

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended 30 June 2004.

The accounting policies and basis of presentation used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 June 2004.

2. TURNOVER

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

3. 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, rice and 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 Period and the corresponding period last year, over 90% of the Group's revenue, results, assets and liabilities were attributed to the geographical segment of customers based in the People's Republic of China (the "PRC").

(b) *Business segments*

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

4. OPERATING PROFIT

Operating profit is arrived at after charging:

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	2,309	1,050
Depreciation	899	811

5. FINANCE COSTS

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	778	967
Interest element of finance leases	12	12
	790	979

6. TAXATION

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period tax:		
Hong Kong	33	30
Share of taxation attributable to associated companies	1,572	—
	<u>1,605</u>	<u>30</u>

Hong Kong profits tax is provided at the rate of 17.5% (2003: 17.5%) on the assessable profit for the Period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the Group's companies operate.

No provision for deferred taxation in respect of temporary differences had been made in the interim financial statements as the tax effect of temporary differences is immaterial. No deferred tax asset has been recognised due to the unpredictability of future taxable profit stream.

7. DIVIDEND

- (a) The Board resolved to pay an interim dividend of HK0.5 cent per ordinary share in respect of the six months ended 31 December 2004 (2003: Nil).
- (b) Dividend attributable to the previous financial year, approved and paid during the Period:

	Six months ended 31 December	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year approved and paid during the Period, of HK\$0.01 (2003: HK\$0.015) per ordinary share	7,764	9,008

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the Period of approximately HK\$51,680,000 (2003: HK\$34,638,000) and the weighted average number of 784,609,000 (2003: 600,500,000*) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the Group's net profit attributable to shareholders for the Period of approximately HK\$51,680,000 (2003: HK\$34,638,000) and on 785,604,000 (2003: 601,122,000*) ordinary shares, being the weighted average number of 784,609,000 (2003: 600,500,000*) ordinary shares in issue during the Period, as used in the basic earnings per share calculation plus the weighted average of 995,000 (2003: 622,000*) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the Period.

* On 11 March 2004, the Company made a bonus issue of shares for shareholders whose names appeared on the register of members of the Company on 23 April 2004 (the "Record Date"), on the basis of one bonus share for every five ordinary shares held by such shareholders. Based on the issued share capital of the Company on the Record Date, 120,100,000 additional ordinary shares were issued. Accordingly, the calculation of basic and diluted earnings per share has incorporated the effect of the increase in number of bonus issue of shares throughout the Period under review. If the denominators for the purposes of calculating both basic and diluted earnings per share for the same period last year had been adjusted to take into account of the diluting effect of the bonus issue of shares, the Group's basic and diluted earnings per share would both be stated at HK4.8 cents for the same period last year.

9. 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 sales, is as follows:

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
1 – 30 days	80,472	57,776
31 – 60 days	16,565	17,804
61 – 90 days	426	670
	<u>97,463</u>	<u>76,250</u>

10. 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:

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
1 – 30 days	21,349	17,020
31 – 60 days	419	76
	<u>21,768</u>	<u>17,096</u>

11. SHARE CAPITAL

	31 December 2004		30 June 2004	
	Number of Shares '000	Amount HK\$'000	Number of Shares '000	Amount HK\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<u>2,000,000</u>	<u>20,000</u>	<u>2,000,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each	<u>806,950</u>	<u>8,070</u>	<u>776,350</u>	<u>7,764</u>

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

12. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (30 June 2004: Nil). At 31 December 2004, the Company had provided corporate guarantees to banks for banking facilities provided to certain subsidiaries of the Company. These banking facilities had been utilised to the extent of approximately HK\$77,265,000 at the balance sheet date (30 June 2004: HK\$68,645,000).

13. COMMITMENTS**(a) Capital commitments**

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

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
Contracted but not provided for		
– Construction in progress	1,038	18,093
– Acquisition of land use rights	3,774	3,774
	4,812	21,867
Commitments in respect of capital injection in an associated company	–	10,920

The Company did not have any significant capital commitments at 31 December 2004 (30 June 2004: Nil).

(b) Operating lease commitments

At 31 December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
Within one year	1,728	1,568
In the second to fifth years, inclusive	1,550	2,854
	3,278	4,422

The Company did not have any operating lease commitments at 31 December 2004 (30 June 2004: Nil).

14. POST BALANCE SHEET EVENT

On 4 February 2005, Hurdle Limited, a wholly-owned subsidiary of the Company, entered into an agreement to make an additional capital contribution in the sum of HK\$10,698,000 pro rata to its then percentage of equity interest held in an associated company. Full details of the agreement and the capital contribution have been disclosed in the Company's announcement dated 4 February 2005.

INTERIM DIVIDEND

The Board resolved to pay an interim dividend of HK0.5 cent per share in respect of the six months ended 31 December 2004 (2003: Nil) payable to the shareholders whose names appear on the register of members of the Company on 14 April 2005 and will be payable on or before 18 April 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 April 2005 to Thursday, 14 April 2005, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement of the interim dividend, all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar for registration not later than 4:30 p.m. on 11 April 2005.