

Notes to Financial Statements

31 March 2005

1. CORPORATE INFORMATION

The registered office of the Company is located at 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, poultry products, ham and ham-related products.

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

SSAP 36 "Agriculture" is effective for the first time for the current year's financial statements. This SSAP prescribes the accounting treatment, financial statement presentation and disclosures relating to agricultural activity. Agricultural activity comprises an entity's management of the biological transformation of living animals or plants (biological assets) for sale, into either agricultural produce or into additional biological assets.

In general, biological assets on initial recognition and at each balance sheet date are measured at fair value less estimated point-of-sale costs. However, due to the absence of an active and ready market for certain biological assets which fair value cannot be measured reliably, such biological assets are stated at cost less accumulated depreciation and any impairment losses. Agricultural produce harvested from an entity's biological assets is measured at its fair value less estimated point-of-sale costs at the point of harvest. Gains and losses arising on initial recognition and subsequent changes in fair values are included in the profit and loss account.

The adoption of SSAP 36 has resulted in the Group stating livestock at its fair value less estimated point-of-sale costs or at cost less accumulated depreciation and any impairment losses if its fair value cannot be measured reliably, whereas in prior years it was stated at the lower of cost and net realisable value.

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2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Further details of this change and the prior year adjustment arising from them are included in the accounting policy for livestock in notes 16 and 20 to the financial statements.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 3 “Business combinations” applies to accounting for business combinations for which the agreement date is on or after 1 January 2005. Except for acquisitions on 15 May 2005 as detailed in note 35 to the financial statements, the Group did not have any business combinations for which the agreement date is on or after 1 January 2005 and accordingly, this HKFRS has had no impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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, certain non-current livestock, investment property, currency-link deposits, long term investments and short term investments, as further explained below, which are stated at valuation or fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. 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 generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's 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 interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from acquisition of associates is included as part of the Group's interests in associates.

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 of not more than 20 years. 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.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against the consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against the consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP 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 the 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 the 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.

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.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, 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 the SSAP that permitted such negative goodwill to remain credited to the goodwill reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

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 reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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 and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

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.

Fixed assets and depreciation

Fixed assets, other than an investment property, 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 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 a fixed 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	Over the lease terms
Buildings	2% – 10%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 25%
Plant and machinery	10% – 20%
Motor vehicles	15% – 30%

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

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 having regard to comparison of price/earnings ratios of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Currency-link deposits

Currency-link deposits are stated at their fair values at the balance sheet date, on an individual basis. The gains or losses arising from changes in their fair values are credited or charged to the profit and loss account in the period in which they arise. The fair values of currency-link deposits are derived from pricing models which consider the current interest rates, time value, maturity and volatility factors of the currency-link deposits.

Livestock

Livestock is stated at fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it is stated at cost less accumulated amortisation and any impairment losses. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the profit and loss account, determined as:

- (a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Livestock (continued)

- (b) cost incurred, during the financial year to acquire and breed the livestock.

Non-current livestock, which are stated at cost less accumulated depreciation and any impairment losses, represent breeder peafowl and are depreciated over 10 years using the sum of digits method.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- (c) profit or loss on the trading of securities, on a trade date basis;
- (d) dividend income, when the shareholders' right to receive payment has been established;
- (e) rental income, on the straight-line basis over the lease terms; and
- (f) 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 Hong Kong Employment Ordinance.

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 Hong Kong 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 schemes

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.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 12% to 44% of the payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share option 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, results and assets are attributed to the segments based on the location of the customers. 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, poultry products, noodles, and ham and ham-related products.

In determining the Group's business segments, revenues 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.

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4. SEGMENT INFORMATION (continued)

(a) Geographical segments

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

Group	Hong Kong		Mainland China		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)						(Restated)	
Segment revenue:								
Sales to external customers	1,069,275	980,660	492,510	408,683	-	-	1,561,785	1,389,343
Intersegment sales	2,501	2,340	83,009	53,313	(85,510)	(55,653)	-	-
Other revenue	2,371	2,572	617	144	(586)	(616)	2,402	2,100
Total revenue	1,074,147	985,572	576,136	462,140	(86,096)	(56,269)	1,564,187	1,391,443
Segment results	65,147	43,796	20,845	507	-	-	85,992	44,303
Interest and dividend income and unallocated gains							15,331	30,743
Unallocated expenses							(5,621)	(3,729)
Profit from operating activities							95,702	71,317
Finance costs							(6,702)	(6,393)
Share of profits and losses of associates	12,263	11,240	4,771	1,215	-	-	17,034	12,455
Amortisation of goodwill arising on acquisition of associates	-	-	(25)	-	-	-	(25)	-
Profit before tax							106,009	77,379
Tax							(13,963)	(13,037)
Profit before minority interests							92,046	64,342
Minority interests							(11,326)	421
Net profit from ordinary activities attributable to shareholders							80,720	64,763

