Notes to Financial Statements

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1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Caledonian Bank & Trust Limited, Caledonian House, 69 Dr. Roy's Drive, P.O. Box 1043 GT, 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, and the operation of restaurants.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") 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 non-current livestock, an investment property, certain properties, currency-link deposits and equity investments, which have been measured at valuation or fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Notes to Financial Statements

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2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of 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.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

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 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures

Notes to Financial Statements

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent 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 40	Investment Property
HKAS 41	Agriculture
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 31, 33, 36, 37, 38 and 41, HK-Int 4 and HK(SIC)-Int 21 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 April 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 April 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost or 1994 valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Notes to Financial Statements

31 March 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) HKAS 17 – Leases (continued)

This change in accounting policy has had no effect on the consolidated income statement and retained profits. The comparative amounts for the year ended 31 March 2005 in the consolidated balance sheet have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in equity securities as long term investments, which were held for non-trading purposes and were stated at their fair values on an individual basis with gains and losses recognised as movements in the investment revaluation reserve. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$19,057,000 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, which were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 April 2005 in the amount of HK$4,109,000 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) HKAS 40 – Investment Property

In prior years, change in the fair values of an investment property was dealt with as movement in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair value of an investment property are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits as at 1 April 2005 has been restated to reflect this change on a prospective basis. The effects of the above change are summarised in note 2.4 to the financial statements.

(d) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based payment transactions in which employees (including directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) HKFRS 2 – Share-based Payment (continued)

The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options. The revised accounting policy for share-based payment transactions is described in more detail in note 2.5 “Summary of significant accounting policies” below.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

As the share option granted by the Group on 11 February 2003 vested before 1 April 2005 and all share options lapsed on 31 January 2005, the adoption of HKFRS 2 has had no impact on the Group’s financial statements.

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill and negative goodwill arising on acquisitions prior to 1 April 2001 were eliminated against or credited to reserves in the year of acquisition and were not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

Notes to Financial Statements

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(e) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets (continued)

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise at 1 April 2005 the carrying amounts of negative goodwill (including that remaining in the consolidated reserves) against retained profits. Goodwill previously eliminated against consolidated reserves remains eliminated against consolidated reserves and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

Notes to Financial Statements

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2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

Notes to Financial Statements

31 March 2006

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 7 requires disclosures relating to financial instruments and incorporates many of the disclosure requirements of HKAS 32. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18. The adoption of the amendments to HKAS 39 is expected to result in the recognition of a financial liability in the Company's balance sheet and the Group's consolidated balance sheet in respect of corporate guarantees given by the Company and the Group in connection with banking facilities granted to subsidiaries/associates and associates, respectively, in the year of initial application.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HKFRS-Int 5, HK(IFRIC)-Int 6, HK(IFRIC)-Int 7 and HK(IFRIC)-Int 9 do not apply to the activities of the Group. HK(IFRIC)-Int 6, HK(IFRIC)-Int 7 and HK(IFRIC)-9 shall be applied for annual periods beginning on or after 1 December 2005, 1 March 2006 and 1 June 2006, respectively.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

Notes to Financial Statements

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheets

At 1 April 2005	Effect of adopting					
	HKAS 1#	HKAS 17#	HKASs 32# and 39*	HKAS 40*	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Presentation	Prepaid land lease payments	Change in classification of equity investments	Surplus on revaluation of an investment property	Derecognition of negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Property, plant and equipment	(10,832)	(69,039)	–	–	–	(79,871)
Investment property	10,832	–	–	–	–	10,832
Prepaid land lease payments	–	69,039	–	–	–	69,039
Negative goodwill	–	–	–	–	1,827	1,827
Available-for-sale investments	–	–	19,057	–	–	19,057
Long term investments	–	–	(19,057)	–	–	(19,057)
Equity investments at fair value through profit or loss	–	–	4,109	–	–	4,109
Short term investments	–	–	(4,109)	–	–	(4,109)
						1,827
Equity						
Goodwill reserve	–	–	–	–	(4,577)	(4,577)
Investment property revaluation reserve	–	–	–	(186)	–	(186)
Long term investment revaluation reserve	–	–	(28)	–	–	(28)
Available-for-sale investment revaluation reserve	–	–	28	–	–	28
Retained profits	–	–	–	186	6,404	6,590
						1,827

* Adjustments taken effect prospectively from 1 April 2005

Adjustments presentation taken effect retrospectively

Notes to Financial Statements

31 March 2006

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect on the consolidated balance sheets (continued)

At 31 March 2006	Effect of adopting					
	HKAS 1	HKAS 17	HKASs 32 and 39	HKAS 40	HKFRS 3	
Effect of new policies (Increase/(decrease))	Presentation	Prepaid land lease payments	Change in classification of equity investments	Surplus on revaluation of an investment property	Discontinuation of amortisation of goodwill/ derecognition of negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Property, plant and equipment	(11,131)	(75,859)	–	–	–	(86,990)
Investment property	11,131	–	–	–	–	11,131
Prepaid land lease payments	–	75,859	–	–	–	75,859
Goodwill	–	–	–	–	1,188	1,188
Negative goodwill	–	–	–	–	2,179	2,179
Available-for-sale investments	–	–	18,198	–	–	18,198
Long term investments	–	–	(18,198)	–	–	(18,198)
						3,367
Equity						
Goodwill reserve	–	–	–	–	(4,577)	(4,577)
Investment property revaluation reserve	–	–	–	(186)	–	(186)
Long term investment revaluation reserve	–	–	(998)	–	–	(998)
Available-for-sale investment revaluation reserve	–	–	998	–	–	998
Retained profits	–	–	–	186	7,944	8,130
						3,367

Notes to Financial Statements

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(b) Effect on the balances of equity at 1 April 2005

The following table summarises the impact on the balances of equity at 1 April 2005 upon the adoption of the new and revised HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 40 and HKFRS 3, there is no impact on the balances of equity at 1 April 2004 on the adoption of new and revised HKFRSs.

	Effect of adopting			
	HKASs 32 and 39	HKAS 40	HKFRS 3	
Effect of new policies (Increase/(decrease))	Change in classification of equity investments	Surplus on revaluation of an investment property	Derecognition of negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1 April 2005				
Goodwill reserve	–	–	(4,577)	(4,577)
Investment property revaluation reserve	–	(186)	–	(186)
Long term investment revaluation reserve	(28)	–	–	(28)
Available-for-sale investment revaluation reserve	28	–	–	28
Retained profits	–	186	6,404	6,590
				1,827

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2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

(c) Effect on the consolidated income statement for the year ended 31 March 2006

The following table summarises the impact on profit after tax for the year ended 31 March 2006 upon the adoption of the new and revised HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 40 and HKFRS 3, there is no impact on profit after tax for the year ended 31 March 2006 on the adoption of new and revised HKFRSs.

