

NOTES TO THE ACCOUNTS

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 (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised) : Presentation of financial statements

SSAP 15 (revised) : Cash flow statements

SSAP 34 (revised) : Employee benefits

The adoption of the above standards had no material effect on amounts reported in prior year, except that certain presentational changes have been made upon the adoption of SSAP 1 (revised) “Presentation of financial statements” and SSAP 15 (revised) “Cash flow statements”.

(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.

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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(b) Group accounting (continued)***(i) Consolidation (continued)*

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 to or recognised in the consolidated profit and loss account.

In the Company's balance sheet, the interests 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.

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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Group accounting (continued)

(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 and 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 less accumulated impairment losses on a straight-line basis over the unexpired periods of the leases. The principal annual rate for this purpose is 2%.

(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%.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed assets (continued)

(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.

(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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(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. Any impairment arising on such goodwill is accounted for in the consolidated profit and loss account.

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 consolidated 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.

(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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(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, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, 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.

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.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Revenue recognition (continued)

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.

(m) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

(iii) Equity compensation benefits

Share options are granted to directors and employees of the Group. No compensation cost is recognised on the date of grant of the options. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES (continued)**(n) Borrowing costs**

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

(o) 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. Business segments are not presented as the secondary reporting format because the Group's turnover and operating profit are solely contributed by food trading business. 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.

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 certain corporate borrowings. Capital expenditure comprises additions to fixed assets (*note 11*).

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:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sale of goods	474,422	501,444
Other revenues		
Interest income	3,302	1,737
Gross rental income from leasehold land and buildings	809	671
	4,111	2,408
Total revenues	478,533	503,852

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUE AND SEGMENT INFORMATION
(continued)

Primary reporting format – Geographical segments

	2003		
	Hong Kong and Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>360,973</u>	<u>113,449</u>	<u>474,422</u>
Segment results	<u>14,700</u>	<u>13,297</u>	27,997
Unallocated costs			<u>(5,085)</u>
Operating profit before finance costs			22,912
Finance costs			<u>(3,569)</u>
Operating profit			19,343
Share of profit of associated companies			<u>20,734</u>
Profit before taxation			40,077
Taxation			<u>(7,247)</u>
Profit attributable to shareholders			<u>32,830</u>
Segment assets	262,219	9,113	271,332
Interests in associated companies	148,002	–	148,002
Unallocated assets			<u>230</u>
Total assets			<u>419,564</u>
Segment liabilities	109,466	20,795	130,261
Unallocated liabilities			<u>6,452</u>
Total liabilities			<u>136,713</u>
Capital expenditure	2,144	–	2,144
Depreciation of fixed assets	3,000	–	3,000
Amortisation of goodwill	322	–	322
Impairment charge	<u>1,055</u>	<u>–</u>	<u>1,055</u>

NOTES TO THE ACCOUNTS

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – Geographical segments (continued)

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

NOTES TO THE ACCOUNTS

3 OPERATING PROFIT BEFORE FINANCE COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Operating profit before finance costs is stated after crediting and charging the following:		
Crediting:		
Reversal of write-down of inventories	2,100	–
Net exchange gains	–	100
	<u> </u>	<u> </u>
Charging:		
Loss on disposal of fixed assets	–	187
Auditors' remuneration	400	400
Depreciation of fixed assets	3,000	3,116
Operating leases of land and buildings	10,642	13,513
Staff costs, including directors' emoluments (note 9)	22,101	19,887
Provision for doubtful debts	3,685	1,325
Provision for slow-moving inventories	382	1,750
Amortisation of goodwill	322	167
Net exchange losses	202	–
	<u> </u>	<u> </u>

4 FINANCE COSTS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interest expenses on bank and trust receipt loans	3,569	6,355
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS

5 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit for the year.

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong profits tax	3,931	1,597
– Over provision in prior year	(314)	–
Deferred taxation (<i>note 22</i>)	(62)	–
	3,555	1,597
Share of taxation attributable to associated companies	3,692	3,691
	7,247	5,288

Deferred tax asset for the year has not been recognised in respect of the following:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Tax losses	141	184

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,000 (2002: HK\$7,756,000).

NOTES TO THE ACCOUNTS

7 DIVIDENDS

	Group	
	2003	2002
	HK\$'000	HK\$'000
Interim, paid, of HK1.0 cent (2002: HK1.0 cent) per ordinary share	2,478	2,478
Final, proposed, of HK3.0 cents (2002: HK2.0 cents) per ordinary share	7,435	4,956
	9,913	7,434

Note: At a meeting held on 23 July 2003 the directors declared a final dividend of HK3.0 cents per ordinary share. This proposed dividend is not reflected as dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2004.