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4. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group	Hong Kong		Mainland China		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	500,955	522,453	297,769	252,593	798,724	775,046
Interests in associates	81,668	88,974	60,385	39,836	142,053	128,810
Unallocated assets					422,586	354,092
Total assets					1,363,363	1,257,948
Segment liabilities	104,967	96,364	65,892	58,024	170,859	154,388
Unallocated liabilities					530,996	503,563
Total liabilities					701,855	657,951
Other segment information:						
Capital expenditure	7,279	63,409	10,859	22,568	18,138	85,977
Depreciation of fixed assets	12,675	10,059	11,852	12,534	24,527	22,593
Amortisation of goodwill	278	278	348	249	626	527
Impairment of goodwill and a long term investment recognised in the profit and loss account	1,012	–	2,286	–	3,298	–
Negative goodwill recognised as income during the year	–	–	349	111	349	111

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4. SEGMENT INFORMATION (continued)

(b) Business segments

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

Group	Manufacturing and wholesaling		Retailing		Others		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	1,203,138	1,078,411	179,604	171,051	179,043	139,881	1,561,785	1,389,343
Other segment information:								
Segment assets	727,614	710,490	25,468	24,608	45,642	39,948	798,724	775,046
Capital expenditure	12,581	20,417	4,332	1,184	1,225	64,376	18,138	85,977

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5. TURNOVER AND REVENUE

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Turnover	<u>1,561,785</u>	<u>1,389,343</u>
Other revenue		
Interest income	3,025	3,115
Net income from currency-link deposits	37,638	9,700
Dividend income from listed investments	173	692
Management fee income	461	461
Rental income	139	119
Negative goodwill recognised as income during the year	349	111
Others	<u>1,453</u>	<u>1,409</u>
	<u>43,238</u>	<u>15,607</u>
Gains		
Gain on disposal of long term investments	–	2,209
Gain on disposal of short term investments	2,642	257
Unrealised gain on short term investments	683	370
Net exchange gains/(losses) on cash and cash equivalents and receivables	<u>(28,830)</u>	<u>14,400</u>
	<u>(25,505)</u>	<u>17,236</u>
	<u>17,733</u>	<u>32,843</u>

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6. PROFIT FROM OPERATING ACTIVITIES

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

		Group	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of fixed assets	14	24,527	22,593
Depreciation of non-current livestock	16	156	–
Goodwill:			
Amortisation for the year*	15	601	527
Impairment arising for the year*	15	3,086	–
		<u>3,687</u>	<u>527</u>
Negative goodwill recognised as income during the year**	15	(349)	(111)
Minimum lease payments under operating leases in respect of land and buildings		63,976	56,286
Impairment of a long term investment		212	–
Auditors' remuneration		1,175	1,287
Staff costs (excluding directors' remuneration (note 8)):			
Wages and salaries		144,977	132,037
Pension scheme contributions		6,142	5,815
Less: Forfeited contributions		(1)	(3)
		<u>6,141</u>	<u>5,812</u>
Net pension scheme contributions***		<u>151,118</u>	<u>137,849</u>
Loss on disposal of fixed assets		1,776	453
Net exchange losses (net of exchange gains/losses disclosed in note 5 above)		<u>21,557</u>	<u>21,323</u>

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

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

*** At 31 March 2005, the Group had no forfeited contributions (2004: HK\$1,000) available to reduce its contributions to the pension schemes in future years.

Notes to Financial Statements

31 March 2005

7. FINANCE COSTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans wholly repayable within five years	<u>6,702</u>	<u>6,393</u>

8. DIRECTORS' REMUNERATION

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	1,709	1,709
Pension scheme contributions	80	148
	<u>1,789</u>	<u>1,857</u>
	<u>1,789</u>	<u>1,857</u>

There were no fees or other emoluments payable to the independent non-executive directors during the year (2004: Nil).

