1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

However, HKFRS 3 ("Business Combinations"), HKAS 36 ("Impairment of Assets") and HKAS 38 ("Intangible Assets") (collectively known as the "HKFRS 3 package") are effective for business combinations with the agreement dates on or after 1 January 2005. Accordingly, the Group has complied with the requirements of the HKFRS 3 package for the business combinations with the agreement dates on or after 1 January 2005. The adoption of the HKFRS 3 package had no material effect on the results for the current accounting year.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June 2005.

A subsidiary is an enterprise that is controlled by another enterprise. Control is the power to govern the financial and operating policies of an enterprise 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Basis of consolidation *(Continued)*

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

Minority interests represent the interest of outside shareholders in the operating results and net assets of subsidiaries.

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) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in associated companies reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in associated companies; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) 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

For business combinations with the agreement dates before 1 January 2005:

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair values of the identifiable assets and liabilities of a subsidiary or an associated company as at the date of acquisition.

Goodwill is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. Goodwill arising on the acquisition of an associated company is included in the carrying amount of the associated company. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet.

Prior to year ended 30 June 2002, 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 and associated companies, 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 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. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Intangible assets *(Continued)*

(ii) Goodwill *(Continued)*

For business combinations with the agreement dates on or after 1 January 2005:

The Group no longer amortises goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash-generated unit to which the goodwill has been allocated exceeds its recoverable amount. If the fair value of the net assets acquired in a business combination exceeds the consideration paid, the excess is recognised immediately in the income statements as it arises.

(d) 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:

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) 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.

(f) 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.

(g) Impairment of assets

An assessment is made at each balance sheet date to determine 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 year 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/amortisation), 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 year in which it arises.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) 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.

(i) 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.

(j) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) 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.

(l) 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.

(m) 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 and associated companies 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.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payment 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) 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.

(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.

(o) Deferred taxation

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Deferred taxation *(Continued)*

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

(p) 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 the outflow is probable, it 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

(r) 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.

3. TURNOVER AND REVENUE

An analysis of the Group's turnover and revenue is as follows:

	2005	2004
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**920,324**	712,883
Other revenue		
Interest income	**516**	318
Gain on disposal of subsidiaries	**–**	259
Sundry income	**212**	324
	728	901
	921,052	713,784

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on primary segment reporting basis, by geographical segment; and (b) on 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

For the years ended 30 June 2004 and 2005, over 95% 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").

4. SEGMENT INFORMATION *(Continued)*

(b) Business segments

For the years ended 30 June 2004 and 2005, 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.

5. OPERATING PROFIT

Operating profit is arrived at after charging/(crediting):

	2005	2004
	HK$'000	*HK$'000*
Charging		
Auditors' remuneration	**673**	610
Amortisation of intangible assets#	**2,100**	2,100
Amortisation of goodwill##	**2,508**	1,259
Cost of inventories sold	**766,360**	597,196
Depreciation		
– owned fixed assets	**1,687**	1,519
– leased fixed assets	**160**	160
	1,847	1,679
Operating lease charges on land and buildings	**2,291**	1,853
Staff costs (excluding directors' emoluments – *note* 6)		
– Wages and salaries	**5,224**	3,586
– Retirement benefits scheme contributions	**90**	70
	5,314	3,656
Fixed assets written off	**–**	331
Crediting		
Gain on disposal of subsidiaries	**–**	(259)

The amortisation of intangible assets were charged to cost of sales and other operating expenses in amounts of HK$1,950,000 and HK$150,000 respectively.

The amortisation of goodwill was charged to other operating expenses.

6. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

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

	2005	2004
	HK$'000	*HK$'000*
Fees	**150**	–
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**2,600**	2,400
Retirement benefits scheme contributions	**48**	48
	2,648	2,448
	2,798	2,448

(i) Independent non-executive directors

The fees paid/payable to independent non-executive directors were as follows:

	2005	2004
	HK$'000	*HK$'000*
Mr. John Handley	**50**	–
Mr. Poon Yiu Cheung, Newman	**50**	–
Ms. Mak Yun Chu	**50**	–
	150	–

There were no other emoluments payable to the independent non-executive directors during the year (2004: HK$Nil).

6. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

(ii) Executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2005				
Mr. Lam Kwok Hing	–	845	12	857
Mr. Chu Ki	–	650	12	662
Mr. Fong Yiu Ming, Anson	–	650	12	662
Ms. Lee Choi Lin, Joecy	–	455	12	467
Ms. Chan Yuk, Foebe	–	–	–	–
Mr. Peng Zhanrong	–	–	–	–
Mr. Chiau Che Kong	–	–	–	–
	–	2,600	48	2,648
2004				
Mr. Lam Kwok Hing	–	780	12	792
Mr. Chu Ki	–	600	12	612
Mr. Fong Yiu Ming, Anson	–	600	12	612
Ms. Lee Choi Lin, Joecy	–	420	12	432
Ms. Chan Yuk, Foebe	–	–	–	–
Mr. Peng Zhanrong	–	–	–	–
Mr. Chiau Che Kong	–	–	–	–
	–	2,400	48	2,448

During the year, no emolument 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 emolument during the year.

6. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals during the year included three (2004: four) directors, details of whose emoluments are disclosed above. The details of the emoluments of the remaining two (2004: one) highest paid individuals, each of which fell within the HK$Nil to HK$1,000,000 band, are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries, bonuses, allowances and benefits in kind	**1,300**	534
Retirement benefits scheme contributions	**24**	11
	1,324	545

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

7. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**2,376**	1,742
Interest element of finance leases	**24**	24
	2,400	1,766

8. TAXATION

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

	2005 HK$'000	2004 HK$'000
Current year tax		
Hong Kong	**86**	44
Share of taxation attributable to an associated company	**3,279**	1,129
Taxation charges	**3,365**	1,173

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the assessable profit for the 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 Group operates.

According to the Income Tax Law of the Macau Special Administrative Region, Macau Complementary Tax is calculated at the rate of 15.75% (2004: 15.75%) on the estimated assessable profits for the year. However, a subsidiary operating in Macau during the year is in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiary is exempted from the Macau Complementary Tax for the year.

8. TAXATION *(Continued)*

(b) The taxation for the year can be reconciled from taxation based on Group's profit/(loss) before taxation per income statement as follows:

	2005				2004			
	Macau	**Hong Kong**	**PRC***	**Total**	Macau	Hong Kong	PRC*	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before taxation	**99,909**	**(14,774)**	**24,436**	**109,571**	75,492	(8,177)	7,527	74,842
Applicable income tax rate	**15.75%**	**17.50%**	**33.00%**		15.75%	17.50%	33.00%	
Tax at the applicable income tax rate	**15,736**	**(2,585)**	**8,064**	**21,215**	11,890	(1,431)	2,484	12,943
Tax effect of income not taxable	**–**	**(14)**	**(1,247)**	**(1,261)**	–	–	–	–
Tax effect of expenses not deductible for tax purpose	**–**	**2,445**	**365**	**2,810**	–	1,107	–	1,107
Profits exempted from the Macau Complementary tax	**(15,736)**	**–**	**–**	**(15,736)**	(11,890)	–	–	(11,890)
Tax effect of unused tax losses not recognised	**–**	**240**	**–**	**240**	–	419	–	419
Tax effect on unrecognised temporary difference	**–**	**–**	**–**	**–**	–	(51)	–	(51)
Preferential statutory tax rate offered	**–**	**–**	**(3,903)**	**(3,903)**	–	–	(1,355)	(1,355)
Taxation charges	**–**	**86**	**3,279**	**3,365**	–	44	1,129	1,173

* *Share of taxation attributable to an associated company.*

8. TAXATION *(Continued)*

(c) No provision for deferred taxation in respect of temporary differences had been made in the financial statements as the tax effect of temporary differences is immaterial to the Group and the Company.

At the balance sheet date the Group had unused tax losses of HK$11,273,000 (2004: HK$9,900,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future taxable profit streams. The tax losses are subject to approval of tax bureau and may be carried forward indefinitely.

9. 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$27,179,000 (2004: HK$48,279,000).

10. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim, paid of HK$0.005 (2004: HK$Nil) per ordinary share	**4,095**	–
Final, proposed, of HK$0.01 (2004: HK$0.01) per ordinary share	**9,890**	7,764
	13,985	7,764

11. 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$106,213,000 (2004: HK$73,669,000) and the weighted average number of 801,056,848 (2004: 727,320,548) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's net profit attributable to shareholders for the year of approximately HK$106,213,000 (2004: HK$73,669,000) and on 802,817,563 (2004: 728,144,368) ordinary shares, being the weighted average number of 801,056,848 (2004: 727,320,548) ordinary shares in issue during the year, as used in the basic earnings per share calculation plus the weighted average of 1,760,715 (2004: 823,820) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the year.

12. INTANGIBLE ASSETS

	Group		
	Distribution rights	Trademark	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 July 2004 and 30 June 2005	19,500	1,500	21,000
Accumulated amortisation			
At 1 July 2004	2,925	300	3,225
Amortisation for the year	1,950	150	2,100
At 30 June 2005	4,875	450	5,325
Net book value			
At 30 June 2005	14,625	1,050	15,675
At 30 June 2004	16,575	1,200	17,775

13. FIXED ASSETS

	Group		
	Leasehold improvements	**Furniture, office equipment and motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 July 2004	6,456	2,641	9,097
Additions	60	1,267	1,327
At 30 June 2005	6,516	3,908	10,424
Accumulated depreciation			
At 1 July 2004	1,877	825	2,702
Charge for the year	1,293	554	1,847
At 30 June 2005	3,170	1,379	4,549
Net book value			
At 30 June 2005	3,346	2,529	5,875
At 30 June 2004	4,579	1,816	6,395

At 30 June 2005 the net book value of furniture, office equipment and motor vehicles held by the Group under finance leases amounted to HK$378,000 (2004: HK$538,000).

14. CONSTRUCTION IN PROGRESS

	Group
	HK$'000
At 1 July 2004	45,988
Additions	40,917
At 30 June 2005	86,905

Included in construction in progress at 30 June 2005 is a payment of RMB8,000,000 (equivalent to approximately HK$7,547,000) made by the Group for a parcel of land located in the PRC, in respect of which the Group is currently in the process of obtaining 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.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted, at cost	**47,780**	47,780
Due from a subsidiary	**213,028**	216,833
	260,808	264,613

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

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ establishment/ and operations	Nominal value of issued ordinary share capital/ 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
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 nourishing products
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
Hurdle Limited	BVI	Ordinary US$1	100%	Investment holding
Master Oriental Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Step First Ltd.#	BVI	Ordinary US$1	100%	Trademark holding

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment/ and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held *(Continued)*				
Sui Tai & Associates Limited#	Hong Kong	Ordinary HK$10,000	100%	Provision of administrative services
Si Wan Limited#	Hong Kong	Ordinary HK$2	100%	Investment holding
Shanghai Si Fung Food Co., Ltd. #*	PRC	Registered capital US$5,100,000	100%	Logistics centre under construction
Heng Tai Finance Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of treasury services
Excel Prime Limited#	BVI	Ordinary US$10,000	55%	Not yet commenced business
Amazing Victory Limited#	BVI	Ordinary US$1	100%	Not yet commenced business

\# *These subsidiaries are not audited by RSM Nelson Wheeler.*

* *Foreign wholly-owned enterprise.*

16. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets other than goodwill	**230,684**	96,016
Goodwill on acquisition	**21,319**	23,827
	252,003	119,843
Amount due from an associated company	**119**	–
	252,122	119,843
Listed investment in an associated company	**130,185**	91,850
Unlisted investment in an associated company	**121,818**	27,993
	252,003	119,843
Market value of listed shares	**107,969**	70,224

(a) Details of the associated companies at 30 June 2005 are as follows:

Company	Place of incorporation and operation	Nominal value of issued ordinary share capital	Percentage of equity interest	Principal activities
Daqing Petroleum & Chemical Group Limited ("Daqing")*	Cayman Islands	HK$14,496,000	18.17%	Investment holding in petroleum refined product business
Senox Co., Ltd.	BVI	US$16,666,667	50%	Investment holding in logistics business

All of the above associated companies are indirectly held by the Company.

