NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003

1. GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands 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") on 3 December 2001, the Company became the holding company of the companies then 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, as set out in note 18 to the financial statements 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.

2. CORPORATE INFORMATION

The principal place of business of the Company is located at 31st Floor, Guangdong Finance Building, No. 88 Connaught Road West, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

In the current year, the Group adopted the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for the current financial year:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The changes to the Group's accounting policies and the effects are summarised as follows:

SSAP 1 (revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 26 of the financial statements in place of the Group's reserves note.

3. BASIS OF PREPARATION *(Continued)*

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statements of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. The effect of this change in translation has had no material effect on the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 25 to the financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of presentation and consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2003.

The Group Reorganisation involved companies under common control, and for accounting purpose, the Company and its acquired subsidiaries are regarded and accounted for as a continuing group. The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 7 November 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented or since their respective dates of incorporation where this is a shorter period, rather than from the date of acquisition of the subsidiaries. Accordingly, the results and cash flows of the Group for the year ended 30 June 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 July 2001 or since their respective dates of incorporation, where this is a shorter period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of presentation and consolidation *(Continued)*

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results, cash flows and the state of affairs of the Group as a whole.

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Intangible assets

(i) Trademark and distribution rights

Expenditure on acquisition of trademark and distribution rights is capitalised at cost and amortised using the straight-line method over their estimated useful lives, but not exceeding 20 years.

(ii) 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 consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Intangible assets *(Continued)*

(ii) Goodwill (Continued)

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 "Business combinations" that permits goodwill on acquisitions which occurred prior to 1 July 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the 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 consolidated 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 consolidated 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.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset 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 fixed assets 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over the following estimated useful lives:

Plant and machinery	10 years
Leasehold improvements	5 years
Furniture, office equipment and motor vehicles	5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Construction in progress

Construction in progress represents costs of land and buildings under construction which are stated at cost less any impairment losses. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of fixed assets when substantially all the activities necessary to prepare the assets for its intended use are completed. No depreciation is provided on construction in progress until the asset is completed and ready for its intended use.

(e) Investment in a club membership

Investment in a club membership is stated at cost less any impairment losses. Cost includes fees and expenses directly related to the acquisition of the club membership.

(f) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in the long-term liabilities. The finance charges are charged to the income statement over the lease periods.

Assets held under finance leases are depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value after allowances for obsolete or slow-moving items. Cost, calculated on the first-in, first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, 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 of maturity when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(k) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in this translation policy are dealt with in the income statement.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income statement is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(m) Employee benefits

(i) Employee leave entitlements

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits *(Continued)*

(ii) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. 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.

The staff in the Company's subsidiary operating in the People's Republic of China (the "PRC") are members of a retirement benefits scheme (the "PRC Scheme") operated by the local municipal government in Tianjin Province, the PRC. The PRC subsidiary is required to contribute to the PRC Scheme to fund the retirement benefits. The only obligation of the Group with respect to the PRC Scheme is to pay the required contributions under the PRC Scheme. Contributions under the PRC Scheme are charged to the income statement as they become payable in accordance with the rules of the PRC Scheme.

(iii) Share option scheme

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. The financial impact of share options granted under the share option scheme is not recorded in the Group's or the Company's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(n) Deferred taxation

Deferred taxation is accounted for, using the liability method, at the current taxation rate in respect of all significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(p) 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:

(i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(ii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(q) Related parties

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

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discount when applicable. All significant intra-group transactions have been eliminated on consolidation.

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**553,252**	495,016
Other revenue		
Interest income	**691**	714
Sundry income	**135**	95
	826	809
	554,078	495,825

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

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

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

The principal activity of the Group is the distribution of packaged food, beverages, household consumable products and fresh fruit, which is managed according to the geographical location of customers.

Each of the Group's geographical segments, 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

During the year, over 95% of the Group's revenue, results, assets and liabilities were attributed to the geographical segment of customers based in the PRC.

(b) Business segments

During the year, all of the Group's revenue, results, assets and liabilities were attributed to the distribution of packaged food, beverages, household consumable products and fresh fruit.