8 EARNINGS PER SHARE – GROUP

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$32,830,000 (2002: HK\$27,988,000) and the weighted average number of 247,820,000 (2002: 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 share options been exercised in full.

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2003	2002
	HK\$'000	HK\$'000
Wages and salaries	20,613	18,813
Unutilised annual leave	300	–
Pension costs – defined contribution plan (<i>Note</i>)	765	623
Other staff benefits	423	451
	22,101	19,887

NOTES TO THE ACCOUNTS

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)
(continued)*Note:*

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

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the employer, the trustees and other service providers. Contributions are made to the MPF Scheme by the employers at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "MPF Contribution"). The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK\$4,000 per month.

The Group's contribution to the MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK\$19,000 (2002: Nil) were utilised during the year.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Fees	120	120
Other emoluments:		
Basic salaries, allowances and other benefits in kind	7,441	6,790
Directors' pensions	215	197
	7,776	7,107

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

NOTES TO THE ACCOUNTS

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

The emoluments of the directors fell within the following bands:

	Number of directors	
	2003	2002
Nil – HK\$1,000,000	5	8
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	1
	<u>8</u>	<u>11</u>

No directors waived their emoluments in respect of the years ended 31 March 2003 and 2002.

No options were granted to nor exercised by the directors during the year.

- (b) The five individuals whose emoluments were the highest in the Group for the year are also directors of the Group and their aggregate emoluments during the year are as follows:

	2003 HK\$'000
Basic salaries, allowances and other benefits in kind	<u>7,656</u>

In last year, there was one individual who was not a director and this individual's emolument was among the five highest ones within the Group. The aggregate amounts of emoluments payable to this individual of the Group in last year were as follows:

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

NOTES TO THE ACCOUNTS

11 FIXED ASSETS – GROUP

	<u>Leasehold land and buildings</u>						
	<u>Held under</u> <u>leases of</u> <u>between</u> <u>10 to 50 years</u> <u>in Hong Kong</u> <i>HK\$'000</i>	<u>Held under</u> <u>leases of</u> <u>over improvements,</u> <u>50 years in</u> <u>Hong Kong</u> <i>HK\$'000</i>	<u>Leasehold</u> <u>furniture and</u> <u>fixtures</u> <i>HK\$'000</i>	<u>Motor</u> <u>vehicles</u> <i>HK\$'000</i>	<u>Computer</u> <u>systems</u> <i>HK\$'000</i>	<u>Equipment</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
Cost							
At 1 April 2002	83,662	19,952	3,308	1,529	840	747	110,038
Additions	–	–	–	972	1,095	77	2,144
At 31 March 2003	<u>83,662</u>	<u>19,952</u>	<u>3,308</u>	<u>2,501</u>	<u>1,935</u>	<u>824</u>	<u>112,182</u>
Accumulated depreciation and impairment							
At 1 April 2002	3,900	14,709	670	1,232	592	362	21,465
Charge for the year	1,950	188	329	252	145	136	3,000
Impairment charge	–	1,055	–	–	–	–	1,055
At 31 March 2003	<u>5,850</u>	<u>15,952</u>	<u>999</u>	<u>1,484</u>	<u>737</u>	<u>498</u>	<u>25,520</u>
Net book value							
At 31 March 2003	<u>77,812</u>	<u>4,000</u>	<u>2,309</u>	<u>1,017</u>	<u>1,198</u>	<u>326</u>	<u>86,662</u>
At 31 March 2002	<u>79,762</u>	<u>5,243</u>	<u>2,638</u>	<u>297</u>	<u>248</u>	<u>385</u>	<u>88,573</u>

As at 31 March 2003, leasehold land and buildings with a carrying value of HK\$77,812,000 (2002: HK\$79,762,000) was pledged as security for a bank loan granted to the Group.

NOTES TO THE ACCOUNTS

12 INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost (<i>note a</i>)	39,004	39,004
Advances to subsidiaries (<i>note b</i>)	217,870	215,835
Less: provision for diminution in value	(9,049)	(9,049)
	247,825	245,790

(a) The following is a list of the principal subsidiaries at 31 March 2003:

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

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

(b) Advances to subsidiaries

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

NOTES TO THE ACCOUNTS

13 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	142,043	130,388
Goodwill on acquisition of associated companies less amortisation	5,959	3,174
	148,002	133,562
Investments at cost:		
Shares listed in Hong Kong	166,505	160,951
Market value of listed shares	314,753	285,629