* *This company is classified as an associated company as the Company has significant influence in its board of directors.*

16. INTERESTS IN ASSOCIATED COMPANIES *(Continued)*

(b) The amount of goodwill included in interests in associated companies arising on the acquisition of an associated company is as follows:

	Group
	HK$'000
Cost	
At 1 June 2004 and 30 June 2005	25,086
Accumulated amortisation	
At 1 June 2004	1,259
Amortisation provided for the year	2,508
At 30 June 2005	3,767
Net book value	
At 30 June 2005	21,319
At 30 June 2004	23,827

17. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Packing materials, at cost	**330**	–
Finished goods, at cost	**77,743**	55,883
	78,073	55,883

None of the inventories were stated at net realisable value as at 30 June 2005 (2004: HK$Nil).

18. 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	
	2005	2004
	HK$'000	*HK$'000*
1 – 30 days	**70,582**	57,776
31 – 60 days	**28,767**	17,804
61 – 90 days	**223**	670
	99,572	76,250

19. BANK AND CASH BALANCES

At 30 June 2005, the bank and cash balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$61,580,000 (2004: approximately HK$33,234,000). 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.

20. 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	
	2005	2004
	HK$'000	*HK$'000*
1 – 30 days	**23,353**	17,020
31 – 60 days	**282**	76
61 – 90 days	**150**	–
	23,785	17,096

21. SHORT-TERM BORROWINGS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Import loans, secured *(note 25)*	**79,774**	56,645

22. LONG-TERM BORROWINGS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Bank loans, secured *(note 25)*	**108,627**	12,000
Obligations under finance leases	**317**	477
	108,944	12,477
Portion classified as current liabilities	**(7,410)**	(6,160)
Non-current portion	**101,534**	6,317

(a) At 30 June 2005, the Group's secured bank loans are repayable as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**7,250**	6,000
In the second year	**21,775**	6,000
In the third to fifth years, inclusive	**79,602**	–
	108,627	12,000

22. LONG-TERM BORROWINGS *(Continued)*

(b) At 30 June 2005 the total future minimum lease payments under finance leases and their present values are as follows:

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**184**	184	**160**	160
In the second year	**168**	184	**147**	160
In the third to fifth years, inclusive	**10**	178	**10**	157
Total minimum finance lease payments	**362**	546	**317**	477
Future finance charges	**(45)**	(69)		
Total net finance lease payables	**317**	477		
Portion classified as current liabilities	**(160)**	(160)		
Non-current portion	**157**	317		

23. SHARE CAPITAL

	Authorised ordinary shares of HK$0.01 each	
	Number of shares	*HK$'000*
At 30 June 2005 and 2004	2,000,000,000	20,000

		Issued and fully paid ordinary shares of HK$0.01 each	
	Note	*Number of shares*	*HK$'000*
At 1 July 2003		600,500,000	6,005
Issue of Bonus Shares		120,100,000	1,201
Issue of Subscribed Shares		55,750,000	558
At 30 June 2004		776,350,000	7,764
Share issued on exercise of share options	*(a)*	48,600,000	486
At 30 June 2005		824,950,000	8,250

Note:

(a) During the year, 48,600,000 share options were exercised at the subscription price on the range of HK$0.279 to HK$1.340 per share, resulting in the issue of 48,600,000 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$49,548,000. The excess of the proceeds received over the nominal value of the share issued, in the amount of approximately HK$49,062,000, was credited to the share premium account.

23. 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.

23. SHARE CAPITAL *(Continued)*

Share option scheme *(Continued)*

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.

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

Name or category of participant	Number of share options: At 1 July 2004	Granted during the year	Exercised during the year	At 30 June 2005	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$	Closing prices of Company's shares immediately before the date the options were granted/exercised HK$
Independent non-executive directors								
Mr. John Handley	600,000	–	600,000	–	30 April 2002	1 May 2002 to 30 April 2012	0.279*	0.279/1.230
Employees (in aggregate)	–	6,000,000	6,000,000	–	13 January 2005	14 January 2005 to 13 January 2015	1.340	1.260/1.410
All other eligible participants (in aggregate)	600,000	–	–	600,000	30 April 2002	1 May 2002 to 30 April 2012	0.279*	0.279
	–	12,000,000	12,000,000	–	2 September 2004	3 September 2004 to 2 September 2014	0.830	0.760/0.950
	–	6,000,000	6,000,000	–	2 September 2004	3 September 2004 to 2 September 2014	0.830	0.760/1.240
	–	12,000,000	12,000,000	–	3 November 2004	4 November 2004 to 3 November 2014	1.100	1.120/1.300
	–	12,000,000	12,000,000	–	3 November 2004	4 November 2004 to 3 November 2014	1.100	1.120/1.450
	1,200,000	48,000,000	48,600,000	600,000				

* *The number of share options and exercise prices have been adjusted to reflect the bonus share issue in previous years.*

23. 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.

