



Chairman's Statement

RESULTS

For the year ended 31 December 2002, the Group recorded a turnover of HK\$153 million (2001: HK\$193 million). The decrease in the aggregate turnover was mainly due to the cessation of the ostrich business as a result of the liquidation of its subsidiaries in South Africa in January 2002. However, the overall gross profit margin increased from 34% in 2001 to 36% in 2002 as the current year figure included higher profit margin from the wine business only. Net loss in 2002 was HK\$28 million (2001: HK\$341 million). The significantly bigger net loss in 2001 was attributable to losses from impairment in long-term investment and from liquidation of the South African subsidiaries.

BUSINESS REVIEW

Amidst the persistently weak economic environment during the year under review, the Group focused its thrust on the furtherance of the core wine business. For the year 2002, the performance of its wine business in both the PRC and Japanese markets was satisfactory, particularly in the former. Reported sales of Dong Feng Shao Xing Wine Co. ("Dong Feng") rose steadily by 5% compared with last year. This was mainly resulted from the increased spending in promotional campaigns, the commitment to the research and development of new product lines and the widened geographic presence of the Group's well-known products.

With the help of several new senior management officers at Dong Feng in 2002, a series of more dynamic market penetration and product repackaging strategies were formulated and implemented to push for more sales across the mainland. The results were encouraging and have helped to strengthen Dong Feng's foothold in the industry. The Group's wine products have gained increasing acceptance and popularity in the large consumer markets such as Shanghai and Guangdong. The growth of the Shanghai market of about 10% during the year was a particularly promising proof.

To further enhance Dong Feng's line of health wine products, Dong Feng and the Zhejiang University, after intensified research and development efforts, have successfully developed two more refined medicine wines, "Lingchi Jingdiaojiu" and "帝聚堂 Jingdiaojiu", which were granted the approval of the Chinese government. As Chinese consumers are increasingly health conscious, these wines received growing positive interests since their launch. Meanwhile, the Group intends to introduce them also in the Japanese and other Asian markets. Since these newly-developed products yielded higher gross profit margins, the Group will intensify their promotion and develop more variety.

The Group's export sales to Japan remained strong. Through its association with Suntory, one of Japan's largest wine distributors, the sales in the Japanese market has been stable despite the depressed economic condition.



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PROSPECTS

Pleased by the satisfactory results of its wine business, the Group will continue its commitment to develop quality products and new markets in the PRC's major cities as well as to expand existing markets such as Shanghai and Guangdong which still pose enormous potential for greater penetration. As its health wine products apparently appeal to Chinese consumers, the Group also plans to pursue their exposures into overseas markets with sizeable Chinese population.

FINANCIAL INFORMATION

The Group managed to stabilize its financial position and liquidity as a result of its stringent control measures. As at 31 December 2002, its gearing ratio was 0.86 (2001: 0.85) while the current ratio was 1.22 times (2001: 1.32 times).

Interest Rate and Currency Exposure

The Group has no significant exposure to risks of foreign currency and interest rate.

Use of Capital and funding

The Group has adequate capital resources for funding its on going operations and planned expansion.

Changes in Group Composition

There is no acquisition and disposal of subsidiary during the year ended 31 December 2002.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2002, the Group employed a work force of 1,080 employees, of whom 1,070 were in China and 10 were in Hong Kong. During the year, the employee cost (excluding directors' emoluments), amounted to approximately HK\$ 19.1 million. Employee remuneration is in accordance with individual's responsibility and performance. Other than the share option scheme, other fringe benefits, such as medical, MPF and subsidy are offered to most employees.

On Behalf of the Board

KWEE Cahyadi Kumala
Chairman

Hong Kong, 24 April 2003