7. OPERATING PROFIT

Operating profit is arrived at after charging:

	2003	2002
	HK$'000	*HK$'000*
Auditors' remuneration	**650**	950
Amortisation of intangible assets	**1,125**	–
Cost of inventories sold	**465,988**	418,760
Depreciation		
– owned fixed assets	**2,336**	2,108
– leased fixed assets	**103**	–
	2,439	2,108
Operating lease charges on land and buildings	**1,280**	472
Staff costs (excluding directors' remuneration – *note 8*)		
– Wages and salaries	**2,345**	2,884
– Retirement benefits scheme contributions	**72**	191
	2,417	3,075
Loss on disposals of subsidiaries	**4,895**	–

8. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS

(a) Directors' emoluments

The aggregate amount of emoluments payable to directors of the Company during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive director	**–**	–
Independent non-executive directors	**–**	–
	–	–
Basic salaries, housing benefits, other allowances and benefits in kind:		
Executive directors	**2,400**	1,440
Non-executive director	**–**	–
Independent non-executive directors	**–**	–
	2,400	1,440
Retirement benefits scheme contributions:		
Executive directors	**48**	48
Non-executive director	**–**	–
Independent non-executive directors	**–**	–
	48	48
	2,448	1,488

The remuneration of each of the directors fell within the HK$Nil to HK$1,000,000 band for each of the years ended 30 June 2003 and 2002.

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

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

8. DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included four (2002: three) directors, details of whose remuneration are disclosed above. The details of the remuneration of the remaining one (2002: two) non-director, highest paid employee, which fell within the HK$Nil to HK$1,000,000 band, are as follows:

	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**540**	855
Retirement benefits scheme contributions	**12**	24
	552	879

During the year, no emoluments were paid by the Group to this highest paid individual as an inducement to join, or upon joining the Group, or as compensation for loss of office.

9. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**2,001**	1,076
Interest element of finance leases	**26**	–
	2,027	1,076

10. TAXATION

The amount of taxation charged to the consolidated income statement represents:

	2003	2002
	HK$'000	*HK$'000*
Current year provision		
Hong Kong	**32**	–
Macau	**–**	8,347
	32	8,347

Hong Kong profits tax is provided at the rate of 17.5% on the assessable profit for the year. No provision for Hong Kong profits tax is required for the year ended 30 June 2002 since the Group has no assessable profit for that year.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.

No provision for deferred tax had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the year (2002: HK$Nil).

11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately HK$49,095,000 (2002: HK$5,146,000).

12. DIVIDENDS

	2003	2002
	HK$'000	*HK$'000*
Interim, paid, of HK$0.01 (2002: HK$0.01) per ordinary share	**6,005**	5,000
Final, proposed, of HK$0.015 (2002: HK$0.01) per ordinary share	**9,008**	5,005
	15,013	10,005

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the year of approximately HK$46,628,000 (2002: HK$38,408,000) and the weighted average number of 534,826,923 (2002: 458,630,137) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 30 June 2003 is based on the Group's net profit attributable to shareholders for the year of approximately HK$46,628,000 (2002: HK$38,408,000) and on 535,142,752 (2002: 458,698,970) ordinary shares, being the weighted average number of 534,826,923 (2002: 458,630,137) ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average of 315,829 (2002: 68,833) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

14. INTANGIBLE ASSETS

	Group		
	Distribution rights	**Trademark**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Additions	19,500	1,500	21,000
Amortisation for the year	(975)	(150)	(1,125)
Net book value at 30 June 2003	18,525	1,350	19,875

15. FIXED ASSETS

		Group		
	Plant and machinery	**Leasehold improvements**	**Furniture, office equipment and motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 July 2002	12,612	8,673	1,268	22,553
Additions	–	6,076	1,281	7,357
Disposal/Write off	–	–	(623)	(623)
Disposals of subsidiaries	(12,612)	(7,962)	(110)	(20,684)
At 30 June 2003	–	6,787	1,816	8,603
Accumulated depreciation				
At 1 July 2002	2,512	790	759	4,061
Charge for the year	631	1,533	275	2,439
Disposal/Write off	–	–	(544)	(544)
Disposals of subsidiaries	(3,143)	(1,344)	(66)	(4,553)
At 30 June 2003	–	979	424	1,403
Net book value				
At 30 June 2003	–	5,808	1,392	7,200
At 30 June 2002	10,100	7,883	509	18,492

At 30 June 2003, the net book value of furniture, office equipment and motor vehicles held by the Group under finance leases amounted to HK$708,000 (2002: HK$Nil).

