Notes to Financial Statements

31 March 2003

1. CORPORATE INFORMATION

The registered office of the Company is the office of Caledonian Bank & Trust Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043, George Town, Grand Cayman, Cayman Islands, British West Indies.

During the year, the Group's principal activities were the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, ham and ham-related products.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 33 : "Discontinuing operations"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 34 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes and the prior year adjustments that have resulted from them are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 and in note 28(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 26 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain leasehold land and buildings and long term investments, as further explained below, which are stated at valuation and fair value, respectively.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest 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.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 April 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the goodwill reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the goodwill reserve. Negative goodwill on acquisitions subsequent to 1 April 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the goodwill reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Medium term leasehold land	2%
Buildings	2% – 10%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 25%
Plant and machinery	10% – 20%
Motor vehicles and vessel	15% – 30%

Land use rights granted in Mainland China are amortised on the straight-line basis over the lease terms.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Construction in progress represents buildings under constructions, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit and loss account 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 profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis, as determined by the directors.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis or 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. In the case of work in progress and self-produced finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included advances from banks repayable within three months from the date of the advance, in addition to bank overdrafts. This change in definition has resulted in a prior year adjustment relating to bank and trust receipt loans, further details of which are included in note 28(a) to the financial statements.

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

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

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

(d) rental income, on the straight-line basis over the lease terms; and

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

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a yearly basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Notes to Financial Statements

31 March 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments (continued)

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

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 profit and loss account 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 options scheme

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. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves 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.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and associates and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAPs 11 and 15 has had no material effect on the amounts previously reported in the prior year's financial statements.

Notes to Financial Statements

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4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. Summary details of the geographical segments are as follows:

– the Hong Kong segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, ham and ham-related products and the retailing of snack foods, confectionery and beverages; and

– the Mainland China segment is engaged in the manufacturing and trading of snack foods, confectionery, beverages, frozen food products, noodles, and ham and ham-related products.

In determining the Group's business segments, revenue and results are attributed to the segments based on the nature of their operations.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to Financial Statements

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4. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**892,741**	955,263	**356,898**	220,865	**–**	–	**1,249,639**	1,176,128
Intersegment sales	**741**	190	**44,769**	37,590	**(45,510)**	(37,780)	**–**	–
Other revenue	**2,704**	3,079	**79**	211	**(845)**	(1,659)	**1,938**	1,631
Total revenue	**896,186**	958,532	**401,746**	258,666	**(46,355)**	(39,439)	**1,251,577**	1,177,759
Segment results	**54,188**	87,016	**7,753**	5,763	**–**	–	**61,941**	92,779
Interest and dividend income and unallocated gains							**14,370**	5,262
Unallocated expenses							**(3,263)**	(6,960)
Profit from operating activities							**73,048**	91,081
Finance costs							**(5,033)**	(6,647)
Share of profits and losses of associates	**8,071**	7,987	**(534)**	780	**–**	–	**7,537**	8,767
Profit before tax							**75,552**	93,201
Tax							**(13,989)**	(14,305)
Profit before minority interests							**61,563**	78,896
Minority interests							**3,006**	1,261
Net profit from ordinary activities attributable to shareholders							**64,569**	80,157

Notes to Financial Statements

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4. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group

	Hong Kong		Mainland China		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**704,142**	610,397	**246,567**	144,125	**950,709**	754,522
Interests in associates	**79,747**	74,463	**32,740**	49,484	**112,487**	123,947
Unallocated assets					**4,410**	–
Total assets					**1,067,606**	878,469
Segment liabilities	**80,157**	83,903	**42,066**	22,631	**122,223**	106,534
Unallocated liabilities					**378,741**	247,532
Total liabilities					**500,964**	354,066
Other segment information:						
Capital expenditure	**11,632**	6,233	**28,258**	747	**39,890**	6,980
Depreciation	**10,432**	11,561	**8,296**	5,261	**18,728**	16,822
Amortisation of goodwill	**132**	–	**177**	–	**309**	–
Negative goodwill recognised as income during the year	**–**	–	**77**	50	**77**	50

Notes to Financial Statements

31 March 2003

4. SEGMENT INFORMATION (continued)

(b) Business segments

The following tables present revenue and certain asset and expenditure information for the Group's business segments.

