1 GENERAL INFORMATION

Four Seas Food Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in trading of frozen meat, seafood and vegetables. The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Four Seas *e*Food Centre, No. 2 Hong Ting Road, Sai Kung, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited and the Company's shares are widely held.

These consolidated financial statements are presented in thousands of Hong Kong dollar ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19 July 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are measured at fair values, as appropriate.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of new/revised HKFRS

In 2005/2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2004/2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of share of net after-tax results of associated companies and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the consolidated income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the consolidated income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 March 2005, the provision of share options to employees did not result in an expense in the consolidated income statement. Effective on 1 April 2005, the Group expenses the cost of share options in the consolidated income statement. This change in accounting policy does not have any material effect on the financial statements.

The adoption of HKAS 36, HKAS 38 and HKFRS 3 results in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was:

– Amortised on a straight-line basis over a period of 20 years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3 *(Note 2.7)*:

– The Group ceased amortisation of goodwill from 1 April 2005;

– Accumulated amortisation as at 31 March 2005 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From the year ended 31 March 2006 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statements of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to other investments for the 2004/2005 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 April 2005;

– HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1 April 2005;

– HKFRS 2 – only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and

– HKFRS 3 – prospectively after 1 January 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The adoption of revised HKAS 17 resulted in an increase in opening reserves at 1 April 2004 by HK$5,941,000 and the details of the adjustments to the financial statements are as follows.

	2006	2005
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**26,250**	26,943
Increase in leasehold land	**32,340**	32,910
Increase in retained earnings	**5,967**	5,941
Decrease in administrative expenses	**123**	26
Increase in basic earnings per share	**HK0.05 cents**	HK0.01 cents
Increase in diluted earnings per share	**HK0.05 cents**	HK0.01 cents

The adoption of HKFRS 3 resulted in:

	2006
	HK$'000
Increase in interests in associated companies	**530**
Decrease in administrative expenses	**530**
Increase in basic earnings per share	**HK0.2 cents**
Increase in diluted earnings per share	**HK0.2 cents**

The adoption of HKAS 39 resulted in:

	2006
	HK$'000
Increase in other financial assets at fair value through profit and loss	**8,656**
Decrease in other investments	**8,656**

There was no impact on opening retained earnings at 1 April 2004 from the adoption of HKFRS 2 and HKFRS 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Group has not early adopted the following new standards or interpretations or amendments that have been issued but are not yet effective. The directors anticipate that the adoption of these standards or interpretations or amendments in future periods will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intra-group Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 6 (Amendment)	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2006.

(a) *Subsidiaries*

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

In the Company's balance sheet the interests in subsidiaries are carried at cost together with advances from the Company which are neither planned nor likely to be settled in the foreseeable future, less provision for impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition *(Note 2.7)*.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associated companies.

Unrealised gains or transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2.8)*.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2.6 Leasehold land

Leasehold land represents prepaid lease payments for the use of land in Hong Kong and is amortised over the unexpired terms of the leases on a straight-line basis.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associated companies at the date of acquisition. Goodwill on acquisitions of associated companies is included in "interests in associated companies". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Investments

Prior to 31 March 2005:

The Group classified its investments in securities, other than subsidiaries and associated companies, as other investments.

Other investments were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments were recognised in the consolidated income statement. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the consolidated income statement as they arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments (continued)

From 1 April 2005 onwards:

The Group classifies its investments as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet *(Note 2.11)*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Investments (continued)

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. The cost of inventory comprises invoiced price plus any freight and insurance charges. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.16 Employee benefit

(a) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Employee benefit (continued)

(b) Pension obligations

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

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

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Contingent liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sale of goods is recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income is recognised on a time-proportion basis using the effective interest method.

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

Dividend income is recognised when the right to receive payment is established.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Comparatives

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow and fair value interest-rate risk. Management regularly monitors the financial risks of the Group. Because of the simplicity on the financial structure and the current operations of the Group, no hedging activities were considered by the management.

(a) Foreign exchange risk

The Group primarily operates in Hong Kong with most of the transactions settled in Hong Kong dollar. The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. The Group has not used any forward contracts to hedge its exposure as foreign exchange risk is considered minimal.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets and current financial liabilities approximate their fair values due to their short maturities.