Notes to Financial Statements

31 March 2005

8. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	7	7
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>8</u>	<u>8</u>

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

During the year, no share options (2004: Nil) were granted to the directors in respect of their services to the Group.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2004: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2004: four) non-director, highest paid employees for the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Salaries, allowances and benefits in kind	4,322	3,326
Pension scheme contributions	250	200
	<u>4,572</u>	<u>3,526</u>

Notes to Financial Statements

31 March 2005

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	
	2005	2004
Nil to HK\$1,000,000	4	3
HK\$1,000,001 to HK\$1,500,000	–	1
	<u>4</u>	<u>4</u>

During the year, no share options (2004: Nil) were granted to the four non-director, highest paid employees in respect of their services to the Group.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) 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	
	2005 HK\$'000	2004 HK\$'000
Group:		
Current – Hong Kong		
Provision for the year	12,557	9,886
Overprovision in prior years	(1,553)	(1,646)
Current – Overseas	1,496	369
Deferred tax charge, net (<i>note 27</i>)	711	1,404
	<u>13,211</u>	<u>10,013</u>
Share of tax attributable to associates:		
Hong Kong	604	2,887
Overseas	148	137
	<u>752</u>	<u>3,024</u>
Total tax charge for the year	<u>13,963</u>	<u>13,037</u>

Notes to Financial Statements

31 March 2005

10. TAX (continued)

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

Group

	2005		2004	
	HK\$'000	%	HK\$'000	%
Profit before tax	<u>106,009</u>		<u>77,379</u>	
Tax at the Hong Kong profits tax rate of 17.5% (2004: 17.5%)	18,552	17.5	13,541	17.5
Effect of different rates for companies operating in other jurisdictions*	(3,151)	(3.0)	(331)	(0.4)
Adjustments in respect of current tax of previous periods	(2,435)	(2.3)	(1,646)	(2.1)
Income not subject to tax	(7,227)	(6.8)	(5,230)	(6.8)
Expenses not deductible for tax	6,501	6.1	1,411	1.8
Tax losses utilised from previous periods	(774)	(0.7)	(814)	(1.1)
Deferred tax assets not recognised	4,182	3.9	4,210	5.4
Others	<u>(1,685)</u>	<u>(1.5)</u>	<u>1,896</u>	<u>2.5</u>
Tax charge at the Group's effective rate	<u>13,963</u>	<u>13.2</u>	<u>13,037</u>	<u>16.8</u>

* Under the People's Republic of China (the "PRC") income tax laws, enterprises are subject to corporate income tax ("CIT") at the rate of 33%. However, certain of the Group's subsidiaries are operating in specific development zones in Mainland China, and the relevant authorities have granted these subsidiaries preferential rates ranging from 18% to 27%.

In addition to preferential CIT rates granted to the Group's certain subsidiaries in Mainland China, tax holidays were also granted by the relevant authorities to these subsidiaries, whereby CIT is exempted for the first two profitable years of the subsidiaries and is chargeable at half of the applicable rate for the next subsequent three years.

Notes to Financial Statements

31 March 2005

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 March 2005 dealt with in the financial statements of the Company was HK\$26,651,000 (2004: HK\$24,974,000) (note 30(b)).

12. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividend of HK2.0 cents (2004: HK2.0 cents) per ordinary share	7,991	7,991
Proposed final dividend of HK5.0 cents (2004: HK4.6 cents) per ordinary share	19,978	18,380
	<u>27,969</u>	<u>26,371</u>

The proposed final dividend for the year is calculated by reference to the number of shares 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 net profit attributable to shareholders for the year of HK\$80,720,000 (2004: HK\$64,763,000), and on the 399,565,640 (2004: 399,565,640) ordinary shares in issue during the year.

No diluted earnings per share has been presented for the current and prior years because there was no dilutive potential ordinary shares in existence during the years ended 31 March 2005 and 2004.

Notes to Financial Statements

31 March 2005

14. FIXED ASSETS

Group

	Investment property HK\$'000	Land use rights HK\$'000	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:								
At beginning of year	10,832	20,392	216,141	29,104	48,718	85,075	25,149	435,411
Additions	–	–	216	5,245	3,026	6,964	2,687	18,138
Acquisition of a subsidiary (note 31)	–	692	1,435	1,808	126	–	2	4,063
Disposals	–	–	(9,000)	(9,836)	(1,090)	(1,346)	(2,070)	(23,342)
At 31 March 2005	10,832	21,084	208,792	26,321	50,780	90,693	25,768	434,270
Analysis of cost or valuation:								
At cost	–	21,084	123,792	26,321	50,780	90,693	25,768	338,438
At 31 March 1994 valuation	–	–	85,000	–	–	–	–	85,000
At 31 March 2005 valuation	10,832	–	–	–	–	–	–	10,832
	<u>10,832</u>	<u>21,084</u>	<u>208,792</u>	<u>26,321</u>	<u>50,780</u>	<u>90,693</u>	<u>25,768</u>	<u>434,270</u>
Accumulated depreciation:								
At beginning of year	–	2,086	26,402	13,215	37,456	36,219	20,056	135,434
Provided during the year	–	443	4,710	6,409	4,136	7,299	1,530	24,527
Disposals	–	–	(1,842)	(9,163)	(848)	(1,033)	(1,955)	(14,841)
At 31 March 2005	–	2,529	29,270	10,461	40,744	42,485	19,631	145,120
Net book value:								
At 31 March 2005	<u>10,832</u>	<u>18,555</u>	<u>179,522</u>	<u>15,860</u>	<u>10,036</u>	<u>48,208</u>	<u>6,137</u>	<u>289,150</u>
At 31 March 2004	<u>10,832</u>	<u>18,306</u>	<u>189,739</u>	<u>15,889</u>	<u>11,262</u>	<u>48,856</u>	<u>5,093</u>	<u>299,977</u>

