurant operations
Li Fook (Qingdao) Foods Co., Ltd.*	Paid-up capital of US$3,320,000	PRC/ Mainland China	28.49	Manufacturing of noodles
New Kondo Trading Company Limited	Ordinary shares of HK$1 each	Hong Kong	28.49	Trading in Japanese food materials
Wide Success Holdings Limited	Ordinary shares of HK$1 each	Hong Kong	28.49	Restaurant operations

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

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

17. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from its financial statements:

	2009 HK$'000	2008 HK$'000
Assets	2,086,086	1,940,142
Liabilities	1,092,247	1,035,846
Revenues	2,290,626	2,096,535
Profit	105,048	81,172

18. OTHER NON-CURRENT ASSET

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

19. INVENTORIES

	Group 2009 HK$'000	2008 HK$'000
Finished goods	65,452	97,406

20. TRADE RECEIVABLES

	Group 2009 HK$'000	2008 HK$'000
Trade receivables	58,490	48,015
Impairment	(434)	–
	58,056	48,015

20. TRADE RECEIVABLES (continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**46,755**	36,404
1 to 2 months	**9,225**	11,176
Over 2 months	**2,076**	435
	58,056	48,015

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 April	**–**	–
Impairment losses recognised *(note 7)*	**434**	1,002
Amount written off as uncollectible	**–**	(1,002)
At 31 March	**434**	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$434,000 (2008: Nil) with a gross carrying amount of HK$434,000 (2008: Nil). The individually impaired trade receivables relate to customers that were in default or delinquency in payments and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

20. TRADE RECEIVABLES (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**55,289**	47,515
Less than 1 month past due	**1,599**	194
1 to 2 months past due	**718**	2
Over 2 months past due	**450**	304
	58,056	48,015

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**973**	1,240	**125**	121
Deposits and other receivables	**554**	523	**5**	9
	1,527	1,763	**130**	130

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**15,983**	18,339

The above equity investments at 31 March 2008 and 2009 were classified as held for trading.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$27,554,000.

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**29,272**	25,427	**124**	136
Time deposits	**31,617**	31,945	**–**	–
Cash and cash equivalents	**60,889**	57,372	**124**	136

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and fourteen days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**27,644**	32,839
1 to 2 months	**–**	2
	27,644	32,841

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

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	6,926	6,664	–	–
Accruals	5,392	10,700	481	3,455
	12,318	17,364	481	3,455

Other payables are non-interest-bearing and have an average term of three months.

26. DERIVATIVE FINANCIAL INSTRUMENT

	Liabilities	
	2009	2008
Group	*HK$'000*	*HK$'000*
Forward currency contract	35	644

The carrying amount of the forward currency contract is the same as its fair value. The above transaction involving derivative financial instrument is with a creditworthy financial institution. The Group entered into a forward currency contract to manage its exchange rate exposures which did not meet the criteria for hedge accounting. The change in the fair value of this non-hedging currency derivative amounting to HK$609,000 was credited to the income statement during the year (2008: HK$644,000 charged to the income statement).

27. INTEREST-BEARING BANK BORROWINGS

	2009			2008		
Group	Effective interest rate	Maturity	*HK$'000*	Effective interest rate	Maturity	*HK$'000*
Current						
Trust receipt loans – unsecured	1.47%	2-3 months	92,488	2.83%	2-3 months	79,195

All trust receipts loans are denominated in Hong Kong dollars and bear interest at floating interest rates.

28. DEFERRED TAX

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

Deferred tax liabilities

Group – 2009

	Accelerated tax depreciation *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
At 1 April 2008	1,572	(1,146)	426
Deferred tax charged to the income statement during the year *(note 10)*	36	179	215
At 31 March 2009	1,608	(967)	641

Deferred tax assets

Group – 2009

	Accelerated tax depreciation *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
At 1 April 2008	(447)	3,408	2,961
Deferred tax credited to the income statement during the year *(note 10)*	195	1,837	2,032
At 31 March 2009	(252)	5,245	4,993