The nominal value less estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS (continued)

(c) Impairment of trade receivables

Provision for impairment of trade receivables is determined based on the evaluation of collectibility of trade receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and the current market condition.

(d) Income tax

The Group is subject to income tax in Hong Kong. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 TURNOVER AND SEGMENT INFORMATION

Turnover represented sales of invoiced goods.

Primary reporting format – geographical segments

	2006		
	Hong Kong and Macau *HK$'000*	**Mainland China** *HK$'000*	**Group** *HK$'000*
Turnover	**422,837**	**114,710**	**537,547**
Segment results	**(3,826)**	**3,092**	**(734)**
Unallocated costs			**(4,567)**
Operating loss before finance costs			**(5,301)**
Finance costs			**(5,897)**
Share of profits of associated companies			**25,963**
Profit before tax			**14,765**
Income tax credit			**2,635**
Profit attributable to equity holders of the Company			**17,400**
Segment assets	**251,699**	**9,885**	**261,584**
Interests in associated companies	**203,751**	**–**	**203,751**
Unallocated assets			**3,247**
Total assets			**468,582**
Segment liabilities	**67,465**	**21,694**	**89,159**
Unallocated liabilities			**3,244**
Total liabilities			**92,403**
Capital expenditure	**928**	**–**	**928**
Depreciation of property, plant and equipment	**3,209**	**–**	**3,209**
Amortisation of leasehold land	**570**	**–**	**570**

5 TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format – geographical segments (continued)

	2005		
	Hong Kong and Macau *HK$'000* (restated)	Mainland China *HK$'000*	Group *HK$'000* (restated)
Turnover	434,422	105,415	539,837
Segment results	16,977	2,195	19,172
Unallocated costs			(4,103)
Reversal of impairment loss of buildings	4,330	–	4,330
Operating profit before finance costs			19,399
Finance costs			(2,359)
Share of profits of associated companies			21,760
Profit before tax			38,800
Income tax expense			(428)
Profit attributable to equity holders of the Company			38,372
Segment assets	359,049	7,674	366,723
Interests in associated companies	178,336	–	178,336
Unallocated assets			3,365
Total assets			548,424
Segment liabilities	146,762	26,937	173,699
Unallocated liabilities			9,044
Total liabilities			182,743
Capital expenditure	1,660	–	1,660
Depreciation of property, plant and equipment	3,011	–	3,011
Amortisation of leasehold land	570	–	570
Amortisation of goodwill	440	–	440
Reversal of impairment loss of buildings	4,330	–	4,330

5 TURNOVER AND SEGMENT INFORMATION (continued)

Primary reporting format – geographical segments (continued)

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, leasehold land, inventories, receivables, operating cash and exclude items such as current income tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as current income tax liabilities, deferred income tax liabilities and certain accrued charges for corporate expense. Capital expenditure comprises addition to property, plant and equipment.

6 OTHER GAINS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest income	**5,551**	1,183
Gross rental income	**648**	1,149
Investment income	**2,623**	–
Dividend income from other financial assets at fair value through profit or loss and from other investments	**52**	23
Fair value gains on other financial assets at fair value through profit or loss and from other investments	**1,141**	821
Exchange gain	**856**	265
Gain on disposals of property, plant and equipment	**25**	–
	10,896	3,441

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are presented by nature as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(restated)
Auditors' remuneration	**520**	480
Depreciation of property, plant and equipment	**3,209**	3,011
Amortisation of leasehold land	**570**	570
Operating leases of land and buildings	**16,113**	14,049
Employee benefits expense *(Note 13)*	**19,795**	22,742
Impairment of trade receivables	**623**	2,405
Amortisation of goodwill	**–**	440

8 FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest expense on bank loans and trust receipt loans	**5,897**	2,359

9 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong profits tax	**551**	1,710
– Over provision in prior year	**(73)**	(1,660)
Deferred income tax relating to the origination and reversal of temporary difference *(Note 30)*	**(3,113)**	378
Income tax (credit)/expense	**(2,635)**	428

9 INCOME TAX CREDIT/(EXPENSE) (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the profit tax rate of Hong Kong as follows:

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Profit before tax	**14,765**	38,800
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**2,584**	6,790
Income not subject to tax	**(5,365)**	(4,814)
Expenses not deductible for tax purposes	**26**	–
Utilisation of previously unrecognised tax losses	**(89)**	(63)
Over provision in prior year	**(73)**	(1,660)
Others	**282**	175
Income tax (credit)/expense	**(2,635)**	428

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$113,000 (2005: HK$12,000).