	Effect of adopting HKFRS 3 Discontinuation of amortisation of goodwill/ recognition of negative goodwill as income *HK$'000*
Year ended 31 March 2006	
Increase in other income and gains	352
Decrease in other operating expenses	1,188
Total increase in profit	1,540
Increase in basic earnings per share	0.39 cent

Notes to Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity 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 income statement 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 an entity, 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 income statement 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 the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" in the year ended 31 March 2002, goodwill arising on acquisition was eliminated against the consolidated reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated reserves and is not recognised in profit or loss when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations *(applicable to business combinations for which the agreement date is on or after 1 January 2005)*

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

Notes to Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, biological assets, financial assets, an investment property and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that 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 such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% – 10%
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 25%
Plant and machinery	10% – 20%
Motor vehicles	15% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment property when completed and ready for use.

Investment property

An investment property is an interest in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, an investment property is stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of an investment property are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.5 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 income statement 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 income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets
Applicable to the year ended 31 March 2005:

The Group classified its equity investments, other than subsidiaries and associates, as long term investments and short term investments.

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.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2005: (continued)

Long term investments (continued)

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. The estimated fair values of unlisted investments are determined by the directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields 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 value of a security are dealt with as movements in the 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 investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

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 income statement 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 values are credited or charged to the income statement 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Applicable to the year ended 31 March 2006: (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 March 2006)

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 March 2006) (continued)

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (applicable to the year ended 31 March 2006) (continued)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 March 2006)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (applicable to the year ended 31 March 2006) (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (applicable to the year ended 31 March 2006)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

The Group holds derivative financial instruments such as currency-link deposits to enhance its investment return. Such derivative financial instruments are classified as financial assets at fair value through profit or loss.

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 income statement, 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

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

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Livestock (continued)

Non-current livestock, which are stated at cost less accumulated amortisation and any impairment losses, represents breeder peafowl and is amortised over ten 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 sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

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

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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, 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 credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from 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

Notes to Financial Statements

31 March 2006

2.5 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 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 reassessed at each balance sheet date and 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.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from 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;

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

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

(d) management income, in the period in which services are rendered;

(e) rental income, on a time proportion 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 Employment Ordinance.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Employment Ordinance long service payments (continued)

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

Pension 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 income statement 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 8% to 22.5% of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions

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. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or Black-Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share-based payment transactions (continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on 1 April 2005 and to those granted on or after 1 April 2005.

Dividends

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

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of the equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Notes to Financial Statements

31 March 2006

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2006 was HK$17,715,000 (2005: HK$3,746,000). More details are given in note 17 to the financial statements.

Notes to Financial Statements

31 March 2006

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 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, ham and ham-related products and the retailing of snack foods, confectionery and beverages, and the operation of restaurants; and

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

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

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

Notes to Financial Statements

31 March 2006

4. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 2005.

Group

	Hong Kong		Mainland China		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue:								
Sales to external customers	1,177,748	1,069,275	569,968	492,510	–	–	1,747,716	1,561,785
Intersegment sales	6,651	2,501	100,367	83,009	(107,018)	(85,510)	–	–
Other revenue	5,928	2,371	2,420	617	(636)	(586)	7,712	2,402
Total	1,190,327	1,074,147	672,755	576,136	(107,654)	(86,096)	1,755,428	1,564,187
Segment results	99,099	65,147	6,390	20,845	–	–	105,489	85,992
Interest and dividend income and unallocated gains, net							16,126	15,331
Unallocated expenses							(7,077)	(5,621)
Finance costs							(20,457)	(6,702)
Share of profits and losses of associates	7,429	11,709	4,648	4,548	–	–	12,077	16,257
Profit before tax							106,158	105,257
Tax							(17,457)	(13,211)
Profit for the year							88,701	92,046

Notes to Financial Statements

31 March 2006

4. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group

	Hong Kong		Mainland China		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
Assets and liabilities						
Segment assets	565,475	500,955	350,077	297,769	915,552	798,724
Interests in associates	88,458	81,668	65,339	60,385	153,797	142,053
Unallocated assets					460,758	422,586
Total assets					1,530,107	1,363,363
Segment liabilities	117,966	104,967	74,780	65,892	192,746	170,859
Unallocated liabilities					606,901	530,996
Total liabilities					799,647	701,855
Other segment information:						
Capital expenditure	40,494	7,279	36,001	10,859	76,495	18,138
Depreciation	9,813	11,473	12,898	11,409	22,711	22,882
Amortisation of prepaid land lease payments	1,202	1,202	521	443	1,723	1,645
Amortisation of goodwill	–	278	–	348	–	626
Impairment of goodwill and a long term investment recognised in the income statement	–	1,012	–	2,286	–	3,298
Excess over the cost of a business combination/ negative goodwill recognised as income	3,299	–	–	349	3,299	349

Notes to Financial Statements

31 March 2006

4. SEGMENT INFORMATION (continued)

(b) Business segments

The following table presents revenue and certain asset and expenditure information for the Group's business segments for the years ended 31 March 2006 and 2005.

Group

	Manufacturing and wholesaling		Retailing		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,401,858**	1,203,138	**173,027**	179,604	**172,831**	179,043	**1,747,716**	1,561,785
Other segment information:								
Segment assets	**836,321**	727,614	**29,733**	25,468	**49,498**	45,642	**915,552**	798,724
Capital expenditure	**63,001**	12,581	**4,452**	4,332	**9,042**	1,225	**76,495**	18,138

Notes to Financial Statements

31 March 2006

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue, other income and gains, net is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Revenue	**1,747,716**	1,561,785
Other income/(loss)		
Bank interest income	**8,647**	3,025
Net income/(loss) from currency-link deposits	**(8,257)**	37,638
Dividend income from listed investments	**446**	173
Management fee income	**350**	461
Rental income	**358**	139
Excess over the cost of a business combination/ negative goodwill recognised as income	**3,299**	349
Others	**3,705**	1,453
	8,548	43,238
Gains/(losses)		
Net fair value gains on equity investments at fair value through profit or loss/short term investments	**–**	683
Gain on disposal of available-for-sale investments/long term investments	**1,800**	–
Gain on disposal of equity investments at fair value through profit or loss/short term investments	**678**	2,642
Net exchange gains/(losses) on cash and cash equivalents	**12,812**	(28,830)
	15,290	(25,505)
	23,838	17,733

6. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank and trust receipt loans wholly repayable within five years	**20,457**	6,702

Notes to Financial Statements

31 March 2006

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Group	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Depreciation	*14*	**22,711**	22,882
Amortisation of non-current livestock	*18*	**1,061**	156
Amortisation of prepaid land lease payments	*16*	**1,723**	1,645
Amortisation and impairment of goodwill for the year*		**–**	3,687
Excess over the cost of a business combination/negative goodwill recognised as income**		**(3,299)**	(349)
Minimum lease payments under operating leases in respect of land and buildings		**74,500**	63,976
Impairment of a long term investment		**–**	212
Auditors' remuneration		**1,704**	1,175
Employee benefits expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**159,552**	144,977
Pension scheme contributions		**8,145**	6,142
Less: Forfeited contributions		**(434)**	(1)
Net pension scheme contributions***		**7,711**	6,141
		167,263	151,118
Loss on disposal of items of property, plant and equipment		**567**	1,776
Foreign exchange differences, net (net of exchange gains/losses disclosed in note 5 above)		**(25,622)**	21,557
Impairment of trade receivables		**1,288**	–
Write-down of inventories to net realisable value		**2,077**	–

* The amortisation and impairment of goodwill for the year is included in "Other operating expenses" on the face of the consolidated income statement.

** Excess over the cost of a business combination/negative goodwill recognised as income is included in "Other income and gains, net" on the face of the consolidated income statement.

*** At 31 March 2006, the Group had no forfeited contributions (2005: Nil) available to reduce its contributions to the pension scheme in future years.

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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	
	2006	2005
	HK$'000	*HK$'000*
Fees	**460**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,189**	1,709
Pension scheme contributions	**95**	80
	3,284	1,789
	3,744	1,789

(a) Independent non-executive directors

There were no fees and other emoluments paid/payable to the independent non-executive directors during the year (2005: Nil).

Notes to Financial Statements

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8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2006				
Tai Tak Fung, Stephen	120	1,329	–	1,449
Wu Mei Yung, Quinly	80	960	52	1,092
Man Wing Cheung, Ellis	80	–	–	80
Yip Wai Keung	80	–	–	80
Wu Wing Biu	80	589	30	699
Chan Siu Ling, Doris	20	311	13	344
	460	3,189	95	3,744
2005				
Tai Tak Fung, Stephen	–	–	–	–
Wu Mei Yung, Quinly	–	1,040	51	1,091
Man Wing Cheung, Ellis	–	–	–	–
Yip Wai Keung	–	–	–	–
Wu Wing Biu	–	669	29	698
	–	1,709	80	1,789

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

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2005: four) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,088**	4,322
Pension scheme contributions	**93**	250
	3,181	4,572

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

	Number of employees	
	2006	2005
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	–
	3	4

Notes to Financial Statements

31 March 2006

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Group:		
Current – Hong Kong		
Provision for the year	**16,989**	12,557
Overprovision in prior years	**(145)**	(1,553)
Current – Overseas		
Provision for the year	**1,083**	1,496
Overprovision in prior years	**(709)**	–
Deferred tax charge, net *(note 29)*	**239**	711
Total tax charge for the year	**17,457**	13,211

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31 March 2006

10. TAX (continued)

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

Group

	2006		2005	
	HK$'000	**%**	*HK$'000* (Restated)	%
Profit before tax	**106,158**		105,257	
Tax at Hong Kong profits tax rate of 17.5% (2005: 17.5%)	**18,578**	**17.5**	18,420	17.5
Effect of different rates for companies operating in other jurisdictions*	**1,120**	**1.1**	(2,455)	(2.3)
Adjustments in respect of current tax of previous periods	**(854)**	**(0.8)**	(1,553)	(1.5)
Profits and losses attributable to associates	**(2,113)**	**(2.0)**	(2,845)	(2.7)
Income not subject to tax	**(6,145)**	**(5.8)**	(7,222)	(6.8)
Expenses not deductible for tax	**5,526**	**5.2**	6,334	6.0
Tax losses utilised from previous periods	**(1,652)**	**(1.6)**	(433)	(0.4)
Deferred tax assets not recognised	**3,621**	**3.4**	3,736	3.5
Others	**(624)**	**(0.6)**	(771)	(0.7)
Tax charge at the Group's effective rate	**17,457**	**16.4**	13,211	12.6

The share of tax attributable to associates amounting to HK$2,465,000 (2005: HK$752,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statements.

* 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 15% to 24%.

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 subsequent three years.

Notes to Financial Statements

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11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The net profit from ordinary activities attributable to equity holders of the parent for the year ended 31 March 2006 dealt with in the financial statements of the Company was HK$29,823,000 (2005: HK$26,651,000) (note 32(b)).

12. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Interim dividend of HK2.0 cents (2005: HK2.0 cents) per ordinary share	**7,991**	7,991
Proposed final dividend of HK5.0 cents (2005: HK5.0 cents) per ordinary share	**19,978**	19,978
	27,969	27,969

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 ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the net profit for the year attributable to ordinary equity holders of the parent for the year of HK$94,561,000 (2005: HK$80,720,000), and on the 399,565,640 (2005: 399,565,640) ordinary shares in issue during the year.

A diluted earnings per share amount for the year ended 31 March 2006 has not been disclosed as no diluting events existed during the year. A diluted earnings per share amount for the year ended 31 March 2005 was not disclosed as there was no dilutive potential ordinary shares in existence for that year.