The following is a list of the principal associated companies at 31 March 2003:

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Interests held indirectly:				
Four Seas Mercantile Holdings Limited	Cayman Islands/Hong Kong	Investment holding	HK\$39,956,564	26.70%
Cowboy Food Company Limited	Hong Kong	Manufacturing of peanut products	HK\$6,000,000	22.70%
Fancy Talent Limited	Hong Kong	Marketing of snack foods	HK\$100,000,000	26.70%
Four Seas China Holdings Limited	British Virgin Islands	Investment holding	US\$1	26.70%
Four Seas Mercantile Limited	Hong Kong	Trading in snack foods, confectionery and beverages	(i) Ordinary shares of HK\$200 each (ii) Non-voting deferred shares HK\$20,000,000	26.70%
Four Seas Confectionery (Shantou) Company Limited *	Mainland China	Manufacturing of cakes	HK\$11,320,000	24.30%
Four Seas Foods (Shantou) Company Limited *	Mainland China	Trading of confectionery and food products	HK\$23,500,000	26.70%
Four Seas Trading (Shanghai) Company Limited *	Mainland China	Trading of confectionery and food products	US\$200,000	26.70%

NOTES TO THE ACCOUNTS

13 INTERESTS IN ASSOCIATED COMPANIES (continued)

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Interests held indirectly (continued):				
Guang Dong Fourseas Frozen Food Products Company Limited **	Mainland China	Operator of ice-cream and frozen food products	RMB6,300,000	26.70%
Hong Kong Ham Holdings Limited	Hong Kong	Manufacturing and packaging of ham and ham related products	HK\$20	26.70%
J.P. Inglis Company Limited	Hong Kong	Trading of food materials	HK\$1,000,000	26.70%
Kanro Four Seas Foods (Shantou) Company Limited*	Mainland China	Manufacturing of candy	HK\$46,203,380	21.63%
Kung Tak Lam Shanghai Vegetarian Cuisine Limited*	Hong Kong	Operator of restaurants	HK\$3,660,000	26.43%
Shenzhen Yaohan Zhonghao Food Co., Limited **	Mainland China	Manufacturing and packaging of ham and ham related products	RMB32,100,000	16.02%
Shenzhen Matchless Food Company Limited*	Mainland China	Operator of bakery shops and a factory	RMB5,500,000	26.70%
Shousihuang Restaurant (Shenzhen) Company Limited	Mainland China	Operator of restaurants	HK\$2,000,000	13.35%
Tohato Four Seas Confectionery (Shenzhen) Company Limited *	Mainland China	Manufacturing of snack foods	HK\$7,000,000	21.36%

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

All associated companies were not audited by PricewaterhouseCoopers.

* Wholly foreign owned enterprise

** Equity joint venture

NOTES TO THE ACCOUNTS

13 INTERESTS IN ASSOCIATED COMPANIES (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 2003, are as follows:

	2003	2002
	HK\$'000	HK\$'000
Consolidated profit and loss account		
Turnover	1,249,639	1,176,128
Net profit from ordinary activities attributable to shareholders	64,569	80,157
Consolidated balance sheet		
Fixed assets	236,908	165,870
Goodwill	5,457	–
Negative goodwill	(2,098)	(955)
Interests in associates	112,487	123,947
Long term investments	21,519	24,212
Rental deposits	7,869	7,111
Current assets	685,464	558,284
Current liabilities	(435,797)	(352,706)
Net current assets	249,667	205,578
	631,809	525,763
Financed by:		
Share capital	39,956	39,956
Reserves	473,612	438,750
Proposed final dividend	18,380	18,380
Shareholders' funds	531,948	497,086
Long-term liabilities	65,167	1,360
Minority interests	34,694	27,317
	631,809	525,763
Contingent liabilities	39,994	28,048

NOTES TO THE ACCOUNTS

14 INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Finished goods	12,858	12,452
Goods in transit	19,435	16,884
	<u>32,293</u>	<u>29,336</u>

At 31 March 2003, inventories of HK\$382,000 was fully provided (2002: inventories with a cost of HK\$2,121,000 were carried at net realisable value of HK\$21,000).