28. DEFERRED TAX (continued)

Deferred tax liabilities

Group – 2008

	Accelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 April 2007	1,430	(1,269)	161
Deferred tax charged to the income statement during the year *(note 10)*	142	123	265
At 31 March 2008	1,572	(1,146)	426

Deferred tax assets

Group – 2008

	Accelerated tax depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 April 2007	(483)	3,449	2,966
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	36	(41)	(5)
At 31 March 2008	(447)	3,408	2,961

At the balance sheet date, the Group had tax losses arising in Hong Kong of approximately HK$48,795,000 (2008: HK$30,216,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses of approximately HK$11,147,000 (2008: HK$4,189,000) as, in the opinion of directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 March 2009, there was no significant unrecognised deferred tax liability (2008: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries or associates.

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

29. SHARE CAPITAL

Shares

	2009 *HK$'000*	2008 *HK$'000*
Authorised:		
400,000,000 ordinary shares of HK$0.10 each	**40,000**	40,000
Issued and fully paid:		
259,586,000 ordinary shares of HK$0.10 each	**25,959**	25,959

Share options

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

30. SHARE OPTION SCHEME

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

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

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 24,782,000 ordinary shares, being 10% of the shares of the Company in issue on 2 September 2002 (the "Scheme Mandate Limit"). The Scheme Mandate Limit was refreshed to 25,533,600, being 10% of the shares in issue as at the date of annual general meeting of 2004. As at the date of this report, the total number of shares available for issue under the Scheme is 25,533,600 ordinary shares, representing 10% of the total number of shares in issue on 2 September 2004, the effective date of refreshment. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

30. SHARE OPTION SCHEME (continued)

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

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

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

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

During the year, no share option (2008: Nil) was granted to directors and other employees of the Company or employees of any of the Company's subsidiaries and any entities in which the Group holds any equity interests.

At the balance sheet date, the Company had no share options outstanding under the Scheme (2008: Nil).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 33 of the financial statements.

Pursuant to the relevant laws and regulations for Foreign Investment Enterprises, a portion of the profits of the Group's associates operating as Foreign Investment Enterprises in Mainland China has been transferred to share of other reserves of associates. As at 31 March 2009, the share of other reserves of associates of HK$1,369,000 (2008: HK$1,106,000) is non-distributable in nature and can be utilised to offset the losses incurred.

(b) Company

	Note	**Share premium account** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
Balance at 1 April 2007		90,557	579	96,862	187,998
Profit for the year		–	–	227	227
Interim 2008 dividend	12	–	–	(2,596)	(2,596)
Proposed final 2008 dividend	12	–	–	(7,788)	(7,788)
At 31 March 2008 and 1 April 2008		90,557	579	86,705	177,841
Profit for the year		–	–	29	29
Interim 2009 dividend	12	–	–	(2,596)	(2,596)
Proposed final 2009 dividend	12	–	–	(7,788)	(7,788)
At 31 March 2009		90,557	579	76,350	167,486

32. CONTINGENT LIABILITIES

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

	Company 2009 *HK$'000*	2008 *HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**442,500**	485,500

As at 31 March 2009, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$92,488,000 (2008: HK$79,195,000).

33. OPERATING LEASE ARRANGEMENTS

The Group and the Company lease certain land and buildings under operating lease arrangements. Leases are negotiated for terms of one year.

At 31 March 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**360**	360	**360**	360

34. RELATED PARTY TRANSACTIONS

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

	Notes	**2009** ***HK$'000***	2008 *HK$'000*
Rental and building management fees received from related companies	(i)	**224**	289
Commission received from an associate	(ii)	**267**	507
Sales of goods to associates	(iii)	**685**	–
Transportation fees to an associate	(iv)	**92**	–

Notes:

(i) Tenancy agreements were entered into with related parties on mutually agreed terms. The leases were extended and renewed until terminated by either party.

(ii) Commission income was charged on normal commercial terms and in the ordinary course of business.

(iii) Sales of goods to associates were determined by reference to prices and conditions similar to those offered to other customers.

(iv) Transportation fees charged by an associate were determined by reference to the costs incurred by the associate.

