

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***31 December 2006***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 Group's audited financial statements and notes thereto for the year ended 30 June 2006.

**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 2006, except that the Group has changed certain of its accounting policies following the adoption of new and revised Hong Kong Financial Reporting Standards ("new HFRSs", which also include the relevant new HKASs and Interpretations) issued by the HKICPA effective for accounting periods commencing on or after 1 January 2006. The adoption of the new HKFRSs has no material effect on the Group's results and financial position for the current or prior accounting periods.

The Group has not early applied (i) HKAS 1 (Amendment) Capital Disclosures, (ii) HKFRS 7 Financial Instruments: Disclosure, (iii) HK(IFRIC) - INT 10 Interim Financial Reporting and Impairment and (iv) HK(IFRIC) - INT 11 HKFRS 2 - Group and Treasury Share Transactions that have been issued but yet to be effective for accounting periods beginning on or after 1 November 2006, 1 January 2007 and 1 March 2007. The Group is in the process of making assessment of the impacts of these standards that are expected to be in the period of initial application.

**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

The principal activity of the Group is the distribution of packaged food, beverages, household consumable products, cosmetics and cold chain products, 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) Primary reporting format – geographical segments

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

### (b) Secondary reporting format – business segments

During the Period and the corresponding period last year, over 90% of the Group's revenue, results, assets and liabilities were attributed to the distribution of packaged food, beverages, household consumable products, cosmetics and cold chain products.

## 5. OPERATING PROFIT

Operating profit is arrived at after charging:

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	602,189	434,894
Amortisation and depreciation	9,991	2,775
	<u>612,180</u>	<u>437,669</u>

## 6. FINANCE COSTS

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	4,420	4,561
Finance leases charges	15	12
	<u>4,435</u>	<u>4,573</u>

## 7. TAXATION

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current period tax:		
Hong Kong	85	67
Overseas	2,979	616
	<u>3,064</u>	<u>683</u>

Hong Kong Profits Tax is provided at the rate of 17.5% (2005: 17.5%) on the assessable profit for the Period.

Tax charge 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, interpretation and practices in respect thereof.

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. DIVIDEND

(a) The Board do not recommend the payment of an interim dividend for the six months ended 31 December 2006 (2005: Nil).

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

	Six months ended	
	31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year approved during the Period, of HK\$Nil (2005: HK\$0.01) per ordinary share	<u>—</u>	<u>9,890</u>

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the Group's profit for the Period attributable to equity holders of the Company of approximately HK\$73,581,000 (2005: HK\$52,231,000) and the weighted average number of ordinary shares of 1,425,130,000 (2005: 966,546,000) in issue during the Period.

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the Group's profit for the Period attributable to equity holders of the Company of approximately HK\$73,581,000 (2005: HK\$52,231,000) and the weighted average number of ordinary shares of 1,425,588,000 (2005: 967,015,000), being the weighted average number of ordinary shares of 1,425,130,000 (2005: 966,546,000) in issue during the Period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 458,000 (2005: 469,000) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet.

## 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, based on the date of recognition of the sales, is as follows:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
1 - 30 days	132,520	115,077
31 - 60 days	33,624	22,580
61 - 90 days	7,832	6,120
	<u>173,976</u>	<u>143,777</u>

## 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, based on the receipt of goods purchased, is as follows:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
1 - 30 days	36,573	34,861
31 - 60 days	1,104	245
61 - 90 days	1,931	2,072
	<u>39,608</u>	<u>37,178</u>

## 12. SHARE CAPITAL

	31 December 2006		30 June 2006	
	Number of	Amount	Number of	Amount
	shares	'000	shares	'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	2,000,000	20,000	2,000,000	20,000
<i>Issued and fully paid:</i>				
Ordinary shares of HK\$0.01 each	1,425,130	14,251	1,425,130	14,251

## 13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date (30 June 2006: Nil). At 31 December 2006, 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\$152,450,000 as at the balance sheet date (30 June 2006: HK\$149,353,000).

## 14. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Contracted but not provided for		
– Acquisition of remaining 30% equity interests in Sunning State	–	20,000
– Acquisition of remaining 50% equity interests in Senox	180,000	–
– Acquisition of open offer shares of Daqing	44,106	–
	<u>224,106</u>	<u>20,000</u>

The Company did not have any significant capital commitments at 31 December 2006 (30 June 2006: Nil).

## 15. OPERATING LEASE COMMITMENTS

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2006 (Unaudited) HK\$'000	30 June 2006 (Audited) HK\$'000
Within one year	3,331	3,078
In the second to fifth years, inclusive	1,264	2,070
	<u>4,595</u>	<u>5,148</u>

The Company did not have any significant operating lease commitments at 31 December 2006 (30 June 2006: Nil).

## 16. POST BALANCE SHEET EVENTS

- (a) On 4 November 2006, Hurdle Limited, a wholly-owned subsidiary of the Group, entered into the Sale and Purchase Agreement to acquire the remaining 50% equity interests in Senox for a consideration of HK\$211 million. The acquisition was subsequently completed in January 2007 and Senox become a wholly-owned subsidiary of the Group. The remaining balance of the consideration of HK\$180 million had been paid subsequent to the Period under review.
- (b) On 23 November 2006, Master Oriental Limited, a wholly-owned subsidiary of the Group, interested in 294,040,000 ordinary shares of Daqing at that time, had irrevocably undertaken to subscribe 147,020,000 open offer shares, on the basis of one offer share for every two existing shares held, at a subscription price of HK\$0.3 per share in the issued share capital of Daqing, at an aggregate subscription price of HK\$44,106,000. The subscription of the open offer shares was subsequently completed in January 2007.