



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2002

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. 27 "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 six months ended 31 December 2001 include the results of the Company and its subsidiaries with effect from 1 July 2001 or since their respective dates of incorporation or establishment, where this is a shorter period. 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 25 "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Listing Rules of the Stock Exchange.

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 annual accounts of the Company for the year ended 30 June 2002, except that the Group has adopted for the first time the following revised and new SSAPs in the preparation of the current period's unaudited interim financial statements:

SSAP 1 (Revised)	:	"Presentation of financial statements"
SSAP 11 (Revised)	:	"Foreign currency translation"
SSAP 15 (Revised)	:	"Cash flow statement"
SSAP 25 (Revised)	:	"Interim financial reporting"
SSAP 34	:	"Employee benefits"

As a result of adopting these new and revised SSAPs, a condensed consolidated statement of changes in equity is now included in the interim accounts and the condensed consolidated cash flow statement is revised in accordance with the new requirement of these new and revised SSAPs. Comparative amounts for prior period have been restated in order to achieve a consistent presentation.

Except as set out below, the adoption of the above SSAPs does not have a material impact on the Group's results and financial position in the current and prior periods.

SSAP11 (Revised) has eliminated the choice of translating the profit and loss account of overseas subsidiaries and associates at the closing rate of the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at the exchange rule prevailing on the balance sheet date. Income and expenses items of overseas subsidiaries and associates are translated at the average exchange rate for the period.

Under SSAP 15 (Revised), cash flows are now classified under three headings including operating, investing and financing activities rather than five headings as previously reported. In addition, cash flow from overseas subsidiaries arising during the period are now translated to Hong Kong dollars at exchange rate at the date of transaction or at an approximation thereto, whereas previously they were translated at the exchange rate at the balance sheet date.

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

According to SSAP 26 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

Over 90% 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, fruit 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	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	1,640	683
Interest income	(545)	(166)

5. FINANCE COSTS

	Six months ended 31 December	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on trust receipt loans and bank overdrafts wholly repayable within five years	672	535

6. TAX

	Six months ended 31 December	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Current period provision:		
Hong Kong	—	—
Macau	5,323	3,733
Tax charge for the period	5,323	3,733

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 (2001: 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 (2001: Nil).

7. DIVIDEND**(a) Dividend attributable to the Period**

	Six months ended 31 December	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interim dividend declared after the Period of 1 cent per share	6,005	5,000

The interim dividends declared and paid for the six months ended 31 December 2001 were paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation.

(b) Dividend attributable to the previous financial year, approved and paid during the Period

	Six months ended 31 December	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the Period, of 1 cent per share	5,005	—

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\$24,383,000 (2001: HK\$17,600,000) and the pro forma weighted average of 500,472,826 (2001: 417,943,783) 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 2001 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 and 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.

The calculation of diluted earnings per share for the Period is based on the Group's net profit from ordinary activities attributable to shareholders for the year of approximately HK\$24,383,000. The weighted average number of ordinary shares used in the calculation is 500,472,826 ordinary shares in issue during the Period, as used in the basic earnings per share calculation; and the weighted average of 72,472 ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

There were no potential dilutive ordinary shares in existence for the six months ended 31 December 2001 and, accordingly, no diluted earnings per share amount has been presented for that period.

9. FIXED ASSETS

During the period, the Group acquired fixed assets of approximately HK\$14,205,000 and also disposed of fixed assets with aggregate net book value of approximately HK\$63,000.

10. 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 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
1 – 30 days	44,802	40,395
31 – 60 days	11,790	13,226
61 – 90 days	1,609	1,384
	58,201	55,005

11. 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 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
1 – 30 days	5,787	7,626
31 – 60 days	1,650	1,828
61 – 90 days	817	762
	8,254	10,216

12. SHARE CAPITAL

	31 December 2002		30 June 2002	
	Number of Shares '000	Amount HK\$'000	Number of Shares '000	Amount HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	2,000,000	20,000	2,000,000	20,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each	500,500	5,005	500,000	5,000

The detailed movements in share capital during the Period were disclosed in the Condensed Consolidated Statement of Changes in Equity.

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 2002, 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 2002 (Unaudited) HK\$'000	30 June 2002 (Audited) HK\$'000
Within one year	276	560

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (30 June 2002: Nil). At 31 December 2002, the Company had provided corporate guarantees to banks for banking facilities provided to certain subsidiaries. These banking facilities had been utilised to the extent of approximately HK\$47,612,000 at the balance sheet date.

15. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events occurred:

- (a) On 20 February 2003, an arrangement was made for a private placement to independent private placees, a maximum of 100,000,000 existing shares of the Company at a price of HK\$0.59 per share by Best Global Asia Limited ("Best Global"). The price of HK\$0.59 per share represents a discount of approximately 11.9% to the closing market price of the Company's shares on 19 February 2003. The entire issued share capital of Best Global is beneficially owned by Mr. Lam Kwok Hing, a Director of the Company.
- (b) On the same date, the Company entered into a subscription agreement with Best Global for the subscription of 100,000,000 new shares of the Company by Best Global at a price of HK\$0.59 per share. The new ordinary shares were issued under the general mandate granted to the directors of the Company at its annual general meeting on 31 October 2002. The 100,000,000 new shares of the Company were allotted to Best Global on 6 March 2003. These new shares rank pari passu with the existing shares of the Company.
- (c) The net proceeds of approximately HK\$55.5 million is intended to be applied in the following manner: (1) approximately HK\$20 million will be used for the establishment of a PRC head office, logistics centre and packing facilities in Shanghai, (2) approximately HK\$8 million will be used for the establishment of offices in the eastern parts of the PRC, (3) approximately HK\$4 million will be used for the establishment of offices in Europe, (4) approximately HK\$3 million will be used for the promotion of fresh produce, mainly fruits, under the Group's brand name "Golden Delight" ("金怡"), which has been registered in December 2002 in the PRC, and (5) the balance of approximately HK\$20.5 million will be used as general working capital for the Group.