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

	At cost HK\$'000	At valuation HK\$'000	Total HK\$'000
Hong Kong	60,586	85,000	145,586
Mainland China	63,206	–	63,206
	<u>123,792</u>	<u>85,000</u>	<u>208,792</u>

Notes to Financial Statements

31 March 2005

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 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 the year ended 31 March 1994, 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 the whole class of land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK\$153,376,000 (2004: HK\$162,966,000).

The Group's investment property was revalued on 31 March 2005 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$10,832,000 on an open market, existing use basis. The investment property is leased to an associate of the Group under operating leases, further summary details of which are included in note 33(a) to the financial statements.

Notes to Financial Statements

31 March 2005

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
	<i>HK\$'000</i>	goodwill
		<i>HK\$'000</i>
Cost:		
At beginning of year	5,363	(2,414)
Acquisition of additional interests in subsidiaries	2,867	–
	<hr/>	<hr/>
At 31 March 2005	8,230	(2,414)
	<hr/>	<hr/>
Accumulated amortisation and		
impairment/(recognition as income):		
At beginning of year	797	(238)
Impairment provided during the year	3,086	–
Amortisation provided/(recognised as income)		
during the year	601	(349)
	<hr/>	<hr/>
At 31 March 2005	4,484	(587)
	<hr/>	<hr/>
Net book value:		
At 31 March 2005	3,746	(1,827)
	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2004	4,566	(2,176)
	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements

31 March 2005

15. GOODWILL AND NEGATIVE GOODWILL (continued)

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

The amounts of goodwill and negative goodwill remaining in the consolidated reserves as at 31 March 2005, arising from the acquisition of subsidiaries and associates prior to 1 April 2001, are as follows:

	Group		
	Goodwill eliminated against revaluation reserve <i>HK\$'000</i>	Goodwill debited to goodwill reserve <i>HK\$'000</i>	Negative goodwill credited to goodwill reserve <i>HK\$'000</i>
Cost:			
At beginning of year and end of year	3,248	137,798	(4,577)
Accumulated impairment:			
At beginning of year and end of year	(2,135)	(503)	—
Net amount:			
At 31 March 2005 and 2004	<u>1,113</u>	<u>137,295</u>	<u>(4,577)</u>

Notes to Financial Statements

31 March 2005

16. NON-CURRENT LIVESTOCK

	Group	
	2005	2004
	HK\$'000	HK\$'000
Livestock:		
At fair value	273	–
At cost less accumulated depreciation and any impairment losses	4,704	–
	<u>4,977</u>	<u>–</u>
Physical quantity of peafowl:		
Number of day-old peafowl	2,682	–
Number of breeder peafowl	6,990	–
	<u>9,672</u>	<u>–</u>

The Group's non-current livestock comprises breeder and day-old peafowl owned by a subsidiary. The day-old peafowl are raised for sale. The breeder peafowl are held to produce further day-old peafowl. Breeder peafowl are stated at cost less accumulated depreciation and any impairment losses as no active or ready markets exist for these breeder peafowl and their fair value cannot be measured reliably. The day-old peafowl are valued at fair value less estimated point-of-sale costs.

	Group
	2005
	HK\$'000
Reconciliation of changes in the carrying amount:	
Balance at 1 April 2004	–
Increase due to acquisition of a subsidiary (<i>note 31</i>)	5,964
Depreciation of non-current livestock	(156)
Cost transferred to inventories	(831)
	<u>4,977</u>
Balance at 31 March 2005	<u>4,977</u>

Notes to Financial Statements

31 March 2005

16. NON-CURRENT LIVESTOCK (continued)

The particulars of the gross carrying amount and the accumulated depreciation of the breeder peafowl which are stated at cost less accumulated depreciation and any impairment losses are as follows:

	Group 2005 HK\$'000
Cost:	
At beginning of year	–
Acquisition of a subsidiary	4,860
	<hr/>
At end of year	4,860
	<hr/>
Accumulated depreciation:	
At beginning of year	–
Provided for the year	156
	<hr/>
At end of year	156
	<hr/>
Balance at 31 March 2005	4,704
	<hr/> <hr/>

17. INVESTMENTS IN SUBSIDIARIES

	Company 2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	53,819	53,819
	<hr/> <hr/>	<hr/> <hr/>

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.