Group

	Manufacturing and wholesaling		Retailing		Others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,019,131**	1,030,631	**162,788**	145,497	**67,720**	–	**1,249,639**	1,176,128
Other segment information:								
Segment assets	**888,843**	727,766	**28,854**	26,756	**33,012**	–	**950,709**	754,522
Capital expenditure	**30,056**	3,341	**3,187**	3,639	**6,647**	–	**39,890**	6,980

Notes to Financial Statements

31 March 2003

5. TURNOVER, REVENUE AND GAIN

Turnover represents the invoiced value of goods sold, net of discounts and returns. An analysis of turnover, other revenue and gain is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Turnover	**1,249,639**	1,176,128
Other revenue		
Interest income	**10,820**	4,074
Dividend income from listed investments	**1,377**	1,188
Rental income	**206**	492
Commission income	**52**	186
Negative goodwill recognised as income during the year	**77**	50
Others	**1,603**	903
	14,135	6,893
Gain		
Gain on disposal of long term investments	**2,173**	–
	1,265,947	1,183,021

Notes to Financial Statements

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6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Depreciation	*14*	**18,728**	16,822
Goodwill amortisation for the year*	*15*	**309**	–
Negative goodwill recognised as income during the year**	*15*	**(77)**	(50)
Minimum lease payments under operating leases in respect of land and buildings		**53,556**	39,398
Auditors' remuneration		**1,070**	925
Staff costs (excluding directors' remuneration (note 8))			
Wages and salaries		**133,021**	118,564
Pension scheme contributions		**5,842**	5,643
Less: Forfeited contributions		**(20)**	(119)
Net pension contributions***		**5,822**	5,524
		138,843	124,088
Loss on disposal of fixed assets		**1,381**	561
Exchange losses/(gains), net		**19,078**	(12,719)

* The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

** The movement in negative goodwill recognised in the profit and loss account for the year is included in "Other revenue" on the face of the consolidated profit and loss account.

*** At 31 March 2003, the Group had forfeited contributions amounting to HK$3,000 (2002: HK$20,000) available to reduce its contributions to the pension scheme in future years.

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7. FINANCE COSTS

	Group 2003 HK$'000	2002 HK$'000
Interest on bank and trust receipt loans wholly repayable within five years	**5,033**	6,647

8. DIRECTORS' REMUNERATION

Directors' remuneration, disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	Group 2003 HK$'000	2002 HK$'000
Fee	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,705**	5,341
Pension scheme contributions	**136**	165
	1,841	5,506
	1,841	5,506

There were no fees or other emoluments payable to the independent non-executive directors during the year (2002: Nil).

Notes to Financial Statements

31 March 2003

8. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil to HK$1,000,000	**8**	7
HK$1,000,001 to HK$1,500,000	**1**	1
HK$3,000,001 to HK$3,500,000	**–**	1
	9	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, 2,400,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out in note 26 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2002: three) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,213**	2,512
Pension scheme contributions	**186**	153
	3,399	2,665

Notes to Financial Statements

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9. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2003	2002
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	4	3

During the year, 800,000 share options were granted to the four non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

Notes to Financial Statements

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10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2003	2002
	HK$'000	*HK$'000*
Group:		
Hong Kong		
Provision for the year	**11,454**	12,798
Underprovision in prior years	**242**	200
Deferred tax credit, net *(note 24)*	**(794)**	–
	10,902	12,998
Overseas	**715**	320
	11,617	13,318
Associates:		
Hong Kong	**2,372**	987
Tax charge for the year	**13,989**	14,305

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is HK$24,818,000 (2002: HK$26,220,000).

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12. DIVIDENDS

	2003	2002
	HK$'000	*HK$'000*
Interim dividend of HK2.0 cents (2002: HK2.0 cents) per ordinary share	**7,991**	7,991
Proposed final dividend of HK4.6 cents (2002: HK4.6 cents) per ordinary share	**18,380**	18,380
	26,371	26,371

The proposed final dividend for the year is calculated by reference to the number of share in issue at the date of this report.

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

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year of HK$64,569,000 (2002: HK$80,157,000), and on the 399,565,640 (2002: 399,565,640) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit attributable to shareholders for the year of HK$64,569,000. The number of ordinary shares used in the calculation is the 399,565,640 ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 1,789 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

A diluted earnings per share amount for the year ended 31 March 2002 was not disclosed as no diluting events existed during that year.

