



Future Prospects

In the coming future, the Group will continue to consolidate its leading market position in the packaged food industry by maintaining an amicable relationship with major distributors and retail chains and focus on launching new products, particularly in convenience frozen food.

For the PRC market, due to the growing demand on premium foods, the Group aims to introduce more new products to cater to the changing food culture in the PRC, as well as developing and executing comprehensive sales and marketing strategies to promote "Wah Yuen", "Rocco" and "采楓" in the PRC market. In addition, the Group will introduce its convenience frozen food products in the second half of 2003. It will also set up more specialty stores for the PRC market to embellish its brand recognition and to capture more market shares by strengthening its sales and marketing capabilities. As at the latest practicable date, the Group has already opened 21 specialty stores in Guangzhou and targeted to open over 50 specialty stores at the end of 2003.

Other than manufacturing and distributing its products in Hong Kong and the PRC, the Group is also developing the sales and distribution network in the overseas market, with its first market being Japan. The Group is under negotiation with several Japanese distributors to launch and export a series of products in Japan. Under the leadership of the highly experienced management team, the Group looks forward to solidifying its business in Hong Kong and the PRC, and creating marketing strategies to further its market expansion into Japan and other consumer markets with food lovers from around the world.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities provided by its principal bankers in Hong Kong and the PRC. As at 30 June 2003, the Group had current assets of approximately HK\$220,293,000. Current assets comprised cash and bank balances of HK\$46,339,000, trade and other receivables of HK\$114,854,000, inventories of HK\$44,685,000 and pledged bank deposits of HK\$12,268,000. Current liabilities comprised bank borrowings of HK\$100,852,000, trade and other payables of HK\$43,124,000 obligations under finance leases of HK\$5,866,000 and taxation of HK\$2,323,000.



The inventory turnover for the six months ended 30 June 2003 was 148 days compared to 130 days for the year ended 31 December 2002. The increase in inventory turnover days was primarily attributable to the rise in stock level in anticipation of the increasing demand for the Group's products in the second half of the year.

The average debtors turnover for the six months ended 30 June 2003 was 203 days, compared to 205 days for the year ended 31 December 2002. This was mainly because the Group granted a longer credit period for certain customers with long-established relationship and good past repayment histories.

Most of the revenue generated from the sale of products and payment for purchase of materials, equipment and salaries are either in HK Dollars, US Dollars and Renminbi. The Directors consider that the Group is not exposed to any significant foreign exchange risk.

USE OF PROCEEDS

The placing and initial public offer of the Company has raised net proceeds of approximately HK\$36 million after deducting related expenses. The Group did not utilize any part of new proceeds up to the date of this report. The net proceeds will be used in accordance with the plan as described in the Prospectus dated 12 June 2003.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2003, the Group had a total of 762 full-time staff. The total staff costs for the period under review were HK\$8,340,000. The Group offers a comprehensive remuneration and employees' benefits package to its employees. In addition, share options and discretionary bonuses are also granted to eligible staff based on the performance of the individual as well as the Group.