Notes to Financial Statements

31 March 2005

17. 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		Principal activities
			Direct	Indirect	
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
E-Options Technology Limited	British Virgin Islands	US\$1	–	100.0	Property 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\$1,000,000	–	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

31 March 2005

17. 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		Principal activities
			Direct	Indirect	
Four Seas Property Holdings Limited	Hong Kong	HK\$10,000,000	–	100.0	Investment holding
Four Seas Confectionery (Shantou) Company Limited* ^	Mainland China	HK\$11,320,000	–	100.0	Manufacturing of cakes
Four Seas CB Company Limited	Hong Kong	HK\$2,500,000	–	100.0	Investment holding
Four Seas Central Bussan Foods (Shenzhen) Co., Ltd.* ^	Mainland China	HK\$1,000,000	–	100.0	Manufacturing of jelly drinks
Four Seas (Shantou) Foods Industrial Park Management Co., Ltd.* ^	Mainland China	HK\$30,500,000	–	100.0	Property holding
Four Seas Foods (Shantou) Co., Ltd.* ^	Mainland China	HK\$41,000,000	–	100.0	Trading of confectionery and food products
Four Seas Logistics Company Limited	Hong Kong	HK\$200,000	–	100.0	Provision of transportation services
Four Seas Trading (Shanghai) Co., Ltd.* ^	Mainland China	US\$200,000	–	100.0	Trading of confectionery and food products
Four Seas Catering Enterprises Company Limited	Hong Kong	HK\$10,000	–	100.0	Investment holding

Notes to Financial Statements

31 March 2005

17. 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		Principal activities
			Direct	Indirect	
Guang Dong Fourseas Frozen Food Products Co., Ltd.* ^	Mainland China	RMB10,300,000	–	100.0	Operator of ice-cream and frozen food products
Hakadate Investments Limited	British Virgin Islands	US\$1	–	100.0	Investment holding
Hong Kong Confectionery Company Limited	Hong Kong	HK\$7,000,000	–	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\$40,000,000	–	96.8	Investment holding
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	JPY10,000,000	–	100.0	Trading of cakes

Notes to Financial Statements

31 March 2005

17. 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		Principal activities
			Direct	Indirect	
Kanro Four Seas Foods Company Limited	Hong Kong	HK\$46,500,000	–	81.0	Investment holding
Kanro Four Seas Foods (Shantou) Co., Ltd.* ^	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\$3,320,000	–	100.0	Manufacturing of noodles
Matchless Bakery Company Limited	British Virgin Islands	HK\$20,000,000	–	100.0	Investment holding
More Ways Industrial Limited	Hong Kong	HK\$10,000	–	**34.0	Investment holding
Papochou Holdings Limited	British Virgin Islands	HK\$15,000,000	–	100.0	Investment holding
Shenzhen Matchless Food Co., Ltd.* ^	Mainland China	RMB5,500,000	–	100.0	Operator of bakery shops and a factory

Notes to Financial Statements

31 March 2005

17. 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		Principal activities
			Direct	Indirect	
Shenzhen Yaohan Zhonghao Co., Ltd.* ^	Mainland China	RMB32,100,000	–	60.0	Manufacturing and packaging of ham and ham-related products
Sushi Pro Limited	Hong Kong	HK\$6,500,000	–	#50.0	Investment holding
Shousihuang Restaurant (Shenzhen) Company Limited* ^	Mainland China	HK\$4,500,000	–	#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) Co., Ltd.* ^	Mainland China	HK\$7,000,000	–	80.0	Manufacturing of snack foods
Tsun Fat (Huizhou) Biscuit Factory Limited* ^	Mainland China	HK\$13,000,000	–	96.8	Manufacturing of biscuits
T & M Advertising Company Limited	Hong Kong	HK\$20	–	100.0	Advertising agent
Wide Success Holdings Limited	Hong Kong	HK\$10,000	–	100.0	Operator of a restaurant

Notes to Financial Statements

31 March 2005

17. 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		Principal activities
			Direct	Indirect	
Xing Hing Duo Wei Industrial Company Limited* ^	Mainland China	RMB8,560,000	–	**34.0	Operator of the poultry business
Yaohan (Yanwin) Food Co., Limited	Hong Kong	HK\$10,000	–	100.0	Investment holding
廣州市英吉利孔雀有限公司* ^	Mainland China	RMB6,500,000	–	100.0	Raising and sale of peafowl

* 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.

^ Registered as wholly-foreign owned enterprises under the PRC law.

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

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.