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14. FIXED ASSETS

Group

	Land use rights	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and vessel	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At beginning of year	16,196	118,308	15,699	34,300	58,251	21,564	–	264,318
Additions	483	3,298	5,994	8,298	1,263	2,290	18,264	39,890
Acquisition of subsidiaries	4,129	19,855	56	1,975	24,303	1,034	–	51,352
Disposals	–	–	(1,915)	(278)	(74)	(965)	–	(3,232)
At 31 March 2003	20,808	141,461	19,834	44,295	83,743	23,923	18,264	352,328
Analysis of cost or valuation:								
At cost	20,808	56,461	19,834	44,295	83,743	23,923	18,264	267,328
At 31 March 1994 valuation	–	85,000	–	–	–	–	–	85,000
	20,808	141,461	19,834	44,295	83,743	23,923	18,264	352,328
Accumulated depreciation:								
At beginning of year	1,092	17,774	7,794	28,754	24,665	18,369	–	98,448
Provided during the year	446	3,795	2,632	5,420	5,274	1,161	–	18,728
Disposals	–	–	(772)	(247)	(28)	(709)	–	(1,756)
At 31 March 2003	1,538	21,569	9,654	33,927	29,911	18,821	–	115,420
Net book value:								
At 31 March 2003	19,270	119,892	10,180	10,368	53,832	5,102	18,264	236,908
At 31 March 2002	15,104	100,534	7,905	5,546	33,586	3,195	–	165,870

The Group's leasehold land and buildings included above are held under medium term leases and are situated in:

	At cost	At valuation	Total
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	17,900	85,000	102,900
Mainland China	38,561	–	38,561
	56,461	85,000	141,461

Notes to Financial Statements

31 March 2003

14. FIXED ASSETS (continued)

The land use rights relate to land situated in Mainland China and are held under medium term leases.

Certain of the Group's leasehold land and buildings, which are situated in Hong Kong, were revalued on 15 July 1993 by C.Y. Leung & Company Limited, independent professionally qualified valuers. The land and buildings were revalued at open market value, based on their existing use. Since 1993, no further revaluations of the Group's leasehold land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions of SSAP 17, from the requirement to carry out future revaluations of its fixed assets which were stated at valuation at that time.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$92,493,000 (2002: HK$72,508,000).

15. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill	**Negative goodwill**
	HK$'000	*HK$'000*
Cost:		
At beginning of year	–	(1,005)
Acquisition of subsidiaries *(note 28(b))*	4,617	(532)
Acquisition of additional interest in subsidiaries	1,149	(688)
At 31 March 2003	5,766	(2,225)
Accumulated amortisation/(recognition as income):		
At beginning of year	–	(50)
Amortisation provided/(recognised as income) during the year	309	(77)
At 31 March 2003	309	(127)
Net book value:		
At 31 March 2003	5,457	(2,098)
At 31 March 2002	–	(955)

Notes to Financial Statements

31 March 2003

15. GOODWILL AND NEGATIVE GOODWILL (continued)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 April 2001, to remain eliminated against or credited to consolidated reserves.

The amounts of goodwill and negative goodwill remaining in consolidated reserves as at 31 March 2003, arising from the acquisition of subsidiaries and associates prior to 1 April 2001, are as follows:

		Group	
	Goodwill eliminated against revaluation reserve	**Goodwill debited to goodwill reserve**	**Negative goodwill credited to goodwill reserve**
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At beginning of year and end of year	3,625	143,236	(4,577)
Accumulated impairment:			
At beginning of year and end of year	(2,135)	(503)	–
Net amount:			
At 31 March 2003 and 2002	1,490	142,733	(4,577)

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**53,819**	53,819

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

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31 March 2003

16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Abundant Capital Inc.	British Virgin Islands	US$100	–	51.0	Investment holding
Cowboy Food Company Limited	Hong Kong	HK$6,000,000	–	85.0	Manufacturing of peanut products
Crowne Profits Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Fancy Talent Limited*	Hong Kong	HK$100,000,000	–	100.0	Marketing of snack foods
Four Seas Enterprises (BVI) Limited	British Virgin Islands	US$20,000	100.0	–	Investment holding
Four Seas China Holdings Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Four Seas Mercantile Limited	Hong Kong	(i) Ordinary HK$200 (ii) Non-voting deferred HK$20,000,000	–	100.0	Trading in snack foods, confectionery and beverages