11 DIVIDENDS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interim, paid, of HK1.0 cent (2005: HK1.0 cent) per ordinary share	**2,596**	2,583
Final, proposed, of HK3.0 cents (2005: HK3.0 cents) per ordinary share	**7,788**	7,749
	10,384	10,332

At a meeting held on 19 July 2006 the directors declared a final dividend of HK3.0 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2007.

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005 (restated)
Profit attributable to equity holders of the Company *(HK$)*	**17,400,000**	38,372,000
Weighted average number of ordinary shares in issue	**258,905,000**	254,810,000
Basic earnings per share *(HK cent per share)*	**6.72**	15.06

12 EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary share: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005 (restated)
Profit attributable to equity holders of the Company *(HK$)*	**17,400,000**	38,372,000
Weighted average number of ordinary shares in issue	**258,905,000**	254,810,000
Adjustment for share options	**–**	1,956,000
Weighted average number of ordinary shares for diluted earnings per share	**258,905,000**	256,766,000
Diluted earnings per share *(HK cent per share)*	**6.72**	14.94

13 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**18,025**	21,377
Unutilised annual leave	**(50)**	30
Pension costs – defined contribution plan	**1,088**	949
Other staff benefits	**732**	386
	19,795	22,742

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

The MPF Scheme is a master trust scheme established under trust arrangement and governed by laws in Hong Kong. The assets of the MPF Scheme are held separately from the assets of the Group, the trustees and other service providers. The Group made contributions to the MPF Scheme at 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,000 per employee per month or at any rate above 5% of the employees' relevant income as determined by the Group. The employees are also required to contribute 5% of their relevant income to the MPF Scheme up to a maximum of HK$1,000 per month if their relevant income is more than HK$5,000 per month.

The Group's contribution to the MPF Scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There were no forfeited contributions utilised during the year (2005: HK$ 20,375).

Contributions totalling HK$132,000 (2005: HK$139,000) were payable to the fund at the year end.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of each director for the year ended 31 March 2006 is set out below:

Name of director	**Fees**	**Salary and other benefits**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
TAI Tak Fung, Stephen	**120**	**2,880**	**60**	**3,060**
Takeshi NOMAGUCHI	**60**	**1,799**	**72**	**1,931**
MAN Wing Cheung, Ellis	**60**	**1,230**	**93**	**1,383**
YIP Wai Keung	**60**	**491**	**32**	**583**
TSE Siu Wan	**60**	**–**	**–**	**60**
LAI Yuk Chuen, Philip	**60**	**638**	**64**	**762**
TAI Chun Leung	**60**	**460**	**24**	**544**
Independent non-executive directors				
CHAN Kay Cheung	**60**	**–**	**–**	**60**
LAN Yee Fong, Steve John	**60**	**–**	**–**	**60**
LUI Shing Ming, Brian	**60**	**–**	**–**	**60**

The remuneration of each director for the year ended 31 March 2005 is set out below:

Name of director	Fees	Salary and other benefits	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
TAI Tak Fung, Stephen	–	3,000	65	3,065
Takeshi NOMAGUCHI	–	1,826	72	1,898
MAN Wing Cheung, Ellis	–	1,232	93	1,325
YIP Wai Keung	–	632	29	661
TSE Siu Wan	–	–	–	–
LAI Yuk Chuen, Philip	–	687	63	750
TAI Chun Leung	–	520	24	544
Independent non-executive directors				
CHAN Kay Cheung	60	–	–	60
LAN Yee Fong, Steve John	60	–	–	60
LUI Shing Ming, Brian	30	–	–	30

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: five) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: Nil) individuals during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**622**	–

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument band:		
Nil to HK$1,000,000	**1**	–

15 LEASEHOLD LAND – GROUP

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of over 50 years	**9,563**	9,577
Leases of between 10 to 50 years	**22,777**	23,333
	32,340	32,910

Bank borrowings are secured on land for the carrying amount of HK$22,777,000 (2005: HK$23,333,000).