Notes to Financial Statements

31 March 2005

18. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Goodwill on acquisition	477	–
Share of net assets	141,576	128,810
	<u>142,053</u>	<u>128,810</u>

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 notes 22 and 25 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
Calbee Four Seas (Shantou) Company Limited (i)	Corporate	Mainland China	50.0	Manufacturing of snack foods
Cadbury Four Seas Company Limited (i)(ii)	Corporate	Hong Kong	30.0	Trading in confectionery
Four Seas & Jintan Co., Limited	Corporate	Hong Kong	50.0	Marketing of health foods

Notes to Financial Statements

31 March 2005

18. INTERESTS IN ASSOCIATES (continued)

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Guangzhou Meiji Confectionery Company Limited (i)(ii)	Corporate	Mainland China	30.0	Manufacturing of snack foods and confectionery
Guangdong M&F-Yantang Dairy Products Company Limited (i)(ii)	Corporate	Mainland China	21.0	Manufacturing of ice-cream and dairy products
Meiji-Four Seas Company Limited (ii)	Corporate	Hong Kong	30.0	Investment holding
MFD Holding Company Limited (i)	Corporate	Hong Kong	30.0	Investment holding
Nico-Nico Four Seas Company Limited (ii)	Corporate	Hong Kong	35.0	Investment holding
Nico Four Seas (Shantou) Company Limited (i)(ii)	Corporate	Mainland China	35.0	Manufacturing of seaweed products
Pokka Four Seas (Suzhou) Food Company Limited (ii)	Corporate	Mainland China	30.0	Manufacturing of canned beverages
Pokka Coffee (Macau) Limited (iii)	Corporate	Macau	49.0	Operator of a coffee shop and a restaurant

Notes to Financial Statements

31 March 2005

18. INTERESTS IN ASSOCIATES (continued)

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Pokka Corporation (HK) Limited (iii)	Corporate	Hong Kong	49.0	Operator of coffee shops and restaurants
Shantou Pokka Coffee Limited (i)(iii)	Corporate	Mainland China	49.0	Operator of a coffee shop, a restaurant and a bakery shop
Want Want Four Seas Company Limited (i)(ii)	Corporate	Hong Kong	30.0	Trading of snack foods

- (i) Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.
- (ii) The year end date of these associates is not coterminous with that of the Group and is 31 December.
- (iii) The year end date of these associates is not coterminous with that of the Group and is 31 January.

Notes to Financial Statements

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19. LONG TERM INVESTMENTS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments, at market value:				
Hong Kong	11,914	11,990	218	259
Elsewhere	549	552	—	—
	<u>12,463</u>	<u>12,542</u>	<u>218</u>	<u>259</u>
Unlisted equity investments, at fair value	6,594	356	—	—
	<u>19,057</u>	<u>12,898</u>	<u>218</u>	<u>259</u>

20. CURRENT LIVESTOCK

	Group	
	2005	2004
	HK\$'000	HK\$'000
Breeder chicks	1,627	1,464
Hatchable eggs	541	807
Day-old chicks	887	592
	<u>3,055</u>	<u>2,863</u>

Due to the generally short breeding and raising cycle of chicks and because an active market does not exist, these livestock are classified as current assets and stated at cost less any impairment and a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current financial year is not presented.

SSAP 36 was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in a reclassification of the current livestock balance amounting to HK\$3,055,000 (2004: HK\$2,863,000) from inventories and the current livestock balance is now separately disclosed on the face of the balance sheet.

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21. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Raw materials	20,176	17,285
Work in progress	3,362	3,076
Finished goods	64,284	64,606
	<u>87,822</u>	<u>84,967</u>

22. TRADE RECEIVABLES

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current	107,637	112,164
1 to 2 months	57,326	58,654
2 to 3 months	54,889	49,206
Over 3 months	107,157	96,885
	<u>327,009</u>	<u>316,909</u>

Included in trade receivables is an aggregate amount due from the Group's associates of HK\$2,994,000 (2004: HK\$1,237,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

Notes to Financial Statements

31 March 2005

23. SHORT TERM INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Listed equity investments, at market value:		
Hong Kong	<u>4,109</u>	<u>3,632</u>

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	<u>96,615</u>	<u>70,119</u>	<u>460</u>	<u>325</u>
Time deposits	<u>319,637</u>	<u>276,832</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents	<u><u>416,252</u></u>	<u><u>346,951</u></u>	<u><u>460</u></u>	<u><u>325</u></u>

25. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payable balance of HK\$107,027,000 (2004: HK\$100,422,000). An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Current	<u>65,288</u>	<u>69,384</u>
1 to 2 months	<u>19,438</u>	<u>12,828</u>
2 to 3 months	<u>11,937</u>	<u>5,973</u>
Over 3 months	<u>10,364</u>	<u>12,237</u>
	<u><u>107,027</u></u>	<u><u>100,422</u></u>

Included in trade payables are trade payables of HK\$40,398,000 (2004: HK\$39,855,000) due to associates, which are repayable on credit terms similar to those offered by the associates to their major customers.