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2006							
At 31 March 2005 and at 1 April 2005:							
Cost or valuation	157,106	26,321	50,780	90,693	25,768	–	350,668
Accumulated depreciation	(28,068)	(10,461)	(40,744)	(42,485)	(19,631)	–	(141,389)
Net carrying amount	129,038	15,860	10,036	48,208	6,137	–	209,279
At 1 April 2005, net of accumulated depreciation	129,038	15,860	10,036	48,208	6,137	–	209,279
Additions	8,811	10,470	4,345	10,386	1,576	32,867	68,455
Acquisition of subsidiaries *(note 33(a) and (b))*	–	4	568	120	70	–	762
Disposals	(52)	(982)	(122)	–	(35)	–	(1,191)
Depreciation provided during the year	(5,767)	(4,861)	(4,318)	(6,073)	(1,692)	–	(22,711)
Exchange realignment	1,398	223	92	1,083	93	–	2,889
At 31 March 2006, net of accumulated depreciation	133,428	20,714	10,601	53,724	6,149	32,867	257,483
At 31 March 2006:							
Cost or valuation	167,437	31,318	55,409	103,141	27,287	32,867	417,459
Accumulated depreciation	(34,009)	(10,604)	(44,808)	(49,417)	(21,138)	–	(159,976)
Net carrying amount	133,428	20,714	10,601	53,724	6,149	32,867	257,483
Analysis of cost or valuation:							
At cost	82,437	31,318	55,409	103,141	27,287	32,867	332,459
At 31 March 1994 valuation	85,000	–	–	–	–	–	85,000
	167,437	31,318	55,409	103,141	27,287	32,867	417,459

Notes to Financial Statements

31 March 2006

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings *HK$'000*	**Leasehold improve-ments** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Plant and machinery** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000* (Restated)
31 March 2005						
At 1 April 2004:						
Cost or valuation	164,455	29,104	48,718	85,075	25,149	352,501
Accumulated depreciation	(26,402)	(13,215)	(37,456)	(36,219)	(20,056)	(133,348)
Net carrying amount	138,053	15,889	11,262	48,856	5,093	219,153
At 1 April 2004, net of accumulated depreciation	138,053	15,889	11,262	48,856	5,093	219,153
Additions	216	5,245	3,026	6,964	2,687	18,138
Acquisition of a subsidiary *(note 33(c))*	1,435	1,808	126	–	2	3,371
Disposals	(7,158)	(673)	(242)	(313)	(115)	(8,501)
Depreciation provided during the year	(3,508)	(6,409)	(4,136)	(7,299)	(1,530)	(22,882)
At 31 March 2005, net of accumulated depreciation	129,038	15,860	10,036	48,208	6,137	209,279
At 31 March 2005:						
Cost or valuation	157,106	26,321	50,780	90,693	25,768	350,668
Accumulated depreciation	(28,068)	(10,461)	(40,744)	(42,485)	(19,631)	(141,389)
Net carrying amount	129,038	15,860	10,036	48,208	6,137	209,279
Analysis of cost or valuation:						
At cost	72,106	26,321	50,780	90,693	25,768	265,668
At 31 March 1994 valuation	85,000	–	–	–	–	85,000
	157,106	26,321	50,780	90,693	25,768	350,668

Notes to Financial Statements

31 March 2006

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	At cost	At valuation	Total
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	8,900	85,000	93,900
Mainland China	73,537	–	73,537
	82,437	85,000	167,437

Certain of the Group's leasehold land and buildings, which are situated in Hong Kong, were revalued at 15 July 1993, by C.Y. Leung & Company Limited, independent professionally qualified valuers. The leasehold 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 in paragraph 80A of HKAS 16, from the requirement to carry out future revaluations of its property, plant and equipment which were stated at valuation at that time.

Had the whole class of leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$107,908,000 (2005: HK$102,892,000).

Notes to Financial Statements

31 March 2006

15. INVESTMENT PROPERTY

	2006	2005
	HK$'000	*HK$'000*
Carrying amount at 1 April	**10,832**	10,832
Fair value adjustment	**–**	–
Exchange realignment	**299**	–
Carrying amount at 31 March	**11,131**	10,832

The Group's investment property is situated in Mainland China and is held under a medium term lease.

The Group's investment property was revalued on 31 March 2006 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at RMB11,500,000 (equivalent to HK$11,131,000) on an open market, existing use basis. The investment property is leased to an associate of the Group under an operating lease, further summary details of which are included in notes 35(a) and 37(a)(iv) to the financial statements.

Further particulars of the Group's investment property are included on page 150.

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16. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at 1 April		
As previously reported	**–**	–
Effect of adopting HKAS 17 *(note 2.2(a))*	**69,039**	69,992
As restated	**69,039**	69,992
Additions during the year	**8,040**	–
Acquisition of a subsidiary *(note 33(c))*	**–**	692
Amortisaton during the year	**(1,723)**	(1,645)
Exchange realignment	**503**	–
Carrying amount at 31 March	**75,859**	69,039

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

	HK$'000
Hong Kong	49,282
Mainland China	26,577
	75,859

Notes to Financial Statements

31 March 2006

17. GOODWILL AND NEGATIVE GOODWILL

Group

	Goodwill *HK$'000*	Negative goodwill *HK$'000*	Total *HK$'000*
31 March 2006			
At 1 April 2005:			
Cost as previously reported	8,230	(2,414)	5,816
Effect of adopting HKFRS 3 *(note 2.2(e))*	(4,484)	2,414	(2,070)
Cost as restated	3,746	–	3,746
Accumulated amortisation and impairment as previously reported	4,484	(587)	3,897
Effect of adopting HKFRS 3 *(note 2.2(e))*	(4,484)	587	(3,897)
Accumulated amortisation and impairment as restated	–	–	–
Net carrying amount	3,746	–	3,746
Net carrying amount at 1 April 2005	3,746	–	3,746
Acquisition of a subsidiary *(note 33(b))*	13,698	–	13,698
Capital injection to a non-wholly-owned subsidiary	271	–	271
Net carrying amount at 31 March 2006	17,715	–	17,715
At 31 March 2006:			
Cost	17,715	–	17,715
Accumulated impairment	–	–	–
Net carrying amount	17,715	–	17,715

Notes to Financial Statements

31 March 2006

17. GOODWILL AND NEGATIVE GOODWILL (continued)

Group

	Goodwill HK$'000	Negative goodwill HK$'000	Total HK$'000
31 March 2005			
At 1 April 2004:			
Cost	5,363	(2,414)	2,949
Accumulated amortisation and impairment	(797)	238	(559)
Net carrying amount	4,566	(2,176)	2,390
Cost at 1 April 2004, net of accumulated amortisation and impairment	4,566	(2,176)	2,390
Acquisition of a subsidiary *(note 33(c))*	2,324	–	2,324
Acquisition of additional interest in subsidiaries	543	–	543
Recognised as income/(amortisation provided) during the year	(601)	349	(252)
Impairment during the year	(3,086)	–	(3,086)
At 31 March 2005	3,746	(1,827)	1,919
At 31 March 2005:			
Cost	8,230	(2,414)	5,816
Accumulated amortisation and impairment	(4,484)	587	(3,897)
Net carrying amount	3,746	(1,827)	1,919

In 2005, goodwill not previously eliminated against the consolidated reserves was amortised on the straight-line basis over its estimate useful life of 1 to 10 years.