No options were cancelled or lapsed during the year ended 30 June 2005.

At 30 June 2005 the Company had 600,000 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 600,000 additional ordinary shares and additional share capital of HK$6,000 and share premium of HK$161,400 (before share issue expenses).

24. 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 33 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 2005 and 2004.

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 on 3 December 2001 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.

24. RESERVES *(Continued)*

(b) Company

	Share premium account HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2003	127,602	9,008	34,223	170,833
Issue of Bonus Shares	(1,201)	–	–	(1,201)
Issue of Subscribed Shares	55,192	–	–	55,192
Share issue expenses	(1,976)	–	–	(1,976)
Net profit for the year *(note 9)*	–	–	48,279	48,279
Final dividend in respect of the previous year approved and paid	–	(9,008)	–	(9,008)
Proposed final dividend *(note 10)*	–	7,764	(7,764)	–
At 30 June 2004	179,617	7,764	74,738	262,119
Share issue on exercise of share options *(note 23(a))*	49,062	–	–	49,062
Net profit for the year *(note 9)*	–	–	27,179	27,179
Final dividend in respect of the previous year approved and paid *(note 10)*	–	(7,764)	–	(7,764)
Interim dividend paid *(note 10)*	–	–	(4,095)	(4,095)
Proposed final dividend *(note 10)*	–	9,890	(9,890)	–
At 30 June 2005	228,679	9,890	87,932	326,501

24. RESERVES *(Continued)*

(b) Company *(Continued)*

The share premium account of the Company includes: (i) the difference between the combined net asset value of the subsidiaries acquired pursuant to the group reorganisation on 3 December 2001 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.

25. BANKING FACILITIES

At 30 June 2005, 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.

26. CONTINGENT LIABILITIES

At 30 June 2005, the Group did not have any significant contingent liabilities.

At 30 June 2005, 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$188,401,000 (2004: HK$68,645,000) as at the balance sheet date.

27. COMMITMENTS

(a) Capital commitments

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

	2005	2004
	HK$'000	*HK$'000*
Contracted but not provided for		
– Construction in progress	**13,858**	18,093
– Acquisition of land use rights	**3,774**	3,774
	17,632	21,867
Commitments in respect of capital injection in an associated company	**–**	10,920

The Company did not have any significant capital commitments at 30 June 2005 (2004: HK$ Nil).

(b) Operating lease commitments

At 30 June 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,806**	1,568
In the second to fifth years, inclusive	**1,450**	2,854
	3,256	4,422

The Company did not have any operating lease commitments at 30 June 2005 (2004: HK$ Nil).

28. POST BALANCE SHEET DATE EVENTS

(a) On 22 June 2005, the Company and Daqing jointly announced that, pursuant to a placing agreement and a subscription agreement, Master Oriental Limited, a wholly-owned subsidiary of the Company, would sell 214,810,000 existing shares of Daqing (the "Daqing Placing") and subscribe for 214,810,000 new shares of Daqing (the "Daqing Subscription"), respectively. The Daqing Placing and Daqing Subscription were completed on 4 July 2005. Upon completion of the Daqing Placing and the Daqing Subscription, the total equity interest in Daqing held by the Group was diluted from 18.17% to 15.82%.

(b) On 26 July 2005, the Company announced that, pursuant to a placing agreement and a subscription agreement, Best Global Asia Limited, a shareholder of the Company, would sell 164,000,000 existing shares of the Company (the "Placing") at a price of HK$1.25 per placing share and subscribe for 164,000,000 new shares of the Company (the "Subscription") at a price of HK$1.25 per new share, respectively. The Placing and the Subscription were completed on 5 August 2005. The gross proceeds from the issue of these new shares were approximately HK$205 million.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 18 October 2005.