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26. INTEREST-BEARING BANK BORROWINGS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trust receipt loans	153,306	155,122
Bank loans	363,838	337,110
	<u>517,144</u>	<u>492,232</u>
Repayable:		
Within one year	497,144	458,616
In the second year	10,000	33,616
In the third to fifth years, inclusive	10,000	—
	<u>517,144</u>	<u>492,232</u>
Portion classified as current liabilities	<u>(497,144)</u>	<u>(458,616)</u>
Long term portion	<u>20,000</u>	<u>33,616</u>

Notes to Financial Statements

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27. DEFERRED TAX

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

Deferred tax liabilities

Group – 2005

	Accelerated tax depreciation <i>HK\$'000</i>	Fair value adjustment arising from acquisition of subsidiaries <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004	622	2,281	4,685	7,588
Deferred tax charged/(credited) to the profit and loss account during the year (<i>note 10</i>)	25	(951)	(109)	(1,035)
Net deferred tax liabilities at 31 March 2005	<u>647</u>	<u>1,330</u>	<u>4,576</u>	<u>6,553</u>

Deferred tax assets

Group – 2005

	Decelerated tax depreciation <i>HK\$'000</i>	Losses available for offset against future taxable profit <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2004	149	4,664	851	5,664
Deferred tax charged to the profit and loss account during the year (<i>note 10</i>)	(133)	(1,416)	(197)	(1,746)
Net deferred tax assets at 31 March 2005	<u>16</u>	<u>3,248</u>	<u>654</u>	<u>3,918</u>

Notes to Financial Statements

31 March 2005

27. DEFERRED TAX (continued)**Deferred tax liabilities****Group – 2004**

	Accelerated tax depreciation <i>HK\$'000</i>	Fair value adjustment arising from acquisition of subsidiaries <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	566	1,304	4,795	6,665
Deferred tax charged/(credited) to the profit and loss account during the year (<i>note 10</i>)	56	977	(110)	923
Net deferred tax liabilities at 31 March 2004	622	2,281	4,685	7,588

Deferred tax assets**Group – 2004**

	Decelerated tax depreciation <i>HK\$'000</i>	Losses available for offset against future taxable profit <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	57	5,340	748	6,145
Deferred tax credited/(charged) to the profit and loss account during the year (<i>note 10</i>)	92	(676)	103	(481)
Net deferred tax assets at 31 March 2004	149	4,664	851	5,664

Notes to Financial Statements

31 March 2005

27. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of HK\$39,495,000 (2004: HK\$30,581,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK\$25,212,000 (2004: HK\$34,036,000) that can be used to offset against future taxable profits of the companies in which the losses arose for a maximum of five years. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time or may not have sufficient future profit to utilise the tax losses.

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

28. SHARE CAPITAL

Shares

	2005 HK\$'000	2004 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 scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

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

The Scheme is valid and effective for a period of 10 years up to 16 September 2012, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Share options complying with the provisions of the Listing Rules which are granted during the period 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. As at the date of this report, the total number of shares available for issue under the Scheme is 39,956,564 ordinary shares, representing 10% of the existing issued share capital of the Company. 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 or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company (excluding an independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of each grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

29. SHARE OPTION SCHEME (continued)

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

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

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

Notes to Financial Statements

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29. SHARE OPTION SCHEME (continued)

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

Name or category of participant	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares at grant date of options*** HK\$
	At 1 April 2004	Granted during the year	Lapsed during the year	Cancelled during the year	At 31 March 2005				
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	3,100,000	-	(3,100,000)	-	-	11 February 2003	1 August 2003 to 31 January 2005	2.955	2.955
	5,500,000	-	(5,500,000)	-	-				

* 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 average closing price for the five trading days immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had no share options outstanding under the Scheme.

30. 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 pages 36 to 37 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 and associates operating as Foreign Investment Enterprises in Mainland China has been transferred to the reserve fund. The reserve fund is non-distributable in nature.

The capital reserve represents the Group's share of capitalisation of retained profits by an associate.

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 the 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.