Notes to Financial Statements

31 March 2006

17. GOODWILL AND NEGATIVE GOODWILL (continued)

As further detailed in note 2.2 to the financial statements, the Group applied the transitional provisions of HKFRS 3 that permitted goodwill in respect of business combinations which occurred prior to 1 April 2001, to remain eliminated against the consolidated reserves.

The amounts of the goodwill and negative goodwill remaining in the consolidated reserves as at 1 April 2005, arising from the acquisition of subsidiaries/associates prior to the adoption of SSAP 30 are as follows:

	Group		
	Goodwill eliminated against revaluation reserve	**Goodwill debited to goodwill reserve**	**Negative goodwill credited to goodwill reserve**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2004, 31 March 2005 and 1 April 2005			
Cost as previously reported	3,248	137,798	(4,577)
Effect of adopting HKFRS 3 *(note 2.2(e))*	–	–	4,577
	3,248	137,798	–
Accumulated impairment as previously reported	(2,135)	(503)	–
Net carrying amount at 1 April 2005	1,113	137,295	–
Transfer to retained profits *(note 32(a))*	(1,113)	(137,295)	–
Net carrying amount at 31 March 2006	–	–	–

Notes to Financial Statements

31 March 2006

18. NON-CURRENT LIVESTOCK

	Group	
	2006	2005
	HK$'000	*HK$'000*
Livestock:		
At fair value	**494**	273
At cost less accumulated amortisation and any impairment losses	**3,751**	4,704
	4,245	4,977
Physical quantity of peafowl:		
Number of day-old peafowl	**4,728**	2,682
Number of breeder peafowl	**6,988**	6,990
	11,716	9,672

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 amortisation and any impairment losses as no active or ready markets exist for these breeder peafowl and their fair value cannot be measured reliably. Day-old peafowl are valued at fair value less estimated point-of-sale costs.

	Group
	2006
	HK$'000
Reconciliation of changes in the carrying amount:	
Balance at 1 April 2004, net of accumulated amortisation	–
Increase due to acquisition of a subsidiary *(note 33(c))*	5,964
Amortisation of non-current livestock	(156)
Cost transferred to inventories	(831)
Balance at 1 April 2005	4,977
Amortisation of non-current livestock	(1,061)
Increase due to raising	211
Exchange realignment	118
Balance at 31 March 2006	4,245

Notes to Financial Statements

31 March 2006

18. NON-CURRENT LIVESTOCK (continued)

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

Group

	Total
	HK$'000
At 31 March 2006:	
Cost	4,987
Accumulated amortisation	(1,236)
Net carrying amount	3,751
At 31 March 2005	
Cost	4,860
Accumulated amortisation	(156)
Net carrying amount	4,704

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**93,098**	53,819

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

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Abundant Capital Inc.	British Virgin Islands	US$100	–	51.0	Investment holding
Cowboy Food Company Limited	Hong Kong	HK$6,000,000	–	85.0	Manufacturing of peanut products
Crowne Profits Limited	British Virgin Islands	US$1	–	100.0	Investment holding
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

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Four Seas 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
Four Seas Property Holdings Limited	Hong Kong	HK$50,000,000	–	100.0	Investment holding
Four Seas Confectionery (Shantou) Company Limited* ^	Mainland China	HK$11,320,000	–	100.0	Manufacturing of cakes
Four Seas (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 (Hebei) Food Company Limited* ^	Mainland China	HK$24,000,000	–	100.0	Manufacturing of chestnut

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31 March 2006

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Four Seas Logistics Company Limited	Hong Kong	HK$200,000	–	100.0	Provision of transportation services
Four Seas Trading (Shanghai) 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
Four Seas Confectionery (Shenzhen) Co., Ltd.* ^	Mainland China	HK$7,000,000	–	80.0	Manufacturing of snack foods
Gainfaith Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding
Guang Dong Fourseas Frozen Food Products Co., Ltd.* ^	Mainland China	RMB10,300,000	–	100.0	Ice-cream and frozen food products business
Hakadate Investments Limited	British Virgin Islands	US$1	–	100.0	Investment holding

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
High Joy Investments Limited	Hong Kong	HK$1	–	100.0	Restaurant operations
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
IFSCO Hong Kong Limited	Hong Kong	HK$57,200,000	100.0	–	Investment holding
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

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kanro Four Seas Foods Company Limited	Hong Kong	HK$50,550,000	–	82.5	Investment holding
Kanro Four Seas Foods (Shantou) Co., Ltd.* ^	Mainland China	HK$50,203,380	–	82.5	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	Restaurant operations
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
New Kondo Trading Company Limited	Hong Kong	HK$1,000,000	–	100.0	Trading of Japanese food materials

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Papochou Holdings Limited	British Virgin Islands	HK$15,000,000	–	100.0	Investment holding
Restaurant Shiki Limited	Hong Kong	HK$3,200,000	–	100.0	Restaurant operations
Shenzhen Matchless Food Co., Ltd.* ^	Mainland China	HK$7,300,000	–	100.0	Bakery and factory operations
Shenzhen Yaohan Zhonghao Food Co., Ltd.* ^^	Mainland China	RMB32,100,000	–	60.0	Manufacturing and packaging of ham and ham-related products
Sushi Pro Limited	Hong Kong	HK$8,500,000	–	#50.0	Investment holding
Shousihuang Restaurant (Shenzhen) Company Limited* ^	Mainland China	HK$6,000,000	–	#50.0	Restaurant operations
Tohato Four Seas Company Limited	Hong Kong	HK$7,000,000	–	80.0	Investment holding

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19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered and fully paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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	Restaurant operations
Yaohan (Yanwin) Food Co., Limited	Hong Kong	HK$10,000	–	100.0	Investment holding
新興縣多威實業有限公司* ^	Mainland China	HK$8,000,000	–	**34.0	Poultry business
廣州市英吉利孔雀有限公司* ^	Mainland China	RMB6,500,000	–	100.0	Raising and sale of peafowl
上海升誠貿易有限公司* ^	Mainland China	RMB500,000	–	100.0	Trading of confectionery and food products

19. INVESTMENTS IN SUBSIDIARIES (continued)

* 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.

^^ Registered as Sino-foreign equity joint venture 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.

20. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Goodwill on acquisition	**477**	477
Share of net assets	**153,320**	141,576
	153,797	142,053

The amounts due from/to the associates included in the Group's current assets and current liabilities are unsecured, interest-free and repayable on demand. The carrying amounts of these amounts due from/to the associates approximate to their fair values.

