NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS 41	Agriculture
HKFRS 2	Share-based payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Lease

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 36, 37, 38 and 41, HK-Int 4 and HK(SIC)-Int 21 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 1 – Presentation of Financial Statements

HKAS 1 has affected the presentation of share of net after-tax results of associates and other disclosures.

(b) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost or valuation less depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated profit and loss account and retained profits. The comparatives on the condensed consolidated balance sheet for the year ended 31 March 2005 have been restated to reflect the reclassification of leasehold land.

(c) HKAS 32 and HKAS 39 – Financial Instruments

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and stated at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39.

The adoption of HKASs 32 and 39 has had no effect on the condensed consolidated profit and loss account and retained profits.

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the profit and loss account. Any subsequent revaluation surplus was credited to the profit and loss account to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the profit and loss account in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

(e) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by an external valuer using the Black-Scholes Option Pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The adoption of HKFRS 2 has had no effect on the condensed consolidated profit and loss account and retained profits as the Group's share options granted to employees after 7 November 2002 lapsed before the effective date of HKFRS 2.

1. **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)***

(f) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 April 2001 was eliminated against reserves in the year of acquisition and was not recognised in the profit and loss account until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 April 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated profit and loss account when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the profit and loss account.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 April 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained profits. Goodwill previously eliminated against consolidated reserves remains eliminated against consolidated reserves and is not recognised in the profit and loss account when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances as at 1 April 2005 of the following accounts were adjusted. The details of the opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 April 2005

Effect of new policies (Increase/(decrease))	*Notes*	**Investment property revaluation reserve Unaudited** *HK$'000*	**Retained profits Unaudited** *HK$'000*	**Total Unaudited** *HK$'000*
Opening adjustments:				
HKAS 40				
Surplus on revaluation of investment properties	*1(d)*	(186)	186	–
HKFRS 3				
Derecognition of negative goodwill	*1(f)*	–	1,827	1,827
Total effect at 1 April 2005		(186)	2,013	1,827

The following table summarises the impact on profit after tax for the six-month period ended 30 September 2005 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 40 and HKFRS 3, there is no impact on profit after tax for the period ended 30 September 2004 on the adoption of new HKFRSs.

(b) Effect on profit after tax for the six months ended 30 September 2005

		Six months ended 30 September 2005		
Effect of new policy – Increase	*Note*	**Equity holder of the parent Unaudited** *HK$'000*	**Minority interests Unaudited** *HK$'000*	**Total Unaudited** *HK$'000*
Effect on profit after tax:				
HKFRS 3				
Discontinuation of amortisation of goodwill/ recognition of negative goodwill	*1(f)*	796	–	796
Total effect for the period		796	–	796
Effect on earnings per share:				
Basic		0.20 cent		

3. **SEGMENT INFORMATION**

(a) **Geographical segments**

The following table presents revenue and profit information for the Group's geographical segments.

	Hong Kong Six months ended 30 September		Mainland China Six months ended 30 September		Eliminations Six months ended 30 September		Consolidated Six months ended 30 September	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	Unaudited	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)				(Restated)
Segment revenue:								
Sales to external customers	**551,418**	495,024	**273,801**	256,402	**–**	–	**825,219**	751,426
Intersegment sales	**1,329**	1,266	**46,436**	38,637	**(47,765)**	(39,903)	**–**	–
Other revenue	**4,599**	1,331	**728**	263	**(309)**	(286)	**5,018**	1,308
Total revenue	**557,346**	497,621	**320,965**	295,302	**(48,074)**	(40,189)	**830,237**	752,734
Segment results	**46,270**	41,374	**8,350**	17,706	**–**	–	**54,620**	59,080
Interest and dividend income and unallocated gains/(losses)							**9,512**	(8,243)
Unallocated expenses							**(3,282)**	(2,953)
Finance costs							**(7,999)**	(2,540)
Share of profits and losses of associates	**1,586**	7,246	**3,743**	2,583	**–**	–	**5,329**	9,829
Profit before tax							**58,180**	55,173
Tax							**(9,113)**	(6,993)
Profit for the period							**49,067**	48,180

(b) **Business segments**

The following table presents revenue information for the Group's business segments.

