

## 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAP”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	: Events after the balance sheet date
SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	: Segment reporting
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 30	: Business combinations
SSAP 31	: Impairment of assets
SSAP 32	: Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

### (b) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Group accounting (continued)

#### (i) Consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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

#### (ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Group accounting (continued)

#### (ii) Associated companies (continued)

In the Company's balance sheet the interest in an associated company is stated at cost less provision for impairment losses. The results of the associated company are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

#### (iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

### (c) Fixed assets

#### (i) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated amortisation or depreciation and accumulated impairment losses. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

#### (ii) Amortisation of leasehold land

Amortisation of leasehold land is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases. The principal annual rate for this purpose is 2%.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (c) Fixed assets (continued)

#### (iii) Depreciation of leasehold buildings

Depreciation of leasehold buildings is calculated to write off their cost on a straight-line basis over the unexpired periods of the leases or their estimated useful lives to the Group, whichever is shorter. The principal annual rate used for this purpose is 2.5%.

#### (iv) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates used are as follows:

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

#### (v) Impairment of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

#### (vi) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (c) Fixed assets (continued)

#### (vii) *Cost of restoring and improving fixed assets*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

### (d) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on the straight-line basis over the lease periods.

### (e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of an acquired associated company at the date of acquisition. Goodwill is amortised by equal annual instalments over its estimated useful economic life of 20 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

Where an indication of impairment exists, the carrying amount of any goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in first-out basis, comprises invoiced price plus any freight and insurance charges. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### (h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts and short-term bank loans repayable within three months from the balance sheet date.

### (i) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (j) Contingent liabilities

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

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (j) **Contingent liabilities** (continued)

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

### (k) **Deferred taxation**

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

### (l) **Revenue recognition**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

Management income is recognised when services are rendered.

### (m) **Borrowing costs**

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### (n) **Segment reporting**

In accordance with the Group's internal financial reporting the Group has determined that geographical segments be presented as the primary reporting format and business as the secondary reporting format. In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### (n) Segment reporting (continued)

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and other miscellaneous liabilities. Capital expenditure comprises additions to fixed assets (note 10).

### (o) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 20, this change has resulted in an increase in opening retained earnings at 1 April 2001 by HK\$2,478,000 (1 April 2000: HK\$3,717,000) which is the reversal of the provision for 2001/(2000) proposed final dividend previously recorded as a liability as at 31 March 2001 (31 March 2000) although not declared until after the balance sheet date.



## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in trading of frozen meat, seafood and vegetables. Revenues recognised during the year are as follows:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Sale of goods	<b>501,444</b>	601,596
Other revenues		
Interest income	<b>1,737</b>	1,878
Gross rental income from leasehold land and buildings	<b>671</b>	1,067
Management income	<b>—</b>	272
	<b>2,408</b>	3,217
Total revenues	<b>503,852</b>	604,813

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

### Primary reporting format – geographical segments

		2002	
	Hong Kong and Macau HK\$'000	Mainland China HK\$'000	Total HK\$'000
Turnover	<u>402,074</u>	<u>99,370</u>	<u>501,444</u>
Segment results	<u>13,392</u>	<u>5,850</u>	19,242
Unallocated costs			<u>(3,982)</u>
Operating profit before finance costs			15,260
Finance costs			<u>(6,355)</u>
Operating profit			8,905
Share of profit of an associated company			<u>24,371</u>
Profit before taxation			33,276
Taxation			<u>(5,288)</u>
Profit attributable to shareholders			<u>27,988</u>
Segment assets	269,914	16,168	286,082
Interest in an associated company	133,562	–	133,562
Unallocated assets			<u>186</u>
Total assets			<u>419,830</u>
Segment liabilities	135,576	21,187	156,763
Unallocated liabilities			<u>4,731</u>
Total liabilities			<u>161,494</u>
Capital expenditure	743	–	743
Depreciation	3,116	–	3,116
Amortisation charge	167	–	167