Notes to Financial Statements

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Four Seas Property Holdings Limited	Hong Kong	HK$20	–	100.0	Investment holding
Four Seas Yamauchi Company Limited	Hong Kong	HK$7,000,000	–	91.0	Investment holding
Four Seas Confectionery (Shantou) Company Limited* (Fomerly Four Seas Yamauchi Confectionery (Shantou) Company Limited)	Mainland China	HK$11,320,000	–	91.0	Manufacturing of cakes
Four Seas CB Company Limited	Hong Kong	HK$2,500,000	–	100.0	Investment holding
Four Seas Central Bussan Foods (Shenzhen) Company Limited*	Mainland China	HK$1,000,000	–	100.0	Manufacturing of jelly drink
Four Seas (Shantou) Foods Industrial Park Management Company Limited*	Mainland China	HK$30,500,000	–	100.0	Property holding
Four Seas Foods (Shantou) Company Limited*	Mainland China	HK$23,500,000	–	100.0	Trading of confectionery and food products

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Four Seas Logistics Company Limited	Hong Kong	HK$200,000	–	100.0	Provision of transportation services
Four Seas Trading (Shanghai) Company Limited*	Mainland China	US$200,000	–	100.0	Trading of confectionery and food products
Guang Dong Fourseas Frozen Food Products Company Limited* (Formerly Guangdong Fourseas-Yantang Frozen Food Products Co., Ltd.)	Mainland China	RMB6,300,000	–	100.0	Operator of ice-cream and frozen food products
Hakadate Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Hong Kong Ham Holdings Limited	Hong Kong	HK$20	–	100.0	Manufacturing and packaging of ham and ham-related products
Hong Kong Biscuit (International) Limited*	Hong Kong	HK$25,000,000	–	88.0	Investment holding

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31 March 2003

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Homeright Properties Limited	British Virgin Islands	US$1	–	100.0	Holding of trademarks
J.P. Inglis Company Limited	Hong Kong	HK$1,000,000	–	100.0	Trading in food materials
KTC Corporation*	Japan	¥10,000,000	–	100.0	Trading of cakes
Kanro Four Seas Foods Company Limited	Hong Kong	HK$46,500,000	–	81.0	Investment holding
Kanro Four Seas Foods (Shantou) Company Limited*	Mainland China	HK$46,203,380	–	81.0	Manufacturing of candy
Kwong Cheung Development Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Kung Tak Lam Shanghai Vegetarian Cuisine Limited*	Hong Kong	HK$3,660,000	–	99.0	Operator of restaurants
Li Fook (Qingdao) Foods Co. Ltd.*	Mainland China	US$2,800,000	–	51.0	Manufacturing of noodles
Matchless Bakery Company Limited (Formerly Pokka Four Seas Company Limited)	British Virgin Island	HK$20,000,000	–	100.0	Investment holding
More Ways Industrial Limited	Hong Kong	HK$10,000	–	**34.0	Investment holding

Notes to Financial Statements

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Papochou Holdings Limited	British Virgin Islands	HK$15,000,000	–	100.0	Investment holding
Shenzhen Matchless Food Company Limited*	Mainland China	RMB5,500,000	–	100.0	Operator of bakery shops and a factory
Shenzhen Yaohan Zhonghao Food Co., Limited*	Mainland China	RMB32,100,000	–	60.0	Manufacturing and packaging of ham and ham-related products
Sushi Pro Limited	Hong Kong	HK$5,000,000	–	#50.0	Investment holding
Shousihuang Restaurant (Shenzhen) Company Limited*	Mainland China	HK$2,000,000	–	#50.0	Operator of restaurants
Tohato Four Seas Company Limited	Hong Kong	HK$7,000,000	–	80.0	Investment holding
Tohato Four Seas Confectionery (Shenzhen) Company Limited*	Mainland China	HK$7,000,000	–	80.0	Manufacturing of snack foods
Tsun Fat (Huizhou) Biscuit Factory Limited*	Mainland China	HK$13,000,000	–	88.0	Manufacturing of biscuits

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16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
T & M Advertising Company Limited	Hong Kong	HK$20	–	100.0	Advertising agent
Xing Hing Duo Wei Industrial Company Limited*	Mainland China	RMB8,560,000	–	**34.0	Operator of poultry business
Yaohan (Yanwin) Food Co., Limited	Hong Kong	HK$10,000	–	100.0	Investment holding

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

** These subsidiaries are indirectly held by the Group and the Group has control over them.

The Group has a casting vote in these subsidiaries and accordingly the Group has control over them.

