NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2001

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 April 2001 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 7 November 2001. This was accomplished by the Company acquiring the entire issued share capital of Fiorfie Trading Limited ("Fiorfie"), the then holding company of the other subsidiaries of the Group, in consideration for the allotment and issue of the Company's shares, credited as fully paid, to the former shareholders of Fiorfie. Further details of the Group Reorganisation are set out in the Company's prospectus dated 20 November 2001. The shares of the Company were listed on the Stock Exchange on 3 December 2001.

These unaudited condensed consolidated interim financial statements have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 2.127 "Accounting for Group Reconstructions" as a result of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial periods presented, rather than from the date of its acquisition of subsidiaries. Accordingly, the unaudited condensed consolidated results of the Group for the Period together with the comparative figures of the corresponding period last year include the results of the Company and its subsidiaries with effect from 1 July 2000 or since their respective dates of incorporation or establishment, where this is a shorter period. The comparative audited condensed consolidated balance sheet as at 30 June 2001 has been prepared on the basis that the existing Group had been in place at that date. All material intra-Group transactions and balances have been eliminated on consolidation.

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with SSAP 2.125 "Interim Financial Reporting".

The basis of presentation and accounting policies adopted in these unaudited condensed consolidated interim financial statements are consistent with those as set out in the prospectus of the Company dated 20 November 2001, except that the Group has adopted the following revised and new SSAPs which are effective for the accounting period commencing on or after 1 January 2001:

SSAP 2.109 (revised):	Events after the balance sheet date
SSAP 2.118 (revised):	Revenue
SSAP 2.126:	Segment reporting
SSAP 2.128:	Provisions, contingent liabilities and contingent assets
SSAP 2.129:	Intangible assets
SSAP 2.130:	Business combinations
SSAP 2.131:	Impairment of assets
SSAP 2.132:	Consolidated financial statements and accounting for investments in subsidiaries

With the exception of SSAP 2.126 and SSAP 2.130, the adoption of the above standards has had no significant effect on the results of the Group in current or prior periods.

SSAP 2.126 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the predominant risks or returns of the Group are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 2 to the condensed consolidated financial statements.

In accordance with SSAP 2.130, in prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. However, the Group has adopted the transitional provision of SSAP 2.130 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy.

Goodwill

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

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 2.130 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

2. TURNOVER

Turnover represents the net invoiced values of goods sold, after allowances for returns and trade discounts. All significant intra-Group transactions have been eliminated on consolidation.

3. SEGMENT INFORMATION

SSAP 2.126 was adopted during the Period, as detailed in note 1 to the condensed consolidated financial statements. Segment information is presented by way of segment formats:

(i) on a primary segment reporting basis, by geographical segment; and

(ii) on a secondary segment reporting basis, by business segment.

Each of the geographical segments of the Group, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments.

(a) Geographical segments

All of the revenue, results, assets and liabilities of the Group are derived from customers based in the People's Republic of China (the "PRC").

(b) Business segments

Over 90% of the revenue, results, assets and liabilities of the Group are derived from distribution of packaged food, beverages and household consumable products.

4. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 31 December	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**683**	490
Interest income	**(166)**	(75)

5. FINANCE COSTS

	Six months ended 31 December	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on trust receipt loans, secured	**535**	68

6. TAX

	Six months ended 31 December	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period provision:		
Hong Kong	**–**	–
Macau	**3,733**	3,215
Tax charge for the period	**3,733**	3,215

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period (2000: Nil). Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2000: Nil).

7. DIVIDEND

	Six months ended 31 December	
	2001	2000
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend	**5,000**	5,000

The interim dividends declared and paid for the Period and the six months ended 31 December 2000 were paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation. The Directors do not recommend the payment of any further interim dividend in respect of the Period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK$17,600,000 (2000: HK$15,370,000) and the pro forma weighted average of 417,943,783 (2000: 400,000,000) ordinary shares in issue during the Period.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 31 December 2000 includes the pro forma issued share capital of the Company, comprising 10,000,000 shares issued nil paid on incorporation of the Company and sub-divided, 10,000,000 shares issued for the acquisition of the entire issued share capital of Fiorfie and the capitalisation issue of 380,000,000 shares. The weighted average number of shares used to calculate the basic earnings per share for the Period also includes the additional 100,000,000 shares issued upon the listing of the shares of the Company on the Stock Exchange on 3 December 2001.

There were no potential dilutive ordinary shares in existence for the Period and the six months ended 31 December 2000, and accordingly, no diluted earnings per share have been presented for either of the two periods.

9. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 15 to 90 days.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sales, is as follows:

	31 December 2001 (Unaudited) ***HK$'000***	30 June 2001 (Audited) *HK$'000*
1 – 30 days	**34,950**	28,312
31 – 60 days	**8,952**	5,068
61 – 90 days	**1,319**	623
	45,221	34,003

10. TRADE PAYABLES

The Group normally obtains credit terms from suppliers ranging from 30 to 90 days.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	31 December 2001 (Unaudited) ***HK$'000***	30 June 2001 (Audited) *HK$'000*
1 – 30 days	**8,339**	11,500
31 – 60 days	**1,174**	2,649
61 – 90 days	**663**	1,184
	10,176	15,333

11. ISSUED CAPITAL

The following is a summary of the movements in the authorised and issued share capital of the Company:

	Number of authorised shares	Number of issued shares	Nominal value of shares issued
	'000	*'000*	*HK$'000*
Shares allotted and issued nil paid on incorporation	1,000	1,000	–
Sub-division of each of the shares of the Company into ten shares	10,000	10,000	–
Increase in authorised share capital	1,990,000	–	–
Shares issued as consideration for the acquisition of the entire issued share capital of Fiorfie pursuant to the Group Reorganisation	–	10,000	100
Application of share premium to pay up nil paid shares issued on incorporation	–	–	100
Pro forma share capital as at 30 June 2001	2,000,000	20,000	200
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	–	380,000	3,800
New issue on public listing	–	100,000	1,000
Share capital as at 31 December 2001	2,000,000	500,000	5,000

12. RESERVES

	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2001	–	40,463	40,463
Issue of shares	39,000	–	39,000
Capitalisation issue of shares – note 11	(3,800)	–	(3,800)
Share issue expenses	(10,698)	–	(10,698)
Net profit for the Period	–	17,600	17,600
Interim dividend – note 7	–	(5,000)	(5,000)
At 31 December 2001	24,502	53,063	77,565

13. COMMITMENTS

The Group leases certain leasehold buildings under operating lease arrangements. The original lease terms for these leasehold buildings ranges from 2 to 3 years.

At 31 December 2001, the Group had total future lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	31 December 2001 (Unaudited) ***HK$'000***	30 June 2001 (Audited) *HK$'000*
Within one year	**574**	456
In the second to fifth years, inclusive	**276**	560
	850	1,016