16. CONSTRUCTION IN PROGRESS

	Group
	HK$'000
Additions and balance as at 30 June 2003	22,463

Included in construction in progress at 30 June 2003 is RMB8,000,000 (equivalent to approximately HK$7,477,000) paid by the Group for a parcel of land located in the PRC, in respect of which the Group has not yet obtained the land use right certificate. In the opinion of the directors, the Group will not encounter any legal barrier in obtaining the land use right certificate.

17. DEPOSIT FOR ACQUISITION OF A LONG TERM INVESTMENT ("GROUP")

On 5 March 2003, a subsidiary of the Group entered into an agreement with a company independent of the Group for the advance of RMB15,000,000 (equivalent to approximately HK$14,151,000) to this independent company. The advance is interest-free and is secured by the personal guarantees of two directors of this independent company and is repayable on demand or, the latest, on 31 December 2003. The advance has been made on the condition that the Group is granted an option to convert the advance into 15% equity interest in this independent company by 31 December 2003. Although the Group has not exercised such option up to the date of this report, the directors have the intention to convert the advance into 15% equity interest in this independent company on or before the maturity date on 31 December 2003. In view of the above, the advance is classified as deposit for acquisition of a long term investment.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**47,780**	47,780
Due from a subsidiary	**129,537**	24,488
	177,317	72,268

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment/ and operations	Paid-up share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held				
Fiorfie Trading Limited #	British Virgin Islands ("BVI")	Ordinary US$1,000	100%	Investment holding
Indirectly held				
Alfe Trading Limited #	Hong Kong	Ordinary HK$2	100%	Debenture holding
Amazing Team Limited	BVI	Ordinary US$1	100%	Investment holding
Deal Time Holdings Limited	BVI	Ordinary US$1	100%	Investment holding
Golden Sector Limited #	Hong Kong	Ordinary HK$10,000	100%	Distribution of packaged food, beverages, household consumable products and fresh fruit
Heng Tai Consumables Group (New Zealand) Limited #	New Zealand	Ordinary NZ$10,000	100%	Provision of procurement services
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products and fresh fruit

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment/ and operations	Paid-up share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held *(continued)*				
Hurdle Limited	BVI	Ordinary US$1	100%	Investment holding
Jigsaw Group Limited #	BVI	Ordinary US$1	100%	Dormant
Step First Ltd. #	BVI	Ordinary US$1	100%	Trademark holding
Sui Tai & Associates Limited #	Hong Kong	Ordinary HK$10,000	100%	Provision of administrative services
Yi Hin Limited #	BVI	Ordinary US$1	100%	Dormant
Si Wan Limited #	Hong Kong	Ordinary HK$2	100%	Investment holding
Shanghai Si Fung Food Co., Ltd. #	PRC	Registered capital US$5,000,000	100%	Not yet commenced business

These subsidiaries are not audited by RSM Nelson Wheeler. The aggregate net asset of subsidiaries not audited by RSM Nelson Wheeler amounted to approximately 26% of the Group's total net assets.

19. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Raw materials	**–**	212
Finished goods	**44,195**	40,238
	44,195	40,450

None of the inventories were stated at net realisable value as at 30 June 2003 (2002: HK$Nil).

20. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 15 to 90 days. Full provision is made for outstanding debts aged over 365 days.

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
1 – 30 days	**32,374**	40,395
31 – 60 days	**28,644**	13,226
61 – 90 days	**20**	1,384
	61,038	55,005

21. BANK AND CASH BALANCES

At 30 June 2003, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$36,491,000 (2002: approximately HK$31,084,000). RMB is not freely convertible into foreign currencies. Subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

22. TRADE PAYABLES

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

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

	Group	
	2003	2002
	HK$'000	*HK$'000*
1 – 30 days	**9,033**	7,626
31 – 60 days	**2,120**	1,828
61 – 90 days	**241**	762
	11,394	10,216

23. SHORT-TERM BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts, secured *(note 28)*	**–**	1,009
Import loans, secured *(note 28)*	**50,585**	31,428
	50,585	32,437