During the year, the Group acquired 51%, 51%, 99%, 50% equity interests in Abundant Capital Inc. and its subsidiaries, Kanro Four Seas Foods Company Limited and its subsidiary, Kung Tak Lam Shanghai Vegetarian Cuisine Limited, and Matchless Bakery Company Limited and its subsidiaries, respectively. Further details of these acquisitions are included in note 28(b) to the financial statements.

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.

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17. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	**112,487**	123,947

The amounts due from the associates included in the Group's current assets are unsecured, interest-free and have no fixed terms of repayment.

The Group's trade receivable and payable balances with the associates are disclosed in note 20 and 22 to the financial statements, respectively.

Particulars of the associates are as follows:

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of equity attributable to the Group**	**Principal activities**
Calbee Four Seas Company Limited	Corporate	Hong Kong	50.0	Manufacturing of snack foods
Cadbury Four Seas Company Limited (i)(iii)	Corporate	Hong Kong	30.0	Trading in confectionery
Four Seas & Jintan Co., Limited	Corporate	Hong Kong	50.0	Marketing of health foods
Guangzhou Meiji Confectionery Company Limited (i)(iii)	Corporate	Mainland China	(ii)17.5	Manufacturing of snack foods and confectionery
Guangdong M&F-Yantang Dairy Products Company Limited (i)(iii)	Corporate	Mainland China	21.0	Manufacturing of ice-cream and dairy products

Notes to Financial Statements

31 March 2003

17. INTERESTS IN ASSOCIATES (continued)

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Meiji-Four Seas Company Limited (iii)	Corporate	Hong Kong	25.0	Investment holding
MFD Holding Company Limited (i)	Corporate	Hong Kong	30.0	Investment holding
Nico-Nico Four Seas Company Limited (iii)	Corporate	Hong Kong	35.0	Investment holding
Nico Four Seas (Shantou) Company Limited (i)(iii)	Corporate	Mainland China	35.0	Manufacturing of seaweed products
Pokka Four Seas (Suzhou) Food Company Limited (iii)	Corporate	Mainland China	30.0	Manufacturing of canned beverages
Pokka Coffee (Macau) Limited (iv)	Corporate	Macau	49.0	Operator of a coffee shop and restaurant
Pokka Corporation (HK) Limited (iv)	Corporate	Hong Kong	49.0	Operator of coffee shops and restaurants
Shantou Pokka Coffee Limited (i)(iv)	Corporate	Mainland China	49.0	Operator of coffee shop, restaurant and bakery shop
Want Want Four Seas Company Limited (i)(iii)	Corporate	Hong Kong	30.0	Trading of snack foods

Notes to Financial Statements

31 March 2003

17. INTERESTS IN ASSOCIATES (continued)

(i) Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firm.

(ii) This associate is indirectly held by the Group and the Group has significant influence over it.

(iii) The year end date of these associates is not coterminous with that of the Group and is 31 December.

(iv) The year end date of these associates is not coterminous with that of the Group and is 31 January.

18. LONG TERM INVESTMENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value:				
Hong Kong	**20,898**	20,754	**98**	107
Elsewhere	**265**	3,102	**–**	–
	21,163	23,856	**98**	107
Unlisted equity investments, at fair value	**356**	356	**–**	–
	21,519	24,212	**98**	107

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19. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**16,308**	14,422
Work in progress	**2,127**	917
Finished goods	**65,335**	64,677
	83,770	80,016

20. TRADE RECEIVABLES

The Group grants credit periods ranging from 30 days to 120 days to its trade customers. An aged analysis of trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current	**87,356**	83,536
1 to 2 months	**43,286**	61,154
2 to 3 months	**61,383**	51,937
Over 3 months	**86,093**	74,577
	278,118	271,204

Included in the last year's Group's trade receivables was an aggregate amount due from the Group's associates of HK$513,000 which was repayable on similar credit terms to those offered to the major customers of the Group. There were no trade receivables balances with associates as at 31 March 2003.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**61,021**	65,111	**327**	256
Time deposits	**222,719**	113,913	**–**	–
Cash and cash equivalents	**283,740**	179,024	**327**	256

22. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payables balance of HK$74,406,000 (2002: HK$59,967,000). An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Current	**47,043**	42,544
1 to 2 months	**13,439**	8,732
2 to 3 months	**5,859**	3,156
Over 3 months	**8,065**	5,535
	74,406	59,967

Included in trade payables are trade payables of HK$26,936,000 (2002: HK$23,392,000) due to associates, which are repayable on similar credit terms to those offered by the associates to their major customers.