	2006	2005
	HK$'000	*HK$'000*
Opening	**32,910**	33,480
Amortisation of leasehold land	**(570)**	(570)
Ending	**32,340**	32,910

16 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings						
	Held under leases of between 10 to 50 years in Hong Kong	Held under leases of over 50 years in Hong Kong	Leasehold improvement furniture and fixtures	Motor vehicles	Computer systems	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004							
Cost	57,145	9,173	3,308	2,501	2,802	820	75,749
Accumulated depreciation and impairment	(5,713)	(8,448)	(1,327)	(1,751)	(1,204)	(571)	(19,014)
Net book amount	51,432	725	1,981	750	1,598	249	56,735
Year ended 31 March 2005							
Opening net book amount	51,432	725	1,981	750	1,598	249	56,735
Additions	–	–	–	1,570	45	45	1,660
Disposals	–	–	–	–	–	–	–
Depreciation	(1,430)	(90)	(325)	(384)	(646)	(136)	(3,011)
Reversal of impairment loss	–	4,330	–	–	–	–	4,330
Closing net book amount	50,002	4,965	1,656	1,936	997	158	59,714
At 31 March 2005							
Cost	57,145	9,173	3,308	3,903	2,847	865	77,241
Accumulated depreciation and impairment	(7,143)	(4,208)	(1,652)	(1,967)	(1,850)	(707)	(17,527)
Net book amount	50,002	4,965	1,656	1,936	997	158	59,714
Year ended 31 March 2006							
Opening net book amount	**50,002**	**4,965**	**1,656**	**1,936**	**997**	**158**	**59,714**
Additions	**–**	**–**	**–**	**825**	**48**	**55**	**928**
Disposals	**–**	**–**	**–**	**(16)**	**–**	**–**	**(16)**
Depreciation	**(1,430)**	**(90)**	**(325)**	**(676)**	**(604)**	**(84)**	**(3,209)**
Closing net book amount	**48,572**	**4,875**	**1,331**	**2,069**	**441**	**129**	**57,417**
At 31 March 2006							
Cost	**57,145**	**9,173**	**3,308**	**4,208**	**2,620**	**920**	**77,374**
Accumulated depreciation and impairment	**(8,573)**	**(4,298)**	**(1,977)**	**(2,139)**	**(2,179)**	**(791)**	**(19,957)**
Net book amount	**48,572**	**4,875**	**1,331**	**2,069**	**441**	**129**	**57,417**

As at 31 March 2006, buildings with a carrying value of HK$48,572,000 (2005: HK$50,002,000) was pledged as security for a bank loan granted to the Group *(Note 27)*.

17 INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note a)*	**39,004**	39,004
Advances to subsidiaries *(Note b)*	**224,276**	217,891
Less: Provision for diminution in value	**(9,049)**	(9,049)
	254,231	247,846

(a) The following is a list of the principal subsidiaries at 31 March 2006:

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

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

(b) Advances to subsidiaries

The advances to subsidiaries are unsecured, interest free and will not be demanded for repayment within the next twelve months from the balance sheet date. These advances are considered as quasi – equity loans to the subsidiaries.

18 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of the year, as previously reported	**178,336**	161,267
Share of the effect of change in accounting policy *(Note 29)*	**500**	–
At beginning of the year, as restated	**178,836**	161,267
Share of associated companies' results		
– profit before tax	**29,147**	28,577
– income tax expense	**(4,793)**	(3,764)
– minority interest	**1,609**	(3,053)
	25,963	21,760
Dividend income	**(7,677)**	(7,100)
Share of other reserves *(Note 29)*	**1,746**	139
Additional investment	**4,883**	2,710
Amortisation of goodwill	**–**	(440)
At end of the year	**203,751**	178,336

Interests in associated companies at 31 March 2006 include goodwill of HK$9,292,000 (2005: HK$7,495,000).