15 DUE FROM/(TO) SUBSIDIARIES – COMPANY

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

16 DUE FROM ASSOCIATED COMPANIES – GROUP

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

17 TRADE RECEIVABLES

At 31 March 2003, the ageing analysis of the trade receivables was as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current	29,274	46,258
1 to 2 months	10,138	11,216
Over 3 months	4,806	4,561
	<u>44,218</u>	<u>62,035</u>

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

NOTES TO THE ACCOUNTS

18 TRADE AND BILLS PAYABLES

At 31 March 2003, the ageing analysis of the trade and bills payables was as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current	7,228	5,228
1 to 2 months	28	169
Over 3 months	1,159	165
	<u>8,415</u>	<u>5,562</u>

19 BANK LOANS – SECURED

	Group	
	2003	2002
	HK\$'000	HK\$'000
Bank loans – wholly repayable within five years	24,922	40,674
Less: current portion of bank loans	(13,712)	(23,752)
	<u>11,210</u>	<u>16,922</u>

As at 31 March 2003, the Group's bank loans were repayable as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	13,712	23,752
In the second year	5,712	5,712
In the third to fifth year	5,498	11,210
	<u>24,922</u>	<u>40,674</u>

A bank loan of HK\$16,922,000 (2002: HK\$22,634,000) is secured by the assets (including land and buildings) 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.

NOTES TO THE ACCOUNTS

20 SHARE CAPITAL

	Authorised	
	Ordinary shares of	
	HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 March 2001, 2002 and 2003	<u>400,000,000</u>	<u>40,000</u>
	Issued and fully paid	
	Ordinary shares of	
	HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 March 2001, 2002 and 2003	<u>247,820,000</u>	<u>24,782</u>

(a) Share option scheme adopted on 27 November 1992

Pursuant to the share option scheme (the "Old Scheme") adopted by the Company on 27 November 1992, the Board shall be entitled at any time within 10 years after the adoption date to grant options to any qualifying participant of the Company or any subsidiary of the Company to subscribe for shares at a maximum of one per cent of issued share capital of the Company from time to time. The options granted under the Old Scheme were exercisable from 8 October 1998 to 26 November 2002 at an exercise price of HK\$0.62 and therefore, all options not exercised were lapsed at year end. No options were cancelled during the year.

NOTES TO THE ACCOUNTS

20 SHARE CAPITAL (continued)**(a) Share option scheme adopted on 27 November 1992 (continued)**

Movements in the number of options outstanding under the Old Scheme during the year are as follows:

	2003	2002
At 1 April	4,770,000	5,550,000
Lapsed	(4,770,000)	(780,000)
	<u> </u>	<u> </u>
At 31 March	–	4,770,000
	<u> </u>	<u> </u>
Representing:		
Directors	–	3,400,000
	<u> </u>	<u> </u>
Continuous contract employees	–	1,370,000
	<u> </u>	<u> </u>

(b) Share option scheme adopted on 2 September 2002

A new share option scheme (the “New Scheme”) was approved and adopted by the shareholders of the Company on 2 September 2002. Under the New Scheme, the directors of the Company are authorised to grant options to any qualifying participant of the Company and any subsidiary of the Company to subscribe for shares in the Company at prices according to the terms of the New Scheme. The total number of shares subject to the New Scheme must not when aggregated with shares under any share option schemes exceed 30% of the shares in issue from time to time.

No options were granted under the New Scheme during the year.

NOTES TO THE ACCOUNTS

21 RESERVES

Group

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share of other reserves of associated companies <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	77,874	228	(1,690)	133,604	210,016
Surplus on revaluation of investment securities	–	–	493	–	493
Exchange reserve	–	–	13	–	13
Profit for the year	–	–	–	27,988	27,988
2001 final dividend	–	–	–	(2,478)	(2,478)
2002 interim dividend	–	–	–	(2,478)	(2,478)
	<u>77,874</u>	<u>228</u>	<u>(1,184)</u>	<u>156,636</u>	<u>233,554</u>
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
	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,956</u>	<u>4,956</u>
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 companies	–	–	(1,184)	26,117	24,933
	<u>–</u>	<u>–</u>	<u>(1,184)</u>	<u>26,117</u>	<u>24,933</u>
At 31 March 2002	<u>77,874</u>	<u>228</u>	<u>(1,184)</u>	<u>156,636</u>	<u>233,554</u>

NOTES TO THE ACCOUNTS

21 RESERVES (continued)

Group

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Share of other reserves of associated companies <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2002	77,874	228	(1,184)	156,636	233,554
Deficit on revaluation of investment securities	–	–	(378)	–	(378)
Surplus on revaluation of investment securities released upon disposal	–	–	(506)	–	(506)
Exchange reserve	–	–	3	–	3
Profit for the year	–	–	–	32,830	32,830
2002 final dividend	–	–	–	(4,956)	(4,956)
2003 interim dividend	–	–	–	(2,478)	(2,478)
At 31 March 2003	<u>77,874</u>	<u>228</u>	<u>(2,065)</u>	<u>182,032</u>	<u>258,069</u>
Representing:					
Reserves	77,874	228	(2,065)	174,597	250,634
2003 proposed final dividend	–	–	–	7,435	7,435
At 31 March 2003	<u>77,874</u>	<u>228</u>	<u>(2,065)</u>	<u>182,032</u>	<u>258,069</u>
Company and subsidiaries	77,874	228	–	145,825	223,927
Associated companies	–	–	(2,065)	36,207	34,142
At 31 March 2003	<u>77,874</u>	<u>228</u>	<u>(2,065)</u>	<u>182,032</u>	<u>258,069</u>