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

### Primary reporting format – geographical segments (continued)

	Hong Kong and Macau HK\$'000	2001 Mainland China HK\$'000	Total HK\$'000
Turnover	<u>439,376</u>	<u>162,220</u>	<u>601,596</u>
Segment results	<u>12,938</u>	<u>3,720</u>	16,658
Unallocated costs			(1,701)
Profit on disposal of subsidiaries			47,863
Provision for impairment losses of leasehold land and buildings	(11,483)		<u>(11,483)</u>
Operating profit before finance costs			51,337
Finance costs			<u>(8,715)</u>
Operating profit			42,622
Share of profit of an associated company			<u>17,946</u>
Profit before taxation			60,568
Taxation			<u>(3,429)</u>
Profit after taxation			57,139
Minority interests			<u>(52)</u>
Profit attributable to shareholders			<u>57,087</u>
Segment assets	249,829	29,886	279,715
Interest in an associated company	109,302	–	109,302
Unallocated assets			<u>266</u>
Total assets			<u>389,283</u>
Segment liabilities	120,353	33,252	153,605
Unallocated liabilities			<u>880</u>
Total liabilities			<u>154,485</u>
Capital expenditure	5,529	–	5,529
Depreciation	3,754	–	3,754
Impairment charge	11,483	–	11,483

## 2 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

### Secondary reporting format – business segments

	2002			
	Turnover	Segment results	Total assets	Capital expenditure
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Food trading	501,444	19,242	286,082	743
Unallocated costs		(3,982)		
Operating profit		15,260		
Interest in an associated company			133,562	
Unallocated assets			186	
Total assets			419,830	
	2001			
	Turnover	Segment results	Total assets	Capital expenditure
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Food trading	575,925	14,446	279,715	5,529
Manufacturing of ham and ham related products	25,671	2,212		
	601,596			
Unallocated costs		(1,701)		
Operating profit		14,957		
Interest in an associated company			109,302	
Unallocated assets			266	
Total assets			389,283	

### 3 OPERATING PROFIT BEFORE FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Operating profit before finance costs is stated after crediting and charging the following:		
Crediting:		
Gain on disposal of fixed assets	–	21
Reversal of write-down of inventories	–	1,486
Net exchange gains	<b>100</b>	–
	<b><u>100</u></b>	<b><u>–</u></b>
Charging:		
Loss on disposal of fixed assets	<b>187</b>	–
Auditors' remuneration	<b>400</b>	360
Depreciation of fixed assets	<b>3,116</b>	3,754
Operating leases of land and buildings	<b>13,513</b>	11,875
Staff costs, including directors' emoluments	<b>18,219</b>	18,614
Provision for slow-moving inventories	<b>1,750</b>	–
Amortisation of goodwill	<b>167</b>	–
Net exchange losses	–	19
Retirement benefit costs	<b>819</b>	893
	<b><u>819</u></b>	<b><u>893</u></b>

### 4 FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans	<b>6,355</b>	8,715
	<b><u>6,355</u></b>	<b><u>8,715</u></b>

## 5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Hong Kong profits tax		
– Current year	<b>1,597</b>	326
Mainland China taxation	–	11
Deferred taxation ( <i>note 21</i> )	–	179
	<b>1,597</b>	516
Share of taxation attributable to an associated company	<b>3,691</b>	2,913
	<b>5,288</b>	3,429

Deferred taxation for the year has not been provided in respect of the following:

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Tax losses	<b>(184)</b>	6

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$7,756,000 (2001: HK\$95,946,000 as restated (*note 20*)).

## 7 DIVIDENDS

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim, paid, of HK1.0 cent		
(2001: HK1.0 cent) per ordinary share	<b>2,478</b>	2,478
Final, proposed, of HK2.0 cents		
(2001: HK1.0 cent) per ordinary share	<b>4,956</b>	2,478
	<b>7,434</b>	<b>4,956</b>

*Notes:*

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 March 2000 and 2001 were HK\$3,717,000 and HK\$2,478,000 respectively. Under the Group's new accounting policy as described in note 1(o), these have been written back against opening reserves as at 1 April 2000 and 2001 in note 20 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 24 July 2002 the directors declared a final dividend of HK2.0 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2003.

## 8 EARNINGS PER SHARE – GROUP

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$27,988,000 (2001: HK\$57,087,000) and the weighted average number of 247,820,000 (2001: 247,820,000) ordinary shares in issue during the year.