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23. INTEREST-BEARING BANK BORROWINGS

	Group 2003 HK$'000	Group 2002 HK$'000
Trust receipt loans	**64,705**	83,077
Bank loans	**311,819**	162,397
	376,524	245,474
Bank loans repayable:		
Within one year	**311,923**	245,474
In the second year	**32,000**	–
In the third to fifth years, inclusive	**32,601**	–
	376,524	245,474
Portion classified as current liabilities	**(311,923)**	(245,474)
Long term portion	**64,601**	–

24. DEFERRED TAX

	Group	
	2003	2002
	HK$'000	*HK$'000*
Balance at beginning of year	**1,360**	1,360
Net credit for the year including the effect of the change in tax rate from 16% to 17.5% of HK$128,000 (2002: Nil) *(note 10)*	**(794)**	–
Balance at end of year	**566**	1,360

The deferred tax provision relates to timing differences arising from accelerated capital allowances.

The revaluation of the Group's leasehold land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

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25. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
399,565,640 ordinary shares of HK$0.10 each	**39,956**	39,956

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 26 to the financial statements.

26. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

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 any executive directors or non-executive directors or employees of the Company, and any executive directors or employees of any of the Company's subsidiaries and any entities in which the Group holds any equity interest.

26. SHARE OPTION SCHEMES (continued)

The Scheme will be valid and effective for a period of 10 years commencing on the date on which the Stock Exchange granting approval of the Scheme and the granting of share options hereunder and granting the listing of, and permission to deal in, the ordinary shares to be issued pursuant to the exercise of share options under the Scheme (i.e. up to 16 September 2012), after which period 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 remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant 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 39,956,564 ordinary shares, being 10% of the shares of the Company in issue on 2 September 2002. At 31 March 2003, the number of shares issuable under share options granted under the Scheme was 6,100,000, which represented approximately 1.5% of the Company's shares in issue as at that date. 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.

Share options granted to a director, chief executive 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 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 and 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.

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31 March 2003

26. SHARE OPTION SCHEMES (continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon the receipt of the duplicate offer letter comprising acceptance of the offer duly signed by the grantee with the numbers 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 opened for acceptance after the expiry of the Scheme or after the Scheme has been terminated. The terms and the conditions of the share options granted is 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 share 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 lower than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the offer date; and (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.

Prior to the adoption of the above Scheme, the Company also operated an option scheme (the "Old Scheme"). The Old Scheme was approved on 4 August 1993 and was effective for ten years from 4 August 1993. This Old Scheme was terminated early pursuant to an ordinary resolution of members passed on 2 September 2002. There were no share options granted under the Old Scheme in the current or prior years.

26. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 April 2002	Granted during the year	Lapsed during the year	Cancelled during the year	At 31 March 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$	Price of Company's share at grant date of options*** HK$
Directors									
Tai Tak Fung, Stephen	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Wu Mei Yung, Quinly	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Yip Wai Keung	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Wu Wing Biu	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Man Wing Cheung, Ellis	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Tsunao Kijima	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Leung Mei Han	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
Chan Yuk Sang, Peter	–	300,000	–	–	300,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
	–	2,400,000	–	–	2,400,000				
Other employees									
Managerial level in aggregate	–	3,700,000	–	–	3,700,000	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
	–	6,100,000	–	–	6,100,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 6,100,000 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 6,100,000 additional ordinary shares of the Company and additional share capital of HK$610,000 and share premium of HK$17,415,500 (before issue expenses).

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27. 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 34 of the financial statements.

Pursuant to the relevant laws and regulations for Foreign Investment Enterprises, a portion of the retained profits of the Group's subsidiaries operating as Foreign Investment Enterprises in Mainland China amounting to HK$2,741,000 has been transferred to a reserve fund. The reserve fund is non-distributable in nature.

Included in the share premium account of the Group is an amount of HK$19,900,000 which represents the difference between the nominal value of the share capital issued by the Company and the aggregate nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1993.