24. LONG-TERM BORROWINGS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Bank loan, secured *(note 28)*	**15,000**	–
Obligations under finance leases	**645**	–
	15,645	–
Portion classified as current liabilities	**(3,167)**	–
Non-current portion	**12,478**	–

24. LONG-TERM BORROWINGS *(Continued)*

(a) At 30 June 2003, the Group's secured bank loan is repayable as follows:

	2003	2002
	HK$'000	*HK$'000*
Within one year	**3,000**	–
In the second year	**6,000**	–
In the third to fifth years, inclusive	**6,000**	–
	15,000	–

(b) At 30 June 2003, the total future minimum lease payments under finance leases and their present values were as follows:

	Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**190**	–	**167**	–
In the second year	**184**	–	**160**	–
In the third to fifth years, inclusive	**364**	–	**318**	–
Total minimum finance lease payments	**738**	–	**645**	–
Future finance charges	**(93)**	–		
Total net finance lease payables	**645**	–		
Portion classified as current liabilities	**(167)**	–		
Non-current portion	**478**	–		

25. SHARE CAPITAL

	Authorised Ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
At 30 June 2003 and 2002	2,000,000,000	20,000

		Issued and fully paid Ordinary shares of HK$0.01 each	
	Notes	**No. of shares**	*HK$'000*
Pro forma share capital as at 1 July 2001		20,000,000	200
Issue of shares		100,000,000	1,000
Capitalisation issue credited as fully paid		380,000,000	3,800
At 30 June 2002		500,000,000	5,000
Shares issued on exercise of share options	*(a)*	500,000	5
Issue of Subscribed Shares	*(b)*	100,000,000	1,000
At 30 June 2003		600,500,000	6,005

Notes:

(a) During the year, 500,000 share options were exercised at the subscription price of HK$0.335 per share, resulting in the issue of 500,000 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$168,000. The excess of the proceeds received over the nominal value of the shares issued, in the amount of approximately HK$163,000, was credited to the share premium account.

(b) On 20 February 2003, 100,000,000 ordinary shares of HK$0.01 each in the Company were placed by Best Global Asia Limited ("Best Global"), a substantial shareholder of the Company, to independent third parties not connected with the directors, chief executives or substantial shareholders of the Company, or any of its subsidiaries, or any of their associates as defined in the Listing Rules, at a price of HK$0.59 per share. Best Global then subscribed for a total of 100,000,000 new shares of HK$0.01 each in the Company (the "Subscribed Shares") at HK$0.59 per share. The proceeds of approximately HK$56,000,000, net of expenses, are intended for the business development and as general working capital of the Group. The excess of the consideration received over the nominal value of the shares issued, in the amount of HK$58,000,000, was credited to the share premium account.

25. SHARE CAPITAL *(Continued)*

Share option scheme

The Company operates a share option scheme (the "SO 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 SO Scheme include the Company's directors, including non-executive and independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons or entities providing research, development or other technological support to the Group, any minority shareholder in the Company's subsidiaries, and other groups or classes of participants as determined by the directors. The SO Scheme became effective on 3 December 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the SO Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the SO 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. 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 the 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 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the SO Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, 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 date of the offer of the grant; and (iii) the nominal value of the Company's shares.

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

25. SHARE CAPITAL *(Continued)*

Share option scheme *(Continued)*

The following share options were outstanding under the SO Scheme during the year:

Name or category of participant	At 1 July 2002	Granted during the year	Exercised during the year	At 30 June 2003	Date of grant of share options *	Exercise period of share options	Exercise price of share options **	Price of Company's shares at grant date of options ***
	Number of share options						*HK$*	*HK$*
Non-executive director								
Mr. Lam Kwok Hung	500,000	–	(500,000)#	–	30 April 2002	1 May 2002 to 30 April 2012	0.335	0.330
	500,000	–	(500,000)	–				
Independent non-executive directors								
Mr. Mak Yiu Wah, Bilan	500,000	–	–	500,000	30 April 2002	1 May 2002 to 30 April 2012	0.335	0.330
Mr. John Handley	500,000	–	–	500,000	30 April 2002	1 May 2002 to 30 April 2012	0.335	0.330
	1,000,000	–	–	1,000,000				
	1,500,000	–	(500,000)	1,000,000				

Exercise date was 11 July 2002. At the date before the options were exercised, the market value per share was HK$0.455.

