NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and basis of computation used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies mentioned in note 2 below following its adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which have become effective for accounting periods commencing on or after 1 January 2005.

2. IMPACT OF ADOPTING NEW HKFRSS

The following HKFRSs have been adopted for the first time in the preparation of the current period's unaudited condensed consolidated interim 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 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
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
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 40	Investment Property	
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 HKAS 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 36, 37, 38, 40, HKFRS 2, 3 and HK(SIC)-Int 21 has had no material impact on the Group's accounting policies. The impact of adopting the other HKFRSs is summarised as follows:

(i) The adoption of HKAS 17 "Leases" has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously classified as "property, plant and equipment", and were carried at cost less accumulated depreciation and impairment. Following the adoption of HKAS 17, a lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The land lease prepayment is stated at cost and amortised over the period of the lease. Whereas the leasehold building is stated at cost less accumulated depreciation and impairment. The land element of the leasehold properties was previously included in "land use rights and buildings in the PRC" and is now disclosed as "land use rights". The adoption of HKAS 17 resulted in:

	As at 30 June 2005 *HK$'000*	As at 31 December 2004 *HK$'000*
Decrease in property, plant and equipment	**(1,895)**	(1,979)
Increase in land use rights	**1,895**	1,979

(ii) The adoption of HKAS 32 "Financial Instruments: Disclosures and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in accounting policy relating to the classification of financial assets and liabilities and their measurement. HKAS 32 requires retrospective application while HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis.

Accounts and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. Accounts and other receivables were previously carried at cost less impairment, if any.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings were previously carried at cost.

The above changes in accounting policy do not have any material financial effect on the Interim Financial Report.

(iii) Share-based Payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In accordance with the relevant transitional provision, the Group has not applied HKFRS 2 to those share options granted on or before 7th November, 2002 and those share options that were granted after 7th November, 2002 but were vested before 1st January, 2005. Because there were no unvested share options at 1st January, 2005, comparative figures for 2004 need not be restated.

3. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

(a) *Business segment*

The Group is principally engaged in the production and distribution of snack food and convenience frozen food products which constitute one single business segment throughout the periods.

(b) *Geographical segment*

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC"). Geographical segment information is based on the location of its assets, and the location of its assets is not different from the location of its customers.

	For the six months ended 30 June 2005			
	Hong Kong	**The PRC**	**Eliminations**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
TURNOVER				
External sales	**55,994**	**45,639**	**–**	**101,633**
Inter-segment sales	**–**	**8,163**	**(8,163)**	**–**
Total turnover	**55,994**	**53,802**	**(8,163)**	**101,633**
SEGMENT RESULTS	**3,702**	**9,926**	**–**	**13,628**
Unallocated corporate income				**333**
Finance costs				**(4,194)**
Taxation				**(1,678)**
Profit attributable to shareholders				**8,089**

	For the six months ended 30 June 2004			
	Hong Kong	The PRC	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER				
External sales	46,070	43,137	–	89,207
Inter-segment sales	–	4,842	(4,842)	–
Total turnover	46,070	47,979	(4,842)	89,207
SEGMENT RESULTS	3,248	10,047	–	13,295
Unallocated corporate income				431
Finance costs				(4,762)
Taxation				(1,794)
Minority interests				(400)
Profit attributable to shareholders				6,770

4. DEPRECIATION AND AMORTISATION

During the period, charged against profit from operations was depreciation and amortisation of approximately HK$2,862,000 (2004: approximately HK$2,911,000) in respect of the Group's property, plant and equipment.

5. TAXATION

	For the six months ended 30 June	
	2005	2004
	HK'000	*HK'000*
The charge comprises:		
Hong Kong profits tax	**130**	241
PRC income tax		
– current period	**1,472**	1,119
– under provision in prior year	**73**	278
	1,675	1,638
Deferred taxation	**3**	156
	1,678	1,794

Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit during the period.

In accordance with the relevant tax laws and regulations of the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from the first profit making year after utilisation of the carried forward tax losses and are eligible for a 50% relief of the PRC enterprise income tax for the following three years.

6. DIVIDENDS

	For the six months ended 30 June	
	2005	2004
	HK'000	*HK'000*
2004 final dividend of Nil (2003 final: HK2 cents) per share	–	4,000
	–	4,000

Notes:

(a) The final dividends of the year ended 31 December 2004 and 31 December 2003 of Nil and HK$4,000,000 respectively, were approved after the balance sheet date. Under the Group's accounting policy, they were charged in the periods in which they were proposed and approved.

(b) The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2005 (2004 interim dividend: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share and diluted earnings per share are based on the consolidated profit attributable to shareholders of the Company for the period of approximately HK$8,089,000 (2004: approximately HK$6,770,000).

The basic earnings per share is based on the weighted average of 200,000,000 shares (2004: 200,000,000 shares) in issue during the six months ended 30 June, 2005.

The diluted earnings per share is based on the weighted average of 212,000,000 shares (2004: 200,591,781 shares) deemed to be issued if all outstanding share option granted under the share option scheme of the Company had been exercised.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment for an amount of approximately HK$5,856,000 (2004: approximately HK$6,990,000).

9. TRADE AND OTHER RECEIVABLES

The Group adopts a general policy of allowing average credit period ranging from 90 days to 180 days to its trade customers. However, for certain customers with established relationships and good past repayment histories, a longer credit period will be granted.

An aged analysis of the trade receivables (net of allowance for bad and doubtful debts) is as follows:

	As at 30 June 2005 *HK$'000*	As at 31 December 2004 *HK$'000*
Within 30 days	**16,370**	50,423
31 to 60 days	**12,553**	22,143
61 to 90 days	**17,302**	9,996
91 to 180 days	**23,704**	13,256
181 to 270 days	**33,753**	12,226
271 to 365 days	**10,571**	8,635
Trade receivables	**114,253**	116,679
Other receivables	**25,907**	24,728
	140,160	141,407

10. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables is as follows:

	As at 30 June 2005 *HK$'000*	As at 31 December 2004 *HK$'000*
Within 30 days	**5,400**	9,015
31 to 60 days	**2,868**	3,106
61 to 90 days	**2,443**	1,253
91 to 180 days	**1,546**	885
181 to 365 days	**1,232**	3,157
Trade payables	**13,489**	17,416
Other payables	**10,478**	15,410
	23,967	32,826

11. SHARE CAPITAL

	Number of Ordinary shares	Amounts
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2004 and 30 June 2005	4,000,000,000	40,000
Issued and fully paid:		
As at 31 December 2004 and 30 June 2005	200,000,000	2,000

12. CAPITAL COMMITMENTS

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	–	6,627