	Group	
	2006	2005
	HK$'000	*HK$'000*
Investments at cost:		
Shares listed in Hong Kong	**176,413**	171,529
Market value of listed shares	**320,027**	301,589

18 INTERESTS IN ASSOCIATED COMPANIES (continued)

The following is a list of the principal associated companies at 31 March 2006:

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Interests held indirectly:				
Four Seas Mercantile Holdings Limited	Cayman Islands/ Hong Kong	Investment holding	HK$39,956,564	27.62%
Fancy Talent Limited	Hong Kong	Marketing of snack foods	HK$100,000,000	27.62%
Four Seas Mercantile Limited	Hong Kong	Trading in snack foods, confectionery and beverages	(i) Ordinary shares of HK$200 (ii) Non-voting deferred shares HK$20,000,000	27.62%
Four Seas Foods (Shantou) Co., Ltd. [1]	Mainland China	Trading of confectionery and food products	HK$41,000,000	27.62%
Hong Kong Biscuit (International) Limited	Hong Kong	Investment holding	HK$40,000,000	26.74%
Hong Kong Ham Holdings Limited	Hong Kong	Manufacturing and packaging of ham and ham-related products	HK$20	27.62%
J.P. Inglis Company Limited	Hong Kong	Trading in food materials	HK$1,000,000	27.62%
Kung Tak Lam Shanghai Vegetarian Cuisine Limited	Hong Kong	Restaurant operations	HK$3,660,000	27.34%

18 INTERESTS IN ASSOCIATED COMPANIES (continued)

The following is a list of the principal associated companies at 31 March 2006:

Name	Place of incorporation and business	Principal activities	Issued/registered and fully paid-up capital	Interest held
Interests held indirectly (continued)**:**				
Li Fook (Qingdao) Foods Co., Ltd.[1]	Mainland China	Manufacturing of noodles	US$3,320,000	27.62%
Wide Success Holdings Limited	Hong Kong	Restaurant operations	HK$10,000	27.62%

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

All associated companies were not audited by PricewaterhouseCoopers.

[1] These companies are wholly owned foreign enterprises

18 INTERESTS IN ASSOCIATED COMPANIES (continued)

Details of information, as extracted from the annual report of Four Seas Mercantile Holdings Limited, a material associated company, for the year ended 31 March 2006, are as follows:

	2006	2005
	HK$'000	*HK$'000*
Consolidated income statement:		
Turnover	**1,747,716**	1,561,785
Net profit from ordinary activities attributable to shareholders	**94,561**	80,720
Consolidated balance sheet:		
Property, plant and equipment	**257,483**	209,279
Prepaid land lease payments	**75,859**	69,039
Goodwill	**17,715**	3,746
Negative goodwill	**–**	(1,827)
Deferred income tax assets	**3,500**	3,918
Interests in associated companies	**153,797**	142,053
Available-for-sale investments/ Long term investments	**18,198**	19,057
Other non-current assets	**25,919**	23,745
Current assets	**977,636**	894,353
Total assets	**1,530,107**	1,363,363
Share capital	**39,956**	39,956
Reserves	**643,827**	569,114
Proposed final dividend	**19,978**	19,978
Shareholders' funds	**703,761**	629,048
Minority interests	**26,699**	32,460
Total equity	**730,460**	661,508
Current liabilities	**758,014**	675,302
Long-term liabilities	**41,633**	26,553
Total liabilities	**799,647**	701,855
Net current assets	**219,622**	219,051
Contingent liabilities	**24,222**	24,466

19 INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Finished goods	**36,997**	21,121
Goods in transit	**17,562**	19,819
	54,559	40,940

As at 31 March 2006 and 2005, all inventories are stated at cost.

The cost of inventories recognised as expense and included in cost of sales amounted to HK$492,638,000 (2005: HK$464,281,000).

20 TRADE RECEIVABLES

As at 31 March 2006, the ageing analysis of the trade receivables was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**43,904**	40,906
31 – 60 days	**7,108**	7,626
Over 60 days	**1,330**	484
	52,342	49,016

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

All trade receivables are denominated in Hong Kong dollar.