Fully diluted earnings per share is not presented as there is no dilution effect had all the outstanding share options been exercised in full.

## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Fees	<b>120</b>	120
Other emoluments:		
Basic salaries, allowances and other benefits in kind	<b>6,790</b>	2,603
Directors' pensions	<b>197</b>	148
	<b>7,107</b>	2,871

Directors' fees were paid to the two independent non-executive directors.

The emoluments of the directors fell within the following bands:

	<b>Number of directors</b>	
	<b>2002</b>	2001
Nil – HK\$1,000,000	<b>8</b>	10
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
HK\$1,500,001 – HK\$2,000,000	<b>1</b>	–
HK\$2,500,001 – HK\$3,000,000	<b>1</b>	–
	<b>11</b>	11

No directors waived their emoluments in respect of the years ended 31 March 2002 and 2001.



## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

- (b) The five individuals whose emoluments were the highest in the Group for the year include four (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2001: two) individual during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, allowances and other benefits in kind	<u>546</u>	<u>797</u>

## 10 FIXED ASSETS – GROUP

	Leasehold land and buildings			Motor vehicles	Computer systems	Equipment	Total
	Held under leases of between 10 to 50 years in Hong Kong HK\$'000	Held under leases of over 50 years in Hong Kong HK\$'000	Leasehold improvements, furniture and fixtures HK\$'000				
Cost							
At 1 April 2001	83,662	19,952	6,438	1,369	1,721	1,372	114,514
Additions	–	–	111	364	228	40	743
Disposals	–	–	(3,241)	(204)	(1,109)	(665)	(5,219)
At 31 March 2002	83,662	19,952	3,308	1,529	840	747	110,038
Accumulated depreciation							
At 1 April 2001	1,950	14,520	3,464	1,369	1,173	900	23,376
Charge for the year	1,950	189	379	67	405	126	3,116
Disposals	–	–	(3,173)	(204)	(986)	(664)	(5,027)
At 31 March 2002	3,900	14,709	670	1,232	592	362	21,465
Net book value							
At 31 March 2002	79,762	5,243	2,638	297	248	385	88,573
At 31 March 2001	81,712	5,432	2,974	–	548	472	91,138

As at 31 March 2002, leasehold land and building with a carrying value of HK\$79,762,000 (2001: HK\$81,712,000) was pledged as security for a bank loan granted to the Group.

## 11 INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost ( <i>note 11(a)</i> )	39,004	58,891
Advances to subsidiaries ( <i>note 11(b)</i> )	215,835	207,219
Less: Provision for diminution in value	(9,049)	—
	<u>245,790</u>	<u>266,110</u>

(a) The following is a list of the principal subsidiaries at 31 March 2002:

Name	Country/ place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
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## Interests held directly:

William Food Company Limited	Hong Kong	Trading of frozen meat, seafood and vegetables in Hong Kong	100,000 Ordinary shares of HK\$100 each	100%
Capital Season Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%

## Interests held indirectly:

Hung King Development Limited	Hong Kong	Property holding in Hong Kong	400,000 Ordinary shares of HK\$1 each	100%
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The above list contains particulars of principal subsidiaries of the Group which in the opinion of the directors, materially affect the results and assets of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

**11 INTERESTS IN SUBSIDIARIES (continued)****(b) Advances to subsidiaries**

The advances to subsidiaries are unsecured, interest free and will not be demanded for repayment within twelve months from the balance sheet date.

**12 INTEREST IN AN ASSOCIATED COMPANY**

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	<b>130,388</b>	109,302
Goodwill on acquisition of associated companies less amortisation	<b>3,174</b>	—
	<b><u>133,562</u></b>	<b><u>109,302</u></b>
Investments at cost:		
Shares listed in Hong Kong	<b><u>160,951</u></b>	<b><u>152,549</u></b>
Market value of listed shares	<b><u>285,629</u></b>	<b><u>170,687</u></b>

**12 INTEREST IN AN ASSOCIATED COMPANY (continued)**

The following is a list of the principal associated companies at 31 March 2002:

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
<b>Interests held indirectly:</b>				
Four Seas Mercantile Holdings Limited	Cayman Islands/Hong Kong	Investment holding	HK\$39,956,564	26.23%
Cowboy Food Company Limited	Hong Kong	Manufacturing of peanut products	HK\$6,000,000	22.30%
Fancy Talent Limited	Hong Kong	Marketing of snack foods	HK\$100,000,000	26.23%
Four Seas China Holdings Limited	British Virgin Islands/Hong Kong	Investment holding	US\$1	26.23%
Four Seas Mercantile Limited	Hong Kong	Trading of snack foods, confectionery and beverages	Ordinary shares of HK\$200 each Non-voting deferred HK\$20,000,000	26.23%
Four Seas Yamauchi Confectionery (Shantou) Company Limited *	Mainland China	Manufacturing of cakes	HK\$10,000,000	20.49%
Four Seas Foods (Shantou) Company Limited *	Mainland China	Trading of confectionery and food products	HK\$1,800,000	26.23%

## 12 INTEREST IN AN ASSOCIATED COMPANY (continued)

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
<b>Interests held indirectly (continued):</b>				
Four Seas Trading (Shanghai) Company Limited *	Mainland China	Trading of confectionery and food products	US\$200,000	26.23%
Guangdong Four Seas – Yantang Frozen Food Products Company Limited **	Mainland China	Operator of ice-cream and frozen food products	RMB6,300,000	13.38%
Hong Kong Ham Holdings Limited	Hong Kong	Manufacturing and packaging of ham and ham related products	HK\$20	26.23%
J.P. Inglis Company Limited	Hong Kong	Trading of food materials	HK\$1,000,000	26.23%
Shenzhen Yaohan Zhonghao Food Co., Limited **	Mainland China	Manufacturing and packaging of ham and ham related products	RMB32,100,000	15.74%
Tohato Four Seas Confectionery (Shenzhen) Company Limited *	Mainland China	Manufacturing of snack foods	HK\$7,000,000	11.31%

**12 INTEREST IN AN ASSOCIATED COMPANY (continued)**

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

All the associated companies were not audited by PricewaterhouseCoopers.

\* Wholly foreign owned enterprise

\*\* Equity joint venture

**12 INTEREST IN AN ASSOCIATED COMPANY (continued)**

Details of information, as extracted from the annual report of Four Seas Mercantile Holdings Limited, a material associated company, for the year ended 31 March 2002, are as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Consolidated profit and loss account		
Turnover	<u>1,176,128</u>	<u>1,124,833</u>
Net profit attributable to shareholders	<u>80,157</u>	<u>67,490</u>
Consolidated balance sheet		
Fixed assets	165,870	158,819
Negative goodwill	(955)	–
Interests in associates	123,947	121,318
Long term investments	24,212	22,302
Rental deposits	7,111	7,584
Current assets	558,284	526,257
Current liabilities	<u>(352,706)</u>	<u>*(371,379)</u>
Net current assets	<u>205,578</u>	<u>154,878</u>
	<u>525,763</u>	<u>464,901</u>
Financed by:		
Share capital	39,956	39,956
Reserves	438,750	383,004
Proposed final dividend	<u>18,380</u>	<u>*11,987</u>
Shareholders' funds	497,086	434,947
Long-term liabilities	1,360	8,860
Minority interests	<u>27,317</u>	<u>21,094</u>
	<u>525,763</u>	<u>464,901</u>

\* The figure has been adjusted to account for the proposed dividend in accordance with SSAP 9 (revised).



### 13 INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Finished goods	12,452	16,235
Goods in transit	16,884	24,312
	<u>29,336</u>	<u>40,547</u>

At 31 March 2002, inventories with a cost of HK\$2,121,000 (2001: HK\$16,585,000) were carried at net realisable value of HK\$21,000 (2001: HK\$16,235,000).