* *The vesting period of the share options is from the date of the grant until the commencement of the exercise period.*

** *The exercise price of the share options is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.*

*** *The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.*

25. SHARE CAPITAL *(Continued)*

Share option scheme *(Continued)*

The directors do not consider it appropriate to disclose a theoretical value of the share options granted, because in the absence of a readily market value of the share options on the ordinary shares of the Company, the directors were unable to arrive at an assessment of the value of these share options.

At 30 June 2003 the Company had 1,000,000 share options outstanding under the SO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,000,000 additional ordinary shares and additional share capital of HK$10,000 and share premium of HK$325,000 (before share issued expenses).

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein of the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

Goodwill, arising from the acquisition of a subsidiary prior to 1 July 2001, of HK$353,000 was eliminated against retained profits as at 30 June 2003.

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation, as set out in note 1 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the capitalisation issue of shares in prior year; and (iii) the premium arising from the issue of new shares.

26. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000
Arising on acquisition of Fiorfie pursuant to the Group Reorganisation	47,580	–	–	47,580
Issue of shares	39,000	–	–	39,000
Capitalisation issue of shares	(3,800)	–	–	(3,800)
Share issue expenses	(10,698)	–	–	(10,698)
Net profit for the period *(note 11)*	–	–	5,146	5,146
Proposed final dividend *(note 12)*	–	5,005	(5,005)	–
At 30 June 2002	72,082	5,005	141	77,228
Shares issued on exercise of share options *(note 25(a))*	163	–	–	163
Issue of Subscribed Shares *(note 25(b))*	58,000	–	–	58,000
Share issue expenses	(2,643)	–	–	(2,643)
Net profit for the year *(note 11)*	–	–	49,095	49,095
Interim dividend paid *(note 12)*	–	–	(6,005)	(6,005)
Final dividend in respect of the previous year approved and paid	–	(5,005)	–	(5,005)
Proposed final dividend *(note 12)*	–	9,008	(9,008)	–
At 30 June 2003	127,602	9,008	34,223	170,833

The share premium account of the Company includes: (i) the difference between the then combined net asset value of the subsidiaries acquired pursuant to the Group Reorganisation, as set out in note 1 to the financial statements, over the nominal value of the share capital of the Company issued in exchange therefor; (ii) the premium arising from the capitalisation issue of shares in prior year; and (iii) the premium arising from the issue of new shares.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposals of subsidiaries

	2003 *HK$'000*	2002 *HK$'000*
Net assets disposed of:		
Fixed assets	16,131	–
Inventories	6,560	–
Trade and other receivables	19,155	–
Bank and cash balances	167	–
Other payables	(229)	–
Provision for taxation	(32,216)	–
	9,568	–
Loss on disposals of subsidiaries	(4,895)	–
	4,673	–
Satisfied by:		
Cash consideration	4,673	–

Analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	2003 *HK$'000*	2002 *HK$'000*
Cash consideration	4,673	–
Bank and cash balances disposed of	(167)	–
Net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	4,506	–

The subsidiaries disposed of during the year made no significant contribution to the Group's cash flow, turnover or net profit attributable to shareholders for the year ended 30 June 2003.

(b) Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$811,000 (2002: HK$Nil).

28. BANKING FACILITIES

At 30 June 2003, the Group's banking facilities in respect of overdrafts, term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company.

29. CONTINGENT LIABILITIES

At 30 June 2003, 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$65,986,000 (2002: HK$32,437,000) as at the balance sheet date.

At 30 June 2003, the Group did not have any significant contingent liabilities.

30. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

	2003	2002
	HK$'000	*HK$'000*
Contracted but not provided for		
– Construction in progress	**8,378**	–

The Company did not have any significant capital commitments at 30 June 2003 (2002: HK$Nil).

30. COMMITMENTS *(Continued)*

(b) Operating lease commitments

At 30 June 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	2003	2002
	HK$'000	*HK$'000*
Within one year	**1,321**	560
In the second to fifth years, inclusive	**3,247**	–
	4,568	560

The Company did not have any operating lease commitments at 30 June 2003 (2002: HK$Nil).

31. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 9 October 2003.