Notes to Financial Statements

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30. RESERVES (continued)**(b) Company**

		Share premium account HK\$'000	Long term investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
	Note				
At 1 April 2003		274,009	(36)	7,563	281,536
Net profit for the year		–	–	24,974	24,974
Movement in fair value		–	161	–	161
Interim 2004 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2004 dividend	12	–	–	(18,380)	(18,380)
At 31 March 2004 and beginning of year		274,009	125	6,166	280,300
Net profit for the year		–	–	26,651	26,651
Movement in fair value		–	(41)	–	(41)
Interim 2005 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2005 dividend	12	–	–	(19,978)	(19,978)
At 31 March 2005		<u>274,009</u>	<u>84</u>	<u>4,848</u>	<u>278,941</u>

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 values 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

31 March 2005

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Net assets acquired:			
Fixed assets	14	4,063	—
Non-current livestock	16	5,964	—
Inventories		2,916	—
Prepayments, deposits and other receivables		318	—
Trade receivables		36	—
Cash and bank balances		153	—
Trade payables and accrued liabilities		(8,905)	—
Bank loans		(2,685)	—
		<u>1,860</u>	—
Goodwill		<u>2,324</u>	—
		<u>4,184</u>	—
Satisfied by:			
Cash		2,817	—
Accrued liabilities		<u>1,367</u>	—
		<u>4,184</u>	—

Notes to Financial Statements

31 March 2005

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**Acquisition of a subsidiary (continued)**

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

	2005 HK\$'000	2004 HK\$'000
Cash consideration	2,817	—
Cash and bank balances acquired	(153)	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>2,664</u>	<u>—</u>

During the year, the Group acquired a 100% equity interest in 廣州市英吉利孔雀有限公司 (“GZ Peafowl”). GZ Peafowl is engaged in the raising and sale of peafowl. The purchase consideration for the acquisition was in the form of cash, with HK\$2,817,000 paid on 3 June 2004 and the remaining HK\$1,367,000 paid on 13 May 2005.

The subsidiary acquired during the year ended 31 March 2005 had no significant impact on the Group’s consolidated turnover or profit after tax.

Notes to Financial Statements

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32. CONTINGENT LIABILITIES

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

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	1,066	2,307	–	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	1,294,800	1,180,450
Associates	23,400	22,911	23,400	22,911
Guarantees given to third parties in connection with lease payments for lease agreements entered into by a subsidiary	–	–	20,935	13,914
	<u>24,466</u>	<u>25,218</u>	<u>1,339,135</u>	<u>1,217,275</u>

As at 31 March 2005, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$510,973,000 (2004: HK\$485,544,000), and the banking facilities guaranteed by the Company and the Group to associates were utilised to the extent of approximately HK\$18,720,000 (2004: HK\$22,911,000).

- (b) As at 31 March 2005, the Group had 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\$11,060,000 (2004: HK\$12,461,000), 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 Hong Kong 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.

Notes to Financial Statements

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33. OPERATING LEASE COMMITMENTS**(a) As lessor**

The Group leases its investment property (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years.

At 31 March 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	162	649
In the second to fifth years, inclusive	—	162
	<u>162</u>	<u>811</u>

(b) As lessee

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 by up to three years in certain operating lease arrangements.

At 31 March 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK\$'000	HK\$'000
Within one year	52,862	45,635
In the second to fifth years, inclusive	58,883	33,890
After five years	1,714	—
	<u>113,459</u>	<u>79,525</u>

Notes to Financial Statements

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34. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Purchases of goods from associates	(i)	320,574	266,912
Sales of goods to associates	(ii)	17,038	18,503
Promotion expenses reimbursed by associates	(iii)	10,884	—

Notes:

- (i) The cost of purchases from associates was determined by reference to the prevailing market prices.
- (ii) The selling prices of sales to associates were determined by reference to prices and conditions similar to those offered to other major customers of the group.
- (iii) The promotional expenses reimbursed by associates were determined by reference to the costs incurred by the Group.

Details of the amounts due from associates to the Group at the balance sheet date are included in note 18 to the financial statements.

Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in notes 22 and 25 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\$23,400,000 (2004: HK\$22,911,000), as further detailed in note 32(a) to the financial statements.

35. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 4 April 2005, the Company entered into a stock purchase agreement to acquire the entire issued share capital in IFSCO Hong Kong Limited and its subsidiaries (the “IFSCO Group”) from Ai Food Company Limited at a cash consideration of approximately JPY 541,600,000 (equivalent to approximately HK\$39,522,000). The transaction was completed on 15 May 2005, at which date the IFSCO Group became wholly-owned subsidiaries of the Group.

Full disclosure of information as required by HKFRS 3 in respect of this acquisition was not presented as certain financial information of the IFSCO Group is not available at the date these financial statements were approved.

Further details of this transaction were set out in the Company’s press announcement dated 4 April 2005.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of SSAP 36 during the current year, the presentation of certain items and balances in the financial statements has been revised to comply with the new requirements. Moreover, exchange gains/losses on cash and cash equivalents and receivables in segment information have been reclassified from other revenue to unallocated gains as in the opinion of the directors, the reclassification better reflects the underlying nature of transactions. Accordingly, certain comparative amounts have been reclassified to conform with the current year’s presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2005.