The Group's trade receivable and payable balances with the associates are disclosed in notes 24 and 27 to the financial statements, respectively.

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20. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of equity attributable to the Group	Principal activities
Calbee Four Seas Company Limited	Ordinary shares of HK$1 each	Hong Kong	50.0	Manufacturing of snack foods
Calbee Four Seas (Shantou) Company Limited (i)	Paid-up capital	Mainland China	50.0	Manufacturing of snack foods
Cadbury Four Seas Company Limited (i)(ii)	Ordinary shares of HK$1 each	Hong Kong	30.0	Trading in confectionery
Four Seas & Jintan Co., Limited	Ordinary shares of HK$1 each	Hong Kong	50.0	Marketing of health foods
Guangzhou Meiji Confectionery Company Limited (i)(ii)	Paid-up capital	Mainland China	30.0	Manufacturing of snack foods and confectionery
Guangdong M&F-Yantang Dairy Products Company Limited (i)(ii)	Paid-up capital	Mainland China	21.0	Manufacturing of ice-cream and dairy products
Meiji-Four Seas Company Limited (ii)	Ordinary shares of HK$1 each	Hong Kong	30.0	Investment holding
MFD Holding Company Limited (i)	Ordinary shares of HK$1 each	Hong Kong	30.0	Investment holding

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20. INTERESTS IN ASSOCIATES (continued)

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of equity attributable to the Group	Principal activities
Nico-Nico Four Seas Company Limited (ii)	Ordinary shares of HK$1 each	Hong Kong	35.0	Investment holding
Nico Four Seas (Shantou) Co., Ltd. (i)(ii)	Paid-up capital	Mainland China	35.0	Manufacturing of seaweed products
Pokka Four Seas (Suzhou) Food Company Limited (ii)	Paid-up capital	Mainland China	30.0	Manufacturing of canned beverages
Pokka Coffee (Macau) Limited (iii)	Paid-up capital	Macau	49.0	Coffee shop and restaurant operations
Pokka Corporation (HK) Limited (iii)	Ordinary shares of HK$1 each	Hong Kong	49.0	Coffee shop and restaurant operations
Want Want Four Seas Company Limited (i)(ii)	Ordinary shares of HK$1 each	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. Those associates use 31 December as its reporting date to conform with its holding company's reporting date or statutory requirements.

(iii) The year end date of these associates is not coterminous with that of the Group and is 31 January. Those associates use 31 January as its reporting date to conform with its holding company's reporting date.

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20. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2006	2005
	HK$'000	*HK$'000*
Assets	**563,032**	577,228
Liabilities	**170,770**	231,666
Revenues	**609,053**	548,679
Profit	**33,729**	34,627

21. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value:				
Hong Kong	**8,912**	11,914	**169**	218
Elsewhere	**548**	549	**–**	–
	9,460	12,463	**169**	218
Unlisted equity investments, at cost	**8,738**	–	**–**	–
Unlisted equity investments, at fair value	**–**	6,594	**–**	–
	18,198	19,057	**169**	218

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21. AVAILABLE-FOR-SALE INVESTMENTS/LONG TERM INVESTMENTS (continued)

During the year, the gross gain of the Group's available-for-sale investments recognised directly in equity amounted to HK$161,000 (2005: loss of HK$101,000) and a loss of HK$809,000 (2005: HK$1,351,000) was removed from equity and recognised in the income statement for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets on 1 April 2005 and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The unlisted available-for-sale investments were stated at cost as their fair values cannot be reliably determined.

22. CURRENT LIVESTOCK

	Group	
	2006	2005
	HK$'000	*HK$'000*
Breeder chicks	**1,392**	1,627
Hatchable eggs	**386**	541
Day-old chicks	**816**	887
	2,594	3,055

Due to the generally short breeding and raising cycle of the 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.

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23. INVENTORIES

	Group	
	2006	2005
	HK$'000	*HK$'000*
Raw materials	**22,536**	20,176
Work in progress	**3,668**	3,362
Finished goods	**78,938**	64,284
	105,142	87,822

24. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to four to five months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Notes to Financial Statements

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24. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**128,857**	107,637
1 to 2 months	**60,149**	57,326
2 to 3 months	**60,574**	54,889
Over 3 months	**107,313**	107,157
	356,893	327,009

Included in trade receivables is an aggregate amount due from the Group's associates of HK$2,065,000 (2005: HK$2,994,000), which is repayable on similar credit terms to those offered to the major customers of the Group.

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong listed equity investments, at market value	**–**	4,109

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26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**104,346**	96,615	**494**	460
Time deposits	**349,945**	319,637	**–**	–
Cash and cash equivalents	**454,291**	416,252	**494**	460

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities is a trade payables balance of HK$120,246,000 (2005: HK$107,027,000). An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Current	**89,365**	65,288
1 to 2 months	**12,518**	19,438
2 to 3 months	**6,784**	11,937
Over 3 months	**11,579**	10,364
	120,246	107,027

Notes to Financial Statements

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27. TRADE PAYABLES AND ACCRUED LIABILITIES (continued)

Included in trade payables are amounts of HK$47,295,000 (2005: HK$40,398,000) due to associates, which are repayable on similar credit terms to those offered by the associates to their major customers.

The trade payables are non-interest-bearing and are normally settled on 30 to 60-day terms.

28. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2006 HK$'000	Group 2005 HK$'000
Current				
Trust receipt loans	0.6% – 5.2%	3 to 4 months	140,917	153,306
Bank loans	4.5% – 5.3%	1 to 2 months	415,228	343,838
			556,145	497,144
Non-current				
Bank loans	4.5% – 6.0%	2007/2008	35,259	20,000
			591,404	517,144
Analysed into:				
Within one year			556,145	497,144
In the second year			29,259	10,000
In the third to fifth years, inclusive			6,000	10,000
			591,404	517,144

All bank and trust receipt loans bear interest at floating interest rates. Their carrying amounts approximate to their fair values.