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

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

### 15 DUE FROM ASSOCIATED COMPANIES/(TO) AN ASSOCIATED COMPANY – GROUP

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

## 16 TRADE RECEIVABLES

At 31 March 2002, the ageing analysis of the trade receivables was as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Current	46,258	55,763
1 to 2 months	11,216	32,972
Over 3 months	4,561	3,756
	<u>62,035</u>	<u>92,491</u>

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

## 17 TRADE AND BILLS PAYABLES

At 31 March 2002, the ageing analysis of the trade and bills payables was as follows:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Current	5,228	13,142
1 to 2 months	169	243
Over 3 months	165	150
	<u>5,562</u>	<u>13,535</u>

**18 BANK LOANS – SECURED**

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank loans – wholly repayable within five years	<b>40,674</b>	28,346
Less: current portion of bank loans	<b>(23,752)</b>	(5,712)
	<b><u>16,922</u></b>	<b><u>22,634</u></b>

As at 31 March 2002, the Group's bank loans were repayable as follows:

	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>23,752</b>	5,712
In the second year	<b>5,712</b>	5,712
In the third to fifth year	<b>11,210</b>	16,922
	<b><u>40,674</u></b>	<b><u>28,346</u></b>

A bank loan of HK\$22,634,000 (2001: HK\$28,346,000) is secured by the assets (including land and building) and issued shares of a subsidiary and cross guarantees of the Company and a subsidiary. The loan is repayable by instalments up to 2006.

The other bank loans of the Group are secured by corporate guarantees of the Company.

## 19 SHARE CAPITAL

	<b>Authorised</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$</i>
At 31 March 2000, 2001 and 2002	<u>400,000,000</u>	<u>40,000,000</u>
	<b>Issued and fully paid</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$</i>
At 31 March 2000, 2001 and 2002	<u>247,820,000</u>	<u>24,782,000</u>

Under a share option scheme approved by the shareholders of the Company previously, the directors may at their discretion, invite executive directors and key employees of the Group, to take up option to subscribe for shares in the Company subject to terms and conditions stipulated therein.

During the year, 780,000 (2001: 1,710,000) options were cancelled and no other options were granted.

As at 31 March 2002, there was a total of 4,770,000 (2001: 5,550,000) share options, exercisable between 8 October 1998 and 26 November 2002 at HK\$0.62 per share, remaining outstanding.

## 20 RESERVES

## Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Share of other reserves of an associated company HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2000, as previously reported	77,874	228	(7,329)	-	117,886	188,659
Effect on adopting SSAP 9 (revised) (note 1(o))	-	-	-	-	3,717	3,717
At 1 April 2000, as restated	77,874	228	(7,329)	-	121,603	192,376
Share of deficit on revaluation of investment securities of an associated company	-	-	-	(2,036)	-	(2,036)
Reserve charged to the profit and loss account upon disposal of subsidiaries	-	-	7,329	-	-	7,329
Goodwill written off	-	-	-	-	(38,891)	(38,891)
Share of exchange reserve of an associated company	-	-	-	235	-	235
Share of negative goodwill of an associated company	-	-	-	111	-	111
Profit for the year	-	-	-	-	57,087	57,087
2000 Final dividend	-	-	-	-	(3,717)	(3,717)
2001 Interim dividend	-	-	-	-	(2,478)	(2,478)
At 31 March 2001	<u>77,874</u>	<u>228</u>	<u>-</u>	<u>(1,690)</u>	<u>133,604</u>	<u>210,016</u>
Representing						
Reserves	77,874	228	-	(1,690)	131,126	207,538
2001 Proposed final dividend	-	-	-	-	2,478	2,478
At 31 March 2001	<u>77,874</u>	<u>228</u>	<u>-</u>	<u>(1,690)</u>	<u>133,604</u>	<u>210,016</u>
Company and subsidiaries	77,874	228	-	-	118,571	196,673
Associated company	-	-	-	(1,690)	15,033	13,343
At 31 March 2001	<u>77,874</u>	<u>228</u>	<u>-</u>	<u>(1,690)</u>	<u>133,604</u>	<u>210,016</u>