The carrying amount of trade receivables approximate to their fair value due to short maturity.

21 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong at market value	**8,656**	–

Other financial assets at fair value through profit or loss are presented within the section of investing activities in the consolidated cash flow statement.

Change in fair values of financial assets at fair value through profit or loss are recorded in other gains in the consolidated income statement *(Note 6)*.

22 OTHER INVESTMENTS

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at market value	**–**	4,522

23 DUE FROM/(TO) SUBSIDIARIES – COMPANY

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

24 DUE FROM/(TO) ASSOCIATED COMPANIES – GROUP

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

25 TRADE AND BILLS PAYABLES

As at 31 March 2006, the ageing analysis of the trade and bills payables was as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**2,522**	8,563
31 – 60 days	**116**	9
Over 60 days	**25**	25
	2,663	8,597

	Group	
	2006	2005
	HK$'000	*HK$'000*
Denominated in:		
Hong Kong dollar	**166**	77
United States dollar	**2,497**	8,520
	2,663	8,597

The carrying amount of trade and bills payables approximate to their fair value due to short maturity.

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**25,305**	16,070	**152**	174
Short-term bank deposits	**26,930**	162,936	**–**	–
	52,235	179,006	**152**	174

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Denominated in:				
Hong Kong dollar	**22,766**	14,907	**152**	174
United States dollar	**2,539**	1,163	**–**	–
Australian dollar	**26,930**	162,936	**–**	–
	52,235	179,006	**152**	174

The effective interest rate on short-term bank deposits was 5.4% (2005: 5.3%); these deposits have an average maturity of 3 days.

27 BORROWINGS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Amounts due within 12 months:		
Trust receipt loans, secured	**76,714**	114,280
Short-term bank loans, secured	**–**	49,098
	76,714	163,378

As at 31 March 2005, a bank loan of HK$5,498,000 was secured by the assets (including leasehold land and buildings) and issued shares of a subsidiary and cross guarantees of the Company and a subsidiary. As at 31 March 2006, the bank loan has been fully repaid.

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

The effective interest rates of borrowings at the respective balance sheet dates are as follows:

	Group	
	2006	2005
Trust receipt loans, secured	**4.84%**	2.18%
Bank loans, secured	**–**	2.10%

The carrying amount of borrowings approximates their fair value.

The Group's borrowings were all denominated in Hong Kong dollar.

28 SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised		
400,000,000 (2005: 400,000,000) ordinary shares of HK$0.10 each	**40,000**	40,000
Issued and fully paid		
259,586,000 (2005: 258,286,000) ordinary shares of HK$0.10 each	**25,959**	25,829

(a) The movements of the issued share capital of the Company during the year are summarised as follows:

	Number of ordinary shares	Nominal value *HK$'000*
At 1 April 2005	258,286,000	25,829
Exercise of share options	1,300,000	130
At 31 March 2006	259,586,000	25,959

(b) Share options

Share options were granted to the directors and executives under the Share Option Scheme (the "Scheme") adopted by the Company on 2 September 2002. The directors of the Company are authorised to grant options to any qualifying participant of the Company, any of its subsidiaries or any invested entity to subscribe for shares in the Company at prices according to the terms of the Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

28 SHARE CAPITAL (continued)

(b) Share options (continued)

Movements in the number of share options outstanding under the Scheme are as follows:

		Number of share options			
Category	**Exercise price** *HK$*	**Outstanding as at 1 April 2005**	**Exercised during the year** *(Note i)*	**Lapsed during the year** *(Note ii)*	**Outstanding as at 31 March 2006**
Directors	**0.93**	**3,020,000**	**(800,000)**	**(2,220,000)**	**–**
Continuous contract employees	**0.93**	**5,000,000**	**(500,000)**	**(4,500,000)**	**–**
		8,020,000	**(1,300,000)**	**(6,720,000)**	**–**

		Number of share options			
Category	Exercise price *HK$*	Outstanding as at 1 April 2004	Exercised during the year *(Note i)*	Lapsed during the year *(Note ii)*	Outstanding as at 31 March 2005
Directors	0.93	8,000,000	(4,980,000)	–	3,020,000
Continuous contract employees	0.93	14,200,000	(9,000,000)	(200,000)	5,000,000
		22,200,000	(13,980,000)	(200,000)	8,020,000

Notes:

(i) The related weighted average share price at the dates on which the options were exercised was HK$1.02 (2005: HK$1.22).

