

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” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 31 March 2006, except in relation to the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that are adopted for the first time for the current period’s financial statements:

HKAS 21 Amendment	New Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intergroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK (IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above standards 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.

2. SEGMENT INFORMATION

(a) Geographical segments

The following table presents revenue and profit information for the Group’s geographical segments for the period ended 30 September 2006 and 2005.

	Hong Kong		Mainland China		Eliminations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
	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	588,951	551,418	296,369	273,801	–	–	885,320	825,219
Intersegment sales	2,009	1,329	50,959	46,436	(52,968)	(47,765)	–	–
Other revenue	1,346	4,599	621	728	(285)	(309)	1,682	5,018
Total	592,306	557,346	347,949	320,965	(53,253)	(48,074)	887,002	830,237
Segment results	41,863	46,270	10,410	8,350	–	–	52,273	54,620
Interest and dividend income and unallocated gains, net							20,187	9,512
Unallocated expenses							(3,054)	(3,282)
Finance costs							(14,138)	(7,999)
Share of profits and losses of associates	7,287	1,586	2,664	3,743	–	–	9,951	5,329
Profit before tax							65,219	58,180
Tax							(11,297)	(9,113)
Profit for the period							53,922	49,067

2. SEGMENT INFORMATION (continued)

(b) Business segments

The following table presents revenue information for the Group's business segments for the period ended 30 September 2006 and 2005.

	Manufacturing and wholesaling		Retailing		Others		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2006	2005	2006	2005	2006	2005	2006	2005
	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	714,619	660,107	80,747	77,163	89,954	87,949	885,320	825,219

3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of discounts and returns. An analysis of revenue, other income and gains, net is as follows:

	Six months ended 30 September	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Revenue	885,320	825,219
Other income/(loss)		
Bank interest income	6,719	2,333
Net income/(loss) from currency-link deposits	8,254	(1,280)
Dividend income from listed investments	248	295
Rental income	142	198
Excess over the cost of a business combination	—	3,299
Others	1,531	1,549
	16,894	6,394
Gains		
Gain on disposal of investments held for trading	—	247
Gain on disposal of available-for-sale investments	1,199	—
Net exchange gains on cash and cash equivalents	3,776	7,889
	4,975	8,136
	21,869	14,530

4. FINANCE COSTS

	Six months ended 30 September	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest on bank and trust receipt loans wholly repayable within five years	14,138	7,999

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation	12,249	11,026
Amortisation of non-current livestock	600	515
Amortisation of prepaid land lease payments	1,040	448
Impairment of goodwill	612	—

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Provision for the period	9,681	8,892
Current – Overseas		
Provision for the period	1,471	448
Deferred tax charge/(credit), net	145	(227)
Total tax charge for the period	11,297	9,113

The share of tax attributable to associates amounting to HK\$1,576,000 (2005: HK\$1,033,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

7. DIVIDENDS

	Six months ended 30 September	
	2006	2005
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend of HK2.0 cents (2005: HK2.0 cents) per ordinary share	<u>7,991</u>	<u>7,991</u>

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent of HK\$52,537,000 (2005: HK\$49,587,000), and on the 399,565,640 (2005: 399,565,640) ordinary shares in issue during the period.

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months, extending up to four to five months for major 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 2006	31 March 2006
	Unaudited	Audited
	HK\$'000	HK\$'000
Current	140,232	128,857
1 to 2 months	65,842	60,149
2 to 3 months	46,338	60,574
Over 3 months	83,271	107,313
	<u>335,683</u>	<u>356,893</u>

Included in trade receivables is an aggregate amount due from the Group's associates of HK\$2,529,000 (31 March 2006: HK\$2,065,000) which is 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\$150,839,000 (31 March 2006: HK\$120,246,000). An aged analysis of trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 September 2006	31 March 2006
	Unaudited	Audited
	HK\$'000	HK\$'000
Current	99,328	89,365
1 to 2 months	25,219	12,518
2 to 3 months	10,303	6,784
Over 3 months	15,989	11,579
	<u>150,839</u>	<u>120,246</u>

10. TRADE PAYABLES AND ACCRUED LIABILITIES (continued)

Included in trade payables are trade payables of HK\$47,325,000 (31 March 2006: HK\$47,295,000) due to an associate, which are repayable on similar credit terms to those offered by the associates to their major customers.

The trade payables are non-interest-bearing and are normally settled on 30 to 60-day terms.

11. CONTINGENT LIABILITIES

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

	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
Bank guarantees given in lieu of utility and property rental deposits	822	822
Guarantees given to banks in connection with facilities granted to an associate	23,400	23,400
	<u>24,222</u>	<u>24,222</u>

As at 30 September 2006, the banking facilities guaranteed by the Group to an associate were utilised to the extent of approximately HK\$16,455,000 (31 March 2006: HK\$17,429,000).

- (b) As at 30 September 2006, 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\$9,857,000 as at 30 September 2006 (31 March 2006: HK\$9,971,000). 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 in respect of property, plant and equipment as follows:

	30 September 2006 Unaudited HK\$'000	31 March 2006 Audited HK\$'000
Contracted, but not provided for	<u>—</u>	<u>8,406</u>

13. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 September	
		2006	2005
		Unaudited	Unaudited
	<i>Notes</i>	HK\$'000	HK\$'000
Purchases of goods from associates	(i)	174,506	179,053
Sales of goods to associates	(ii)	7,432	8,716
Promotion expenses reimbursed by associates	(iii)	7,047	4,809

Notes:

- (i) The cost of purchases from associates was determined by reference to the prevailing market prices.
- (ii) The selling prices of sales to associates were determined by reference to prices and conditions similar to those offered to other major customers.
- (iii) The promotion expenses reimbursed by associates were determined by reference to the costs incurred by the Group.
- (b) Other transactions with related parties:
- The Group has executed guarantees in favour of certain banks for banking facilities granted to an associate to the extent of HK\$23,400,000 (2005: HK\$23,400,000), as further detailed in note 11(a) to the condensed interim financial statements.
- (c) Outstanding balances with related parties:
- The amounts due from associates are unsecured, interest-free and repayable on demand. Details of the Group's trade balances with its associates as at the balance sheet date are disclosed in notes 9 and 10 to the condensed interim financial statements.
- (d) Compensation of key management personnel of the Group

		Six months ended 30 September	
		2006	2005
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Short term employee benefits		5,800	3,721
Pension scheme contributions		218	146
		6,018	3,867

14. POST BALANCE SHEET EVENT

On 7 September 2006, Four Seas Property Holdings Limited (the “Purchaser”), a wholly-owned subsidiary of the Company entered into the stock purchase agreement with 廣州市荔灣區人民政府國有資產監督管理局 (the “Seller”) pursuant to which, upon the fulfillment of certain conditions, the Purchaser has agreed to acquire from the Seller a 99% equity interest in Guangzhou Pan Xi Restaurant Limited (“廣州市泮溪酒家有限公司”) at an aggregate consideration of RMB38 million (equivalent to HK\$37 million) in cash, which was paid in full in September 2006 and accounted for as deposit paid. At the date of this report, the above stock purchase agreement had not yet been completed pending certain government procedural permissions.

15. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved and authorised for issue by the board of directors on 21 December 2006.