**20 RESERVES (continued)****Group**

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share of other reserves of an associated company <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001, as previously reported	77,874	228	(1,690)	131,126	207,538
Effect of adopting SSAP 9 (revised) (note 1(o))	—	—	—	2,478	2,478
At 1 April 2001, as restated	77,874	228	(1,690)	133,604	210,016
Share of surplus on revaluation of investment securities of an associated company	—	—	493	—	493
Share of exchange reserve of an associated company	—	—	13	—	13
Profit for the year	—	—	—	27,988	27,988
2001 Final dividend	—	—	—	(2,478)	(2,478)
2002 Interim dividend	—	—	—	(2,478)	(2,478)
At 31 March 2002	<u>77,874</u>	<u>228</u>	<u>(1,184)</u>	<u>156,636</u>	<u>233,554</u>
Representing					
Reserves	77,874	228	(1,184)	151,680	228,598
2002 Proposed final dividend	—	—	—	4,956	4,956
At 31 March 2002	<u>77,874</u>	<u>228</u>	<u>(1,184)</u>	<u>156,636</u>	<u>233,554</u>
Company and subsidiaries	77,874	228	—	130,519	208,621
Associated company	—	—	(1,184)	26,117	24,933
At 31 March 2002	<u>77,874</u>	<u>228</u>	<u>(1,184)</u>	<u>156,636</u>	<u>233,554</u>

**20 RESERVES (continued)****Company**

	<b>Share premium HK\$'000</b>	<b>Capital redemption reserve HK\$'000</b>	<b>Retained earnings HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2000, as previously reported	77,874	228	66,986	145,088
Effect of adopting SSAP 9 (revised)				
2000 Final dividend receivable ( <i>note 20(a)</i> )	–	–	(6,500)	(6,500)
2000 Final dividend proposed ( <i>note 1(o)</i> )	–	–	3,717	3,717
	<u>77,874</u>	<u>228</u>	<u>64,203</u>	<u>142,305</u>
At 1 April 2000, as restated	77,874	228	64,203	142,305
Profit for the year				
As previously reported	–	–	89,446	89,446
2000 Final dividend receivable	–	–	6,500	6,500
As restated	–	–	95,946	95,946
2000 Final dividend	–	–	(3,717)	(3,717)
2001 Interim dividend	–	–	(2,478)	(2,478)
	<u>77,874</u>	<u>228</u>	<u>153,954</u>	<u>232,056</u>
At 31 March 2001	<u>77,874</u>	<u>228</u>	<u>153,954</u>	<u>232,056</u>
Representing:				
Reserves	77,874	228	151,476	229,578
2001 Final dividend proposed	–	–	2,478	2,478
	<u>77,874</u>	<u>228</u>	<u>153,954</u>	<u>232,056</u>
At 31 March 2001	<u>77,874</u>	<u>228</u>	<u>153,954</u>	<u>232,056</u>
At 1 April 2001	77,874	228	151,476	229,578
Effect of adopting SSAP 9 (revised) ( <i>note 1(o)</i> )	–	–	2,478	2,478
	<u>77,874</u>	<u>228</u>	<u>153,954</u>	<u>232,056</u>
At 1 April 2001, as restated	77,874	228	153,954	232,056
Profit for the year	–	–	7,756	7,756
2001 Final dividend	–	–	(2,478)	(2,478)
2002 Interim dividend	–	–	(2,478)	(2,478)
	<u>77,874</u>	<u>228</u>	<u>156,754</u>	<u>234,856</u>
At 31 March 2002	<u>77,874</u>	<u>228</u>	<u>156,754</u>	<u>234,856</u>
Representing:				
Reserves	77,874	228	151,798	229,900
2002 Final dividend proposed	–	–	4,956	4,956
	<u>77,874</u>	<u>228</u>	<u>156,754</u>	<u>234,856</u>
At 31 March 2002	<u>77,874</u>	<u>228</u>	<u>156,754</u>	<u>234,856</u>

At 31 March 2002, the reserves of the Company that are available for distribution as dividends amounted to HK\$156,754,000 (2001: HK\$153,954,000 as restated).

**20 RESERVES (continued)**

- (a) Following the adoption of revised SSAP 9, opening retained earnings of the Company at 1 April 2000 has been decreased by HK\$6,500,000 which is the reversal of the 2000 final dividend receivable from a subsidiary previously recorded as an asset as at 31 March 2000 although not received until after the balance sheet date.