	2006 *HK$'000*	2005 *HK$'000*
Ordinary share capital – at par	**130**	1,398
Share premium	**1,079**	11,604
Proceeds	**1,209**	13,002

(ii) A total of 6,720,000 (2005: 200,000) share options at exercise price of HK$0.93 were lapsed during the year.

29 RESERVES

Group

	Share premium HK$'000	Capital redemption reserve HK$'000	Share of other reserves of associated companies HK$'000	Retained earnings HK$'000 (restated)	Total HK$'000 (restated)
At 1 April 2004, as previously reported	77,874	228	(933)	220,663	297,832
Effect of the adoption of HKAS 17	–	–	–	5,941	5,941
At 1 April 2004, as restated	77,874	228	(933)	226,604	303,773
Deficit on revaluation of investment securities	–	–	339	–	339
Repurchase of shares	–	351	–	(4,144)	(3,793)
Exercise of share options *(Note 28(b))*	11,604	–	–	–	11,604
Exchange reserve	–	–	(200)	–	(200)
Profit for the year	–	–	–	38,372	38,372
2004 Final dividend	–	–	–	(7,660)	(7,660)
2005 Interim dividend	–	–	–	(2,583)	(2,583)
At 31 March 2005	89,478	579	(794)	250,589	339,852
Representing:					
Reserves	89,478	579	(794)	242,840	332,103
2005 proposed final dividend	–	–	–	7,749	7,749
At 31 March 2005	89,478	579	(794)	250,589	339,852
Company and subsidiaries	89,478	579	–	182,421	272,478
Associated companies	–	–	(794)	68,168	67,374
At 31 March 2005	89,478	579	(794)	250,589	339,852

29 RESERVES (continued)

Group (continued)

	Share premium HK$'000	Capital redemption reserve HK$'000	Share of other reserves of associated companies HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 April 2005, as per above	89,478	579	(794)	250,589	339,852
Share of the effect of change in accounting policy by associated companies	–	–	(51)	551	500
At 1 April 2005, as restated	89,478	579	(845)	251,140	340,352
Surplus on revaluation of available-for-sale financial assets	–	–	44	–	44
Gain on disposal of available-for-sale financial assets	–	–	223	–	223
Exercise of share options *(Note 28(b))*	1,079	–	–	–	1,079
Exchange and other reserves	–	–	1,479	–	1,479
Profit for the year	–	–	–	17,400	17,400
2005 Final dividend	–	–	–	(7,761)	(7,761)
2006 Interim dividend	–	–	–	(2,596)	(2,596)
At 31 March 2006	90,557	579	901	258,183	350,220
Representing:					
Reserves	90,557	579	901	250,395	342,432
2006 proposed final dividend	–	–	–	7,788	7,788
At 31 March 2006	90,557	579	901	258,183	350,220
Company and subsidiaries	90,557	579	–	164,052	255,188
Associated companies	–	–	901	94,131	95,032
At 31 March 2006	90,557	579	901	258,183	350,220

29 RESERVES (continued)

Company

	Share premium	Capital redemption reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004	77,874	228	139,465	217,567
Repurchase of shares	–	351	(4,144)	(3,793)
Exercise of share options *(Note 28(b))*	11,604	–	–	11,604
Profit for the year	–	–	12	12
2004 Final dividend	–	–	(7,660)	(7,660)
2005 Interim dividend	–	–	(2,583)	(2,583)
At 31 March 2005	89,478	579	125,090	215,147
Representing:				
Reserves	89,478	579	117,341	207,398
2005 Final dividend proposed	–	–	7,749	7,749
At 31 March 2005	89,478	579	125,090	215,147
At 1 April 2005	**89,478**	**579**	**125,090**	**215,147**
Exercise of share options *(Note 28(b))*	**1,079**	**–**	**–**	**1,079**
Profit for the year	**–**	**–**	**113**	**113**
2005 Final dividend	**–**	**–**	**(7,761)**	**(7,761)**
2006 Interim dividend	**–**	**–**	**(2,596)**	**(2,596)**
At 31 March 2006	**90,557**	**579**	**114,846**	**205,982**
Representing:				
Reserves	**90,557**	**579**	**107,058**	**198,194**
2006 Final dividend proposed	**–**	**–**	**7,788**	**7,788**
At 31 March 2006	**90,557**	**579**	**114,846**	**205,982**

As at 31 March 2006, the reserves of the Company that are available for distribution as dividends amounted to HK$114,846,000 (2005: HK$125,090,000).