NOTES TO THE ACCOUNTS

21 RESERVES (continued)

Company

	Capital			
	Share redemption	Retained		
	premium	earnings		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	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 proposed final dividend	–	–	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 1 April 2002	77,874	228	156,754	234,856
Profit for the year	–	–	2	2
2002 final dividend	–	–	(4,956)	(4,956)
2003 interim dividend	–	–	(2,478)	(2,478)
	<u>77,874</u>	<u>228</u>	<u>149,322</u>	<u>227,424</u>
At 31 March 2003	<u>77,874</u>	<u>228</u>	<u>149,322</u>	<u>227,424</u>
Representing:				
Reserves	77,874	228	141,887	219,989
2003 proposed final dividend	–	–	7,435	7,435
	<u>77,874</u>	<u>228</u>	<u>149,322</u>	<u>227,424</u>
At 31 March 2003	<u>77,874</u>	<u>228</u>	<u>149,322</u>	<u>227,424</u>

At 31 March 2003, the reserves of the Company that are available for distribution as dividends amounted to HK\$149,322,000 (2002: HK\$156,754,000).

NOTES TO THE ACCOUNTS

22 DEFERRED TAXATION

	Group	
	2003	2002
	HK\$'000	HK\$'000
At 1 April	586	586
Transfer to profit and loss account (<i>note 5</i>)	(62)	–
	<hr/>	<hr/>
At 31 March	524	586
	<hr/> <hr/>	<hr/> <hr/>
Provided for in respect of:		
Accelerated depreciation allowances	524	586
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax asset of HK\$2,326,000 (2002: HK\$2,185,000) 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.

NOTES TO THE ACCOUNTS

23 CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating profit	19,343	8,905
Interest expenses	3,569	6,355
Interest income	(3,302)	(1,737)
Depreciation of fixed assets	3,000	3,116
Amortisation of goodwill	322	167
Impairment loss of leasehold land and buildings	1,055	–
Loss on disposal of fixed assets	–	187
	<hr/>	<hr/>
Operating profit before working capital changes	23,987	16,993
(Increase)/decrease in inventories	(2,957)	11,211
Net decrease in trade receivables, prepayments and deposits, other receivables and due from associated companies	17,732	31,309
Net increase/(decrease) in trade and bills payable, other payables and accrued charges	3,451	(5,717)
	<hr/>	<hr/>
Net cash inflow generated from operations	<u>42,213</u>	<u>53,796</u>

NOTES TO THE ACCOUNTS

23 CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Analysis of changes in financing during the year**

	Dividend payable		Bank loans and trust receipt loans	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	4,956	2,478	146,633	158,578
Dividends	2,478	2,478	–	–
Net cash outflow from financing	(7,434)	(4,956)	(29,908)	(11,945)
At 31 March	–	–	116,725	146,633

24 BANKING FACILITIES

At 31 March 2003, trade finance facilities and bank overdraft facilities totalling HK\$411 million (2002: HK\$351 million) were granted to the Company and a subsidiary. These facilities were secured by corporate guarantees of HK\$333.7 million (2002: HK\$273.7 million) from the Company.

These facilities were utilised to the extent of approximately HK\$117 million (2002: HK\$112 million) as at 31 March 2003.

25 CONTINGENT LIABILITIES

At 31 March 2003, the Group had irrevocable letters of credit issued to suppliers amounting to HK\$380,000 (2002: HK\$1,614,000).

NOTES TO THE ACCOUNTS

26 OPERATING LEASE ARRANGEMENTS

The Group acts as both lessor and lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group had future aggregate minimum lease receipts under non-cancellable operating lease in respect of land and buildings which expire as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>16</u>	<u>32</u>	<u>–</u>	<u>–</u>

(b) Lessee

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	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	<u>309</u>	<u>320</u>	<u>309</u>	<u>320</u>

27 RELATED PARTY TRANSACTIONS

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Rental and building management fee received from related companies	<u>336</u>	<u>324</u>

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

28 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23 July 2003.