Certain amounts of goodwill and negative goodwill arising on acquisition of subsidiaries and associates in prior years remain eliminated against and credited to the goodwill reserve and revaluation reserve as explained in note 15 to the financial statements.

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27. RESERVES (continued)

(b) Company

	Notes	Share premium account HK$'000	Long term investment valuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2001		274,009	(50)	9,267	283,226
Net profit for the year		–	–	26,220	26,220
Movement in fair value		–	23	–	23
Interim 2002 dividend	*12*	–	–	(7,991)	(7,991)
Proposed final 2002 dividend	*12*	–	–	(18,380)	(18,380)
At 31 March 2002 and beginning of year		274,009	(27)	9,116	283,098
Net profit for the year		–	–	24,818	24,818
Movement in fair value		–	(9)	–	(9)
Interim 2003 dividend	*12*	–	–	(7,991)	(7,991)
Proposed final 2003 dividend	*12*	–	–	(18,380)	(18,380)
At 31 March 2003		274,009	(36)	7,563	281,536

Included in the share premium account of the Company is an amount of HK$53,719,000 which represents the difference between the nominal value of the share capital issued by the Company and the combined net assets of the subsidiaries acquired pursuant to the group reorganisation in 1993. Under the Company Law (Revised) of the Cayman Islands, a distribution may be made from the share premium account in certain circumstances.

The difference between the share premium accounts of the Company and the Group represents the difference between the aggregate nominal value of the share capital of the subsidiaries and their combined net assets acquired, pursuant to the group reorganisation in 1993, as detailed above.

Notes to Financial Statements

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes and interest paid are now included in cash flows from operating activities, interest and dividends received are now included in cash flows from investing activities, and dividends paid are now included in cash flows from financing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. This change in accounting policy has had no material effect on the amounts previously reported in the prior year's cash flow statement.

Also, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash and cash equivalents" in note 3 to the financial statements. This has resulted in bank and trust receipt loans no longer qualifying as cash equivalents. The amount of cash equivalents in the consolidated cash flow statement at 31 March 2002 has been adjusted to remove bank and trust receipt loans amounting to HK$107,878,000, previously included at that date. The year's movement in bank and trust receipt loans is now included in cash flows from financing activities and the comparative cash flow statement has been changed accordingly.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries

	2003	2002
	HK$'000	*HK$'000*
Net assets acquired:		
Fixed assets	**51,352**	17,485
Due from group companies	**6,672**	–
Loan to a shareholder	**5,500**	–
Inventories	**7,550**	412
Prepayments, deposits and other receivables	**3,109**	1,095
Trade receivables	**3,166**	347
Cash and bank balances	**6,134**	7
Tax payable	**(301)**	(11)
Due to a group company	**(72)**	–
Trade payables and accrued liabilities	**(15,492)**	(1,096)
Bank loans	**(12,911)**	(659)
Bank overdrafts	**(3,219)**	–
	51,488	17,580
Minority interests	**(12,601)**	(8,614)
Loan to a shareholder acquired	**(5,500)**	–
Goodwill	**4,617**	–
Negative goodwill	**(532)**	(1,005)
	37,472	7,961
Satisfied by:		
Cash	**21,548**	7,961
Reclassification to interests in subsidiaries from interests in associates	**15,924**	–
	37,472	7,961

Notes to Financial Statements

31 March 2003

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	**(21,548)**	(7,961)
Cash and bank balances acquired	**6,134**	7
Bank overdrafts acquired	**(3,219)**	–
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(18,633)**	(7,954)

On 1 August 2002, the Group acquired a further 51% equity interest in Kanro Four Seas Foods Company Limited and its subsidiary (the "Kanro Four Seas Group") from independent third parties. The Kanro Four Seas Group is engaged in the manufacturing of candy. The purchase consideration for the acquisition was in the form of cash, with HK$14,564,335 being paid in full on 7 August 2002. Following these acquisitions, the Group's equity interest in the Kanro Four Seas Group increased to 81%.

On 3 September 2002, the Group acquired a 51% equity interest in Abundant Capital Inc. and its subsidiaries (the "Abundant Group") from an independent third party. The Abundant Group is engaged in the operation of a poultry business. The purchase consideration for the acquisition was in the form of cash, with HK$3,340,000 being paid in full on 7 November 2002.