**21 DEFERRED TAXATION**

	<b>Group</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April	<b>586</b>	429
Disposal of subsidiaries	–	(22)
Transfer from profit and loss account ( <i>note 5</i> )	–	179
	<hr/>	<hr/>
At 31 March	<b>586</b>	586
	<hr/>	<hr/>
Provided for in respect of:		
Accelerated depreciation allowances	<b>586</b>	586
	<hr/>	<hr/>

Deferred tax asset of HK\$2,185,000 (2001: HK\$2,001,000) has not been recognised in the accounts in respect of tax losses as it is uncertain as to the extent to which the asset will be crystallised in the foreseeable future.

There was no other unprovided deferred taxation for the year.



## 22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	HK\$'000	HK\$'000
Operating profit	8,905	42,622
Interest expenses	6,355	8,715
Interest income	(1,737)	(1,878)
Depreciation charge	3,116	3,754
Amortisation charge	167	–
Provision for impairment losses of fixed assets	–	11,483
Profit on disposal of subsidiaries	–	(47,863)
Loss/(gain) on disposal of fixed assets	187	(21)
Decrease in inventories	11,211	5,977
Decrease/(increase) in trade receivables, prepayments and deposits, other receivables and due from an associated company	31,309	(15,105)
(Decrease)/increase in trade payables, bills payables, other payables, accrued charges and due to an associated company	(5,717)	7,690
Net cash inflow from operating activities	53,796	15,374

### (b) Analysis of changes in financing during the year

	Bank loans	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	28,346	34,534
Net cash outflow from financing	(5,712)	(6,188)
At end of year	22,634	28,346

## 22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (c) Disposal of subsidiaries/Major non-cash transactions

Net assets disposed of:

	2002 HK\$'000	2001 HK\$'000
Fixed assets	–	45,849
Other investments	–	–
Inventories	–	21,665
Trade receivables	–	2,313
Prepayments and deposits	–	1,503
Other receivables	–	4,999
Bank balances and cash	–	10,668
Trade and bills payables	–	(6,483)
Other payables	–	(3,699)
Trust receipt loans	–	(4,572)
Taxation	–	(1,783)
Minority interests	–	(12,787)
Loan from the minority shareholder	–	(199)
Deferred taxation	–	(22)
	<hr/>	<hr/>
	–	57,452
Exchange reserve charged to the profit and loss account upon disposal	–	7,329
Profit on disposal of subsidiaries		
– Realised portion credited to the profit and loss account	–	47,863
– Unrealised portion credited to goodwill arising on acquisition of FSMHL	–	13,265
	<hr/>	<hr/>
	–	125,909
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Shares in FSMHL	–	125,909
	<hr/> <hr/>	<hr/> <hr/>

## 22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### (d) Analysis of net cash outflow of cash and cash equivalents in respect of disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Bank balances and cash of disposed subsidiaries	–	(10,668)
Trust receipt loans of disposed subsidiaries	–	4,572
	<u>–</u>	<u>4,572</u>
Net cash outflow in respect of disposal of subsidiaries	<u>–</u>	<u>(6,096)</u>

## 23 BANKING FACILITIES

At 31 March 2002, trade finance facilities and bank overdraft facilities totalling HK\$351 million (2001: HK\$304 million) were granted to the Company and a subsidiary. These facilities were secured by corporate guarantees of HK\$273.7 million (2001: HK\$193.7 million) from the Company.

These facilities were utilised to the extent of approximately HK\$112 million (2001: HK\$122 million) as at 31 March 2002.

## 24 CONTINGENT LIABILITIES

At 31 March 2002, the Group had irrevocable letters of credit issued to suppliers amounting to HK\$1,614,000 (2001: HK\$2,765,000).

## 25 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which expire as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	<u>320</u>	<u>621</u>	<u>320</u>	<u>333</u>

## 26 RELATED PARTY TRANSACTIONS

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

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Rental and building management fee received from:		
An associated company	–	926
Related companies	<b>324</b>	160
	<hr/>	<hr/>
	<b>324</b>	1,086
	<hr/> <hr/>	<hr/> <hr/>

Tenancy agreement was entered into with a related party to lease warehouse, office and parking spaces for a period of 2 years. Terms of the agreement was entered into in accordance with recommendations provided by a firm of professional valuers.

## 27 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 24 July 2002.