(b) Outstanding balances with related parties:

Details of the amounts due from associates to the Group at the balance sheet date are included in note 17 to the financial statements.

34. RELATED PARTY TRANSACTIONS (continued)

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

	2009 HK$'000	2008 HK$'000
Short term employee benefits	5,008	8,186
Pension scheme contributions	358	435
Total compensation paid to key management personnel	5,366	8,621

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Financial assets

	Group	
	2009 Loans and receivables HK$'000	2008 Loans and receivables HK$'000
Due from associates	97	4
Trade receivables	58,056	48,015
Financial assets included in prepayments, deposits and other receivables *(note 21)*	554	523
Financial assets at fair value through profit or loss	15,983	18,339
Cash and cash equivalents	60,889	57,372
	135,579	124,253

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2009 — **Group**

Financial liabilities

	Financial liability at fair value through profit or loss *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	–	27,644	27,644
Financial liabilities included in other payables and accruals *(note 25)*	–	6,926	6,926
Derivative financial instrument	35	–	35
Interest-bearing bank borrowings	–	92,488	92,488
	35	127,058	127,093

2008 — Group

Financial liabilities

	Financial liability at fair value through profit or loss *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	–	32,841	32,841
Financial liabilities included in other payables and accruals *(note 25)*	–	6,664	6,664
Derivative financial instrument	644	–	644
Interest-bearing bank borrowings	–	79,195	79,195
	644	118,700	119,344

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

	Company	
	2009	2008
	Loans and receivables	Loans and receivables
	HK$'000	*HK$'000*
Due from subsidiaries	**340**	322
Financial assets included in prepayments, deposits and other receivables *(note 21)*	**5**	9
Cash and bank balances	**124**	136
	469	467

Financial liabilities

	Company	
	2009	2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Due to subsidiaries	**32,102**	9,309

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including a forward currency contract. The purpose is to manage the currency risk arising from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and short term debt obligations with floating interest rates.

The Group's funding policy uses short term interest-bearing debts to finance its working capital requirements. The Group borrows mainly at floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on cash and cash equivalents and floating rate borrowings) and the Group's equity. There is no impact on the Company's equity.

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** *HK$'000*	**Increase/ (decrease) in equity*** *HK$'000*
2009			
Hong Kong dollar	**50**	**(158)**	**–**
Hong Kong dollar	**(50)**	**158**	**–**
2008			
Hong Kong dollar	50	(109)	–
Hong Kong dollar	(50)	109	–

* Excluding retained profits

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has no significant foreign currency risk because its business is principally conducted in Hong Kong and most of the transactions are denominated in the Group's functional currency. Since the Hong Kong Dollar is pegged with the United States Dollar, the Group's exposures to foreign currency risk in respect of the bank balances and trade and bills payables denominated in United States Dollars is considered to be minimal.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from associates, other receivables and financial assets at fair value through profit or loss, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 32 to the financial statements.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	Within 1 year	
Group	**2009**	2008
	HK$'000	*HK$'000*
Trade and bills payables	**27,644**	32,841
Other payables	**6,926**	6,664
Derivative financial instrument	**35**	644
Interest-bearing bank borrowings	**92,616**	79,395
	127,221	119,544

Company

At the balance sheet date, the amounts due to subsidiaries of HK$32,102,000 (2008: HK$9,309,000) are repayable on demand.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 22) as at 31 March 2009.

The following table demonstrates the sensitivity to every 3% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Increase/ (decrease) in fair value %	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2009			
Investments listed in Hong Kong	**3**	**479**	**–**
	(3)	**(479)**	**–**
2008			
Investments listed in Hong Kong	3	550	–
	(3)	(550)	–

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' 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. The Group is required to comply with certain externally imposed capital requirements set out in certain of its banking facilities letters. As at 31 March 2009, there was no indication of breach of covenants and the Group complied with the externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2009 and 31 March 2008.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by equity attributable to equity holders of the Company. The gearing ratio is regularly reviewed by senior management. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**92,488**	79,195
Equity attributable to equity holders of the Company	**448,680**	435,591
Gearing ratio	**21%**	18%

37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2009.

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