On 10 October 2002, the Group acquired a further 50% equity interest in Matchless Bakery Company Limited (formerly Pokka Four Seas Company Limited) and its subsidiaries (the "Matchless Group") from an independent third party. The Matchless Group is engaged in the operation of a bakery factory. The purchase consideration for the acquisition was partly in the form of the assumption of a loan owing to the Matchless Group of HK$5,500,000 from the vendor, and partly in form of cash amounting to HK$2,208,999, which was paid in full on 17 October 2002. Following this acquisition, Matchless Bakery Company Limited became a wholly-owned subsidiary of the Group.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of subsidiaries (continued)

On 9 December 2002, the Group acquired a 99% equity interest in Kung Tak Lam Shanghai Vegetarian Cuisine Limited ("Kung Tak Lam") from independent third parties. Kung Tak Lam is engaged in the operation of restaurants. The purchase consideration for the acquisition was in the form of cash, with HK$1,434,508 being paid in full on 6 January 2003.

The subsidiaries acquired during the year contributed HK$78,031,000 to the Group's turnover and loss of HK$5,477,000 to the consolidated profit after tax and before minority interest for the year ended 31 March 2003. In the case of the associate which was reclassified to a subsidiary, these turnover and profit after tax amounts exclude the former associate's contribution to the results prior to its becoming a subsidiary.

The subsidiary acquired in the prior year has had no significant impact on the Group's consolidated turnover or profit after tax and before minority interests for that year.

(c) Major non-cash transaction

During the year, the Group acquired a further 50% equity interest in the Matchless Group at a total consideration of HK$7,708,999. Such consideration was partly settled by taking over a loan owing to the Matchless Group amounting to HK$5,500,000 from the vendor.

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29. CONTINGENT LIABILITIES

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

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**2,026**	2,260	**–**	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**1,143,450**	1,043,790
Associates	**22,488**	25,788	**22,488**	25,788
Guarantees given to third parties in connection with lease payments for lease agreements entered into by a subsidiary	**–**	–	**8,016**	–
	24,514	28,048	**1,173,954**	1,069,578

As at 31 March 2003, the bank facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$370,772,000 (2002: HK$243,515,000), and the bank facilities guaranteed by the Company and the Group to associates were utilised to the extent of approximately HK$21,840,000 (2002: HK$22,080,000).

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29. CONTINGENT LIABILITIES (continued)

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$15,480,000 as at 31 March 2003, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

30. OPERATING LEASE COMMITMENTS

The Group leases certain land and buildings under operating lease arrangements. Leases are negotiated for terms ranging from one to five years. The Group has the option of extending the leases up to three years in certain operating lease arrangements.

At 31 March 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within one year	**47,119**	37,607
In the second to fifth years, inclusive	**41,107**	28,589
	88,226	66,196

Notes to Financial Statements

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31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following commitment at the balance sheet date:

	2003	2002
	HK$'000	*HK$'000*
Capital commitments:		
Contracted, but not provided for:		
Land and buildings	**12,450**	–
Furniture, fixtures and equipment	**248**	–
	12,698	–
Forward foreign exchange contracts	**–**	64,981

Save as disclosed above, the Group and the Company had no other significant commitments at the balance sheet date.

32. RELATED PARTY TRANSACTIONS

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

	2003	2002
	HK$'000	*HK$'000*
Purchases of goods from associates	**240,524**	225,685
Sales of goods to associates	**19,033**	48,983

Notes:

The cost of purchases from associates is determined by reference to the prevailing market prices. The selling prices of sales to associates are determined by reference to prices and conditions similar to those offered to other major customers.

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

Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in notes 20 and 22 to the financial statements.

(b) The Company has executed guarantees in favour of certain banks for banking facilities granted to associates to the extent of HK$22,488,000 (2002: HK$25,788,000), as further detailed in note 29(a) to the financial statements.

Notes to Financial Statements

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33. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 30 May 2003, Four Seas China Holdings Limited, a wholly-owned subsidiary of the Group, entered into a share transfer agreement to acquire a further 49% equity interest in Li Fook (Qingdao) Foods Co., Ltd. ("Li Fook") from Thai President Foods Public Company Limited at a cash consideration of US$1,078,000 (equivalent to approximately HK$8,408,000). The transaction was completed on 30 May 2003, at which date Li Fook became a wholly-owned subsidiary of the Group.

Further details of this transaction are set out in the Company's press announcement dated 30 May 2003.

34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2003.