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29. DEFERRED TAX

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

Deferred tax liabilities

Group – 2006

	Accelerated tax depreciation *HK$'000*	Fair value adjustment arising from acquisition of subsidiaries *HK$'000*	Revaluation of properties *HK$'000*	Total *HK$'000*
At 1 April 2005	647	1,330	4,576	6,553
Deferred tax credited to the income statement during the year *(note 10)*	(69)	–	(110)	(179)
Net deferred tax liabilities at 31 March 2006	578	1,330	4,466	6,374

Deferred tax assets

Group – 2006

	Decelerated tax depreciation *HK$'000*	Losses available for offset against future taxable profit *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2005	16	3,248	654	3,918
Deferred tax credited/(charged) to the income statement during the year *(note 10)*	20	(836)	398	(418)
Net deferred tax assets at 31 March 2006	36	2,412	1,052	3,500

Notes to Financial Statements

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29. DEFERRED TAX (continued)

Deferred tax liabilities

Group – 2005

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

Deferred tax assets

Group – 2005

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

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29. DEFERRED TAX (continued)

The Group has tax losses arising in Hong Kong of HK$67,227,000 (2005: HK$39,495,000) 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$29,920,000 (2005: HK$25,212,000) 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.

30. SHARE CAPITAL

Shares

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
399,565,640 ordinary shares of HK$0.10 each	**39,956**	39,956

Share options

Details of the Company's share option scheme are included in note 31 to the financial statements.

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31. 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 director or employee of any of the Company's subsidiaries and any entity 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 duration of the Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which such share options are granted, notwithstanding the expiry of the Scheme.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 39,956,564 ordinary shares, being 10% of the shares of the Company in issue on 2 September 2002. 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.

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31. SHARE OPTION SCHEME (continued)

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.

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 acceptance of the offer duly signed by the grantee with the numbers of shares in respect of which the offer is accepted clearly stated therein, together with payment of a nominal consideration of HK$1 by the grantee to the Company provided that no offer shall be 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 quotations sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares.

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31. SHARE OPTION SCHEME (continued)

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

During the year, no share option (2005: Nil) was granted to directors of the Company or employees of any of the Company's subsidiaries and any entities in which the Group holds any equity interest. At the balance sheet date, the Company had no share options outstanding under the Scheme (2005: Nil).

32. 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 49 to 50 of the financial statements.

Pursuant to the relevant laws and regulations for Foreign Investment Enterprises, a portion of the profits of the Group's subsidiaries and the Group's associates operating as Foreign Investment Enterprises in Mainland China has been transferred to the reserve fund. The reserve fund is non-distributable in nature and can be utilised to set off with losses incurred.

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 arising on acquisition of subsidiaries and associates in prior years were eliminated against the goodwill reserve and revaluation reserve as explained in note 17 to the financial statements were transferred to retained profits during the year.

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32. RESERVES (continued)

(b) Company

	Note	Share premium account HK$'000	Available-for-sale investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2004		274,009	125	6,166	280,300
Profit for the year		–	–	26,651	26,651
Change 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 and beginning of year		274,009	84	4,848	278,941
Profit for the year		–	–	29,823	29,823
Change in fair value		–	(49)	–	(49)
Interim 2006 dividend	12	–	–	(7,991)	(7,991)
Proposed final 2006 dividend	12	–	–	(19,978)	(19,978)
At 31 March 2006		274,009	35	6,702	280,746

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.

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33. BUSINESS COMBINATIONS

(a) Acquisition of IFSCO Hong Kong Limited and its subsidiaries (the "IFSCO Group")

On 4 April 2005, the Company entered into a stock purchase agreement with Ai Food Company Limited (in liquidation), as represented by the trustee, Toshiaki Higashibata, to acquire a 100% equity interest in the IFSCO Group at a consideration of JPY541,600,000 (subject to adjustment) (the "Acquisition"). The Acquisition was completed on 15 May 2005. The IFSCO Group is engaged in the operation of a Japanese restaurant in Hong Kong and in trading of Japanese food and beverages. The purchase consideration for the Acquisition was in the form of cash with JPY30,000,000 (equivalent to HK$2,164,000) paid on 4 April 2005 and the remaining JPY502,343,804 (equivalent to HK$37,115,000) being paid on 10 May 2005 and adjusted and finalised on 7 September 2005.

The fair values of the identifiable assets and liabilities of the IFSCO Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	598	598
Inventories	5,930	5,930
Prepayments, deposits and other receivables	3,674	3,674
Trade receivables	13,981	13,981
Cash and cash equivalents	23,008	23,008
Trade payables and accrued liabilities	(3,974)	(3,974)
Tax payable	(639)	(639)
	42,578	42,578
Excess over the cost of a business combination recognised in the income statement	(3,299)	
Satisfied by cash	39,279	

Notes to Financial Statements

31 March 2006

33. BUSINESS COMBINATIONS (continued)

(a) Acquisition of IFSCO Hong Kong Limited and its subsidiaries (the "IFSCO Group") (continued)

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

	HK$000
Cash consideration	(39,279)
Cash and cash equivalents acquired	23,008
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(16,271)

Since its acquisition, the IFSCO Group contributed HK$85,640,000 to the Group's revenue and HK$2,862,000 to the consolidated profit for the year ended 31 March 2006. The negative goodwill of HK$3,299,000 arises from a bargain purchase and is included in "Other income and gains, net " on the face of consolidated income statement.

Further details of the Acquisition were set out in the Group's circular to the shareholders dated 26 April 2005.

33. BUSINESS COMBINATIONS (continued)

(b) Acquisition of 上海升誠貿易有限公司 (“SH Sheng Cheng”)

On 20 October 2005, the Group acquired a 100% interest in SH Sheng Cheng. SH Sheng Cheng is engaged in the trading of snack foods, confectionery and beverages. The purchase consideration for the acquisition was in the form of cash of RMB80,000, equivalent to HK$77,000.

The fair values of the identifiable assets and liabilities of SH Sheng Cheng as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Note	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment		164	164
Cash and cash equivalents		487	487
Due from fellow subsidiaries		–	2,056
Trade receivables		13,664	15,017
Inventories		5,091	5,237
Prepayments, deposits and other receivables		576	605
Due to fellow subsidiaries		(26,840)	(25,332)
Trade payables and accrual liabilities		(6,614)	(6,614)
Tax payable		(149)	(149)
		(13,621)	(8,529)
Goodwill on acquisition	*17*	13,698	
Satisfied by other payables		77	

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33. BUSINESS COMBINATIONS (continued)

(b) Acquisition of 上海升誠貿易有限公司 ("SH Sheng Cheng") (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of SH Sheng Cheng is as follows:

	HK$000
Cash and cash equivalents acquired	487

Since its acquisition, SH Sheng Cheng contributed HK$42,726,000 to the Group's revenue and HK$3,239,000 to the consolidated profit for the year ended 31 March 2006. Goodwill of HK$13,698,000 mainly arises on the distribution network of SH Sheng Cheng. The distribution network of SH Sheng Cheng was not recognised as an intangible asset as its fair value cannot be measured reliably.

