NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to 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 2005.

2. PRINCIPAL ACCOUNTING POLICIES

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 2005, except that in the Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the New HKFRSs has resulted in changes in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the New HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

(i) Business Combination

In prior years, positive goodwill arising on or after 1 July 2001 was amortised on a straight line basis over its estimated useful life and was subject to impairment testing when there were indications of impairment. Positive goodwill which arose prior to 1 July 2001, was taken directly to capital reserves in accordance with the transitional provisions set out in the Statement of Standard Accounting Practice 30 "Business Combinations".

With effect from 1 July 2005, in accordance with HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets", the Group no longer amortises positive goodwill. Such goodwill is tested for impairment. Impairment losses are recognised when the carrying amount of the cash generating units to which the goodwill has been allocated exceeds its recoverable amount. Negative goodwill is recognised immediately in the income statement as it arises.

(ii) *Change of presentation*

In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Financial results shared by minority interests were separately presented in the consolidated income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 July 2005, in order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the ordinary shareholders of the Company, and the results shared by minority interests are presented on the face of the consolidated income statement as an allocation of the attributable profit between the minority interests and the equity holders of the Company.

(iii) *Share-based Payment*

In the Period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares, or in exchange for other assets equivalent in value to a given number of shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to eligible participants of the Company, determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. In relation to share options granted before 1 July 2005, in accordance with the relevant transitional provision, the Group has not applied HKFRS 2 to share options granted after 7 November 2002 and had vested before 1 July 2005. As at 31 December 2005, all outstanding share options of the Group were granted and vested before 1 July 2005, the application of HKFRS 2 has had no financial impact on the results of the Group for current or prior accounting periods.

3. **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.

4. **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, cold chain 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 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").

(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, beverages, household consumable products, cold chain products and fresh fruit.

5. OPERATING PROFIT

Operating profit is arrived at after charging:

	Six months ended 31 December 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Amortisation of intangible assets	**1,050**	2,309
Depreciation	**1,725**	899

6. FINANCE COSTS

	Six months ended 31 December 2005 (Unaudited) *HK$'000*	2004 (Unaudited) HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**4,561**	778
Interest element of finance leases	**12**	12
	4,573	790

7. TAXATION

	Six months ended 31 December 2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Current period tax:		
Hong Kong	**67**	33
PRC	**616**	1,572
	683	1,605

Hong Kong profits tax is provided at the rate of 17.5% (2004: 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.

8. **INTERIM DIVIDEND**

(a) The Board has resolved not to declare any interim dividend in respect of the six months ended 31 December 2005 (2004: HK0.5 cent per ordinary share).

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

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend paid in respect of the previous financial year approved during the Period, of HK$0.01 (2004: HK$0.01) per ordinary share	**9,890**	7,764

9. **EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's net profit attributable to equity holders for the Period of approximately HK$52,231,000 (2004: HK$51,680,000) and the weighted average number of 966,546,000 (2004: 784,609,000) 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 equity holders for the Period of approximately HK$52,231,000 (2004: HK$51,680,000) and on 967,015,000 (2004: 785,604,000) ordinary shares, being the weighted average number of 966,546,000 (2004: 784,609,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation plus the weighted average of 469,000 (2004: 995,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the Period.

10. 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 2005 (Unaudited)	30 June 2005 (Audited)
	HK$'000	*HK$'000*
1 – 30 days	**79,865**	70,582
31 – 60 days	**33,922**	28,767
61 – 90 days	**851**	223
	114,638	99,572

11. 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 2005 (Unaudited)	30 June 2005 (Audited)
	HK$'000	*HK$'000*
1 – 30 days	**28,016**	23,353
31 – 60 days	**727**	282
61 – 90 days	**865**	150
	29,608	23,785

12. SHARE CAPITAL

	31 December 2005 Number of shares '000	31 December 2005 Amount HK$'000	30 June 2005 Number of shares '000	30 June 2005 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each	**988,950**	**9,890**	824,950	8,250

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

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (30 June 2005: Nil). At 31 December 2005, 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$127,769,000 as at the balance sheet date (30 June 2005: HK$188,401,000).

14. COMMITMENTS

(a) *Capital commitments*

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

	31 December 2005 (Unaudited) *HK$'000*	30 June 2005 (Audited) *HK$'000*
Contracted but not provided for		
– Construction in progress	1,023	13,858
– Acquisition of land use rights	3,774	3,774
	4,797	17,632
Commitment in respect of capital injection in an associated company	17,000	–

The Company did not have any significant capital commitments at 31 December 2005 (30 June 2005: Nil).

(b) *Operating lease commitments*

At 31 December 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings as follows:

	31 December 2005 (Unaudited) *HK$'000*	30 June 2005 (Audited) *HK$'000*
Within one year	2,611	1,806
In the second to fifth years, inclusive	3,202	1,450
	5,813	3,256

The Company did not have any operating lease commitments at 31 December 2005 (30 June 2005: Nil).

15. POST BALANCE SHEET EVENTS

(a) On 26 January 2006, Fiorfie Trading Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement to acquire 70% equity interests in the entire issued share capital of Sunning State Group Limited at a consideration of HK$77 million. Full details of the acquisition agreement have been disclosed in the Company's announcement dated 26 January 2006 and the circular despatched to shareholders on 13 February 2006.

(b) On 1 March 2006, the Company announced to propose to raise approximately HK$298 million, after deducting all the relevant expenses of approximately HK$7 million, by issuing 407,180,000 offer shares on the basis of two offer shares at HK$0.75 each payable in full on application for every five shares held on the record date on 24 March 2006. Full details of the open offer have been disclosed in the Company's announcement on 1 March 2006 and the prospectus despatched to shareholders on 27 March 2006.