	Manufacturing and Wholesaling Six months ended 30 September		Retailing Six months ended 30 September		Others Six months ended 30 September		Consolidated Six months ended 30 September	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	Unaudited	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	Unaudited	**Unaudited**	Unaudited
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**660,107**	579,755	**77,163**	81,798	**87,949**	89,873	**825,219**	751,426

4. OTHER REVENUE AND GAINS/(LOSSES), NET

An analysis of other revenue and gains/(losses), net is as follows:

	Six months ended 30 September	
	2005	2004
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Other revenue		
Interest income	**2,333**	1,944
Net loss from currency-link deposits	**(1,280)**	(5,759)
Dividend income from listed investments	**295**	169
Rental income	**198**	64
Negative goodwill recognised as income during the period	**3,299**	61
Others	**1,549**	1,183
	6,394	(2,338)
Gains/(losses)		
Gain on disposal of investments held for trading	**247**	–
Net exchange gains/(losses) on cash and cash equivalents	**7,889**	(4,597)
	8,136	(4,597)
	14,530	(6,935)

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 September	
	2005	2004
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Depreciation of fixed assets	**11,026**	11,145
Depreciation of non-current livestock	**515**	–
Amortisation of prepaid land premiums/land lease payments	**448**	696
Amortisation of goodwill	**–**	268

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2005	2004
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Provision for the period	**8,892**	6,525
Deferred tax charge/(credit), net	**(227)**	347
	8,665	6,872
Current – Overseas	**448**	121
	9,113	6,993

The share of tax attributable to associates amounting to HK$1,033,000 (2004: tax credit of HK$282,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated profit and loss account.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of parent of HK$49,587,000 (2004: HK$41,439,000) and on the 399,565,640 (2004: 399,565,640) ordinary shares in issue during the period.

A diluted earnings per share amount for the period ended 30 September 2005 has not been disclosed as no diluting events existed during the period. No diluted earnings per share was presented for the period ended 30 September 2004 because there was no dilutive potential ordinary shares in existence during that period.

8. DIVIDENDS

	Six months ended 30 September	
	2005	2004
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Interim dividend of HK2.0 cents per ordinary share (2004: HK2.0 cents)	**7,991**	7,991

9. **TRADE RECEIVABLES**

The Group grants credit periods ranging from 30 days to 120 days to its trade customers. An aged analysis of trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	30 September 2005 Unaudited *HK$'000*	31 March 2005 Audited *HK$'000*
Current	**120,049**	107,637
1 to 2 months	**66,233**	57,326
2 to 3 months	**48,672**	54,889
Over 3 months	**90,434**	107,157
	325,388	327,009

Included in the Group's trade receivables is an aggregate amount due from the Group's associates of HK$2,657,000 (31 March 2005: HK$2,994,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

10. **TRADE PAYABLES AND ACCRUED LIABILITIES**

Included in the trade payables and accrued liabilities is a trade payables balance of HK$108,368,000 (31 March 2005: HK$107,027,000). An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2005 Unaudited *HK$'000*	31 March 2005 Audited *HK$'000*
Current	**66,259**	65,288
1 to 2 months	**22,925**	19,438
2 to 3 months	**5,019**	11,937
Over 3 months	**14,165**	10,364
	108,368	107,027

Included in trade payables are trade payables of HK$45,136,000 (31 March 2005: HK$40,398,000) due to associates, which are repayable on similar credit terms to those offered by the associates to their major customers.