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33. BUSINESS COMBINATIONS (continued)

(c) Acquisition of 廣州市英吉利孔雀有限公司 ("GZ Peafowl")

In the prior year, the Group acquired a 100% equity interest in GZ Peafowl. GZ Peafowl is engaged in the raising and sale of peafowl. The purchase consideration for the acquisition was in 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 fair values of the identifiable assets and liabilities of the GZ Peafowl as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*	**Carrying amount** *HK$'000*
Property, plant and equipment	*14*	3,371	3,371
Prepaid land lease payments	*16*	692	692
Non-current livestock	*18*	5,964	5,964
Inventories		2,916	2,916
Prepayments, deposits and other receivables		318	318
Trade receivables		36	36
Cash and cash equivalents		153	153
Trade payables and accrued liabilities		(8,905)	(8,905)
Bank loans		(2,685)	(2,685)
		1,860	1,860
Goodwill on acquisition		2,324	
		4,184	
Satisfied by:			
Cash		2,817	
Accrued liabilities		1,367	
		4,184	

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33. BUSINESS COMBINATIONS (continued)

(c) Acquisition of 廣州市英吉利孔雀有限公司 ("GZ Peafowl") (continued)

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

	HK$000
Cash consideration	(2,817)
Cash and cash equivalents acquired	153
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(2,664)

The subsidiary acquired during the year ended 31 March 2005 had no significant impact on the Group's consolidated revenue or profit for the year during that year.

Had the combinations of the IFSCO Group and SH Sheng Cheng taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year ended 31 March 2006 would have been HK$1,775,195,000 and HK$87,572,000, respectively.

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34. CONTINGENT LIABILITIES

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

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**822**	1,066	**–**	–
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	**–**	–	**1,292,800**	1,294,800
Associates	**23,400**	23,400	**23,400**	23,400
Guarantees given to third parties in connection with lease payments for lease agreements entered into by a subsidiary	**–**	–	**20,822**	20,935
	24,222	24,466	**1,337,022**	1,339,135

As at 31 March 2006, 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$581,675,000 (2005: HK$510,973,000), and the banking facilities guaranteed by the Company and the Group to associates were utilised to the extent of approximately HK$17,429,000 (2005: HK$18,720,000).

(b) As at 31 March 2006, the Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$9,971,000 (2005: HK$11,060,000) as at 31 March 2006, as further explained under the heading "Employee benefits" in note 2.5 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.

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35. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its investment property (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for a term of two years.

At 31 March 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its associate falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**667**	162
In the second to fifth years, inclusive	**167**	–
	834	162

(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 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Within one year	**68,708**	52,862
In the second to fifth years, inclusive	**58,895**	58,883
After five years	**1,789**	1,714
	129,392	113,459

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36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had capital commitments in respect of property, plant and equipment as follows:

	Group	
	2006	2005
	HK$'000	*HK$'000*
Contracted, but not provided for	**8,406**	–

The Company had no capital commitments at the balance sheet date (2005: Nil).

37. RELATED PARTY TRANSACTIONS

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

	Notes	**2006** ***HK$'000***	2005 *HK$'000*
Purchases of goods from associates	*(i)*	**355,532**	320,574
Sales of goods to associates	*(ii)*	**14,891**	17,038
Promotion expenses reimbursed by associates	*(iii)*	**12,254**	10,884
Rental income from an associate	*(iv)*	**699**	705

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.

(iii) The promotion expenses reimbursed by associates were determined by reference to the costs incurred by the Group.

(iv) The rental income from an associate was determined between the Group and the associate.

Notes to Financial Statements

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37. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions with related parties:

The Group has executed guarantees in favour of certain banks for banking facilities granted to its associates to the extent of HK$23,400,000 (2005: HK$23,400,000), as further detailed in note 34(a) to the financial statements.

(c) Outstanding balances with related parties:

(i) Details of the amounts due from associates to the Group at the balance sheet date are included in note 20 to the financial statements.

(ii) Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in notes 24 and 27 to the financial statements.

(d) Compensation of key management personnel of the Group:

	2006	2005
	HK$'000	*HK$'000*
Short term employee benefits	**8,203**	5,846
Pension scheme contributions	**389**	340
	8,592	6,186

Further details of directors' emoluments are included in note 8 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, interest-bearing bank borrowings, trade receivables, other receivables, trade payables and other payables and cash and cash equivalents. Details of these financial instruments are disclosed in respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing bank borrowings, as the majority of the Group's interest-bearing bank borrowings were on a floating rate basis. Currently, the Group has not entered into any interest rate hedging instruments. However, the Group is regularly reviewing and monitoring the potential interest rate risk in the market and will consider any measures if the need arises. The interest rate and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 28 to the financial statements.

Foreign currency risk

The Group is exposed to foreign currency risk as several subsidiaries of the Company have foreign currency sales and purchases, while the Group has certain trade receivables, trade payables and interest-bearing bank borrowings that are dominated in currencies other than the functional currency of respective group entities. The currencies involved are primarily Japanese yen ("Yen"), Renminbi ("RMB") and the United States dollar ("USD"). As the rates of exchange between the Hong Kong dollar and RMB and USD fluctuate within a close range, the Group currently does not have a foreign currency hedging policy against these two currencies. During the year, the Group entered into forward foreign exchange contracts with financial institutions to partially hedge the potential currency risk of Yen. At the year end, the Group did not have any outstanding forward foreign exchange contracts for hedging its Yen exposure. Nevertheless, management is regularly reviewing and monitoring the foreign currency exposure of the Group and will consider hedging foreign currency exposure should the need arise.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's credit risk is primarily attributable to time deposits, receivables from customers and counter party financial obligations in financial instruments. The Group's maximum exposure to credit risk in the event of the counter parties' failure to perform their obligations as at 31 March 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

For trading customers, credit limits and credit approvals are part of the normal process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

To mitigate counter party risk, the Group's liquid funds and time deposits are only placed with and financial instruments are only entered with banks with high credit ratings.

The Group has no significant concentration of credit risk, with its exposure to credit risk spreading over a number of counter parties and customers.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. As at the year end, the Group had cash and cash equivalents amounting to HK$454 million and total banking facility amounts of HK$1,342 million, of which HK$591 million were utilised. Management considers that, with the Group's abundant banking facility amounts and cash and cash equivalents, the Group's liquidity risk on the inability to raise funds for its operation is manageable.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk

The Group's price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally the available-for-sale investments.

Such investments are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments trading in the market.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and a limit on investments in each sector and market.

39. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 July 2006.