30 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Deferred income tax assets	**2,965**	–
Deferred income tax liabilities	**–**	148
	2,965	148

The deferred tax assets and liabilities are to be recovered after more than 12 months.

The gross movement on the deferred income tax (assets)/liabilities is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
At beginning of the year	**148**	(230)
Deferred income tax (credited)/charged to consolidated income statement *(Note 9)*	**(3,113)**	378
At end of the year	**(2,965)**	148

30 DEFERRED INCOME TAX (continued)

The movement of the Group's deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same taxation jurisdiction, is as follows:

Deferred income tax liabilities	Accelerated tax depreciation	
	2006	2005
	HK$'000	*HK$'000*
At beginning of the year	**148**	–
Charged to consolidated income statement	**278**	148
At end of the year	**426**	148

Deferred income tax assets	Provisions		Accelerated tax depreciation		Tax loss		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of the year	**–**	203	**–**	27	**–**	–	**–**	230
Credited/(charged) to consolidated income statement	**–**	(203)	**–**	(27)	**3,391**	–	**3,391**	(230)
At end of the year	**–**	–	**–**	–	**3,391**	–	**3,391**	–

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$12,549,000 (2005: HK$13,058,000) to carry forward against future taxable income, these tax losses have no expiry date.

31 CASH (USED IN)/GENERATED FROM OPERATIONS

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Profit for the year	**17,400**	38,372
Adjustments for:		
– Income tax (credit)/expense	**(2,635)**	428
– Share of profits of associated companies	**(25,963)**	(21,760)
– Interest expenses	**5,897**	2,359
– Interest income	**(5,551)**	(1,183)
– Dividends received from other financial assets at fair value through profit or loss and other investments	**(52)**	(23)
– Depreciation of property, plant and equipment	**3,209**	3,011
– Amortisation of leasehold land	**570**	570
– Amortisation of goodwill	**–**	440
– Gain on disposals of property, plant and equipment	**(25)**	–
– Investment income	**(2,623)**	–
– Fair value gains on other financial assets at fair value through profit or loss and other investments	**(1,141)**	(821)
– Reversal of impairment loss of buildings	**–**	(4,330)
	(10,914)	17,063
Changes in working capital:		
– Inventories	**(13,619)**	16,014
– Trade receivables, prepayments, deposits and other receivables and due from associated companies	**(6,552)**	7,112
– Trade and bills payables, other payables and accrued charges and due from associated companies	**(4,188)**	(11,217)
Cash (used in)/generated from operations	**(35,273)**	28,972

31 CASH (USED IN)/GENERATED FROM OPERATIONS (continued)

In the cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2006	2005
	HK$'000	*HK$'000*
Net book amount *(Note 16)*	**16**	–
Gain on disposals of property, plant and equipment	**25**	–
Proceeds from disposals of property, plant and equipment	**41**	–

32 OPERATING LEASE COMMITMENTS

At 31 March 2006, the Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings as follows:

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**333**	309	**333**	309

33 RELATED PARTY TRANSACTIONS

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

(a) Transactions with related party

	2006	2005
	HK$'000	*HK$'000*
Rental and building management fees received from a related company	**192**	192

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

Tenancy agreement was entered into with a related party to lease office for a period of 2 years. The lease was entered into at mutually agreed term.

(b) Key management compensation

	2006	2005
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**9,610**	9,538
Pension costs – defined contribution plan	**501**	498
Termination benefits	**–**	–
Other long-term benefits	**–**	–
Share-based payments	**–**	–
	10,111	10,036

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 July 2006.