11. CONTINGENT LIABILITIES

(a) At the balance sheet date, contingent liabilities not provided for the financial statements were as follows:

	30 September 2005 Unaudited *HK$'000*	31 March 2005 Audited *HK$'000*
Bank guarantees given in lieu of utility and property rental deposits	**761**	1,066
Guarantees given to banks in connection with facilities granted to associates	**23,400**	23,400
	24,161	24,466

As at 30 September 2005, the bank facilities guaranteed by the Group to associates were utilised to the extent of approximately HK$18,640,000 (31 March 2005: HK$18,720,000).

(b) The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$10,857,000 as at 30 September 2005 (31 March 2005: HK$11,060,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

12. COMMITMENTS

The Group had capital commitments as follows:

	30 September 2005 Unaudited *HK$'000*	31 March 2005 Audited *HK$'000*
Capital commitments in respect of property, plant and equipment:		
Contracted, but not provided for	**7,211**	–

13. ACQUISITION OF SUBSIDIARIES

On 4 April 2005, the Company entered into a stock purchase agreement with Ai Food Company Limited (in liquidation), as represented by the trustee, Toshiaki Higashibata, to acquire a 100% equity interest in IFSCO Hong Kong Limited and its subsidiaries (the "IFSCO Group") at a consideration of JPY541,600,000 (subject to adjustment) (the "Acquisition"). The Acquisition was completed on 15 May 2005. IFSCO Group is engaged in the operation of a Japanese restaurant in Hong Kong and in the trading of Japanese food and beverages. The purchase consideration for the Acquisition was in form of cash with JPY30,000,000 (equivalent to HK$2,164,000) paid on 4 April 2005 and the remaining JPY502,343,804 (equivalent to HK$37,115,000) being paid on 10 May 2005 and adjusted and finalised on 7 September 2005. The following summarises the effect of the acquisition of subsidiaries:

	Unaudited ***HK$'000***
Net assets acquired	
Fixed assets	**598**
Inventories	**5,930**
Prepayments, deposits and other receivables	**3,674**
Trade receivables	**13,981**
Cash and bank balances	**23,008**
Trade payables and accrued liabilities	**(4,613)**
	42,578
Negative goodwill arising on acquisition	**(3,299)**
	39,279
Satisfied by:	
Cash	**39,279**
Net cash outflow arising on acquisition:	
Cash consideration	**(39,279)**
Cash and bank balances acquired	**23,008**
	(16,271)

The results of the subsidiaries acquired during the period had no significant impact on the Group's consolidated turnover and profit after tax. The negative goodwill of HK$3,299,000 arises from a bargain purchase and is included in "Other revenue and gains/(losses), net" on the face of consolidated profit and loss account.

14. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the period:

	Notes	Six months ended 30 September 2005 Unaudited *HK$'000*	2004 Unaudited *HK$'000*
Sales of goods to associates	*(i)*	**8,716**	9,159
Purchases of goods from associates	*(i)*	**179,053**	149,696
Promotion expenses reimbursed by associates	*(ii)*	**4,809**	4,006

Notes:

(i) The cost of purchases from associates was determined by reference to the prevailing market prices. The selling prices of sales to associates were determined by reference to prices and conditions similar to those offered to other major customers of the Group.

(ii) The promotion expenses reimbursed by associates were determined by reference to the costs incurred by the Group.

(b) The Group had the following outstanding balances with related parties at the balance sheet date:

	Due from related parties		Due to related parties	
	30 September 2005 Unaudited *HK$'000*	31 March 2005 Audited *HK$'000*	**30 September 2005 Unaudited *HK$'000***	31 March 2005 Audited *HK$'000*
Associates	**2,657**	2,994	**45,136**	40,398

(c) Compensation of key management personnel of the Group

	For the Six months ended 30 September 2005 Unaudited *HK$'000*	2004 Unaudited *HK$'000*
Short term employee benefits	**791**	791
Post-employment benefits	**38**	37
Total compensation paid to key management personnel	**829**	828

15. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the presentation adopted for the current period.

16. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 December 2005.