

17. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2002: nil).

18. COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Board of Directors (the "Board") has great pleasure in announcing the interim results of the Company and its subsidiaries (the "Group") for the half year ended 30 September 2003; these results record a profit for the period of HK\$36 million.

The profit was mainly attributable to the realization of part of the Company's investment in DF China Technology Inc. ("DFCT") together with the revaluation, to market value at 30 September 2003, of the remaining holding in that company. DFCT is listed on the Nasdaq Small Cap Stock Market and is engaged in the paper industry.

Review of Operations

Since the completion of the Scheme of Arrangement on 26 August 2002, the Board continued to dispose of non-core assets, and discontinued certain non-core and continuing loss businesses.

Due to keen competition in the edible oil manufacturing business in Shenyang, operations continued at a loss and have now been discontinued. The vending machine business was sold in June 2003 and management is currently considering discontinuing the home appliances business.

On 30 April 2003, the Company together with other shareholders of DFCT holding in aggregate in excess of 50% of DFCT's voting rights, resolved to change certain directors on that company's board and Dr. Fan Di was appointed Chairman and

Chief Executive Officer of DFCT. In June 2003, the Company disposed of part of its investment in DFCT taking advantage of favorable stock market conditions in the United States. In addition, as a result of the capitalization of amounts due by DFCT, the Company also credited the provision required in a previous year to the current income statement.

The bonded warehouse business in Futian has recorded a significant increase in turnover compared to the situation in the corresponding period. This business is now profitable and management is confident that it will make a contribution to profits for the full year. Management is optimistic of this particular business and is seeking opportunities to expand.

On 23 July 2003, the Group acquired 40% of the equity interest of Wuxi Dransfield Broadsino Beverage Co., Ltd. ("Yixing Brewery") from the Chinese shareholder for a cash consideration of HK\$2.4 million. Yixing Brewery thereafter became a wholly owned subsidiary of the Group and this transaction has been accounted for using the purchase method of accounting. As at 31 March 2003, this investment was accounted for as a jointly controlled entity. In October 2003, Management successfully negotiated with the Yixing Government to relocate the brewery operation to another location with larger useable area. Relocation is expected to be completed in late 2004. The Company is also negotiating with a large German brewery to manufacture brewery products on their behalf.

Liquidity and Financial Resources

As at 30 September 2003, the Group's cash and bank balances totalled HK\$42 million (31 March 2003: HK\$36 million), representing an increase of 17% as compared with similar balances at 31 March 2003. During the current period, the Company has invested in an investment fund, HK\$24 million, and has made a loan to a third party of HK\$10 million. Both of these investments will provide a rate of return which exceeds current bank borrowing interest rates. The operating capital of the Group (net current assets) amounted to HK\$28 million at 30 September 2003 (31 March 2003: HK\$12 million), representing an increase of 1.3 times between the two periods. Current ratio (current assets/current liabilities) was 1.3 times as at 30 September 2003 (31 March 2003: 1.2 times); this reflects that the Group's liquidity position is improving with favorable business conditions.

Borrowing Structure

During the period under review, the Company successfully obtained new bank loans on favorable terms for working capital of the Group and possible future acquisitions. The Group's total bank borrowings amounted to HK\$121 million as of 30 September 2003 (31 March 2003: HK\$77 million). The Group's gearing ratio was 39% (31 March 2003: 36%), expressed as a percentage of total bank borrowings to total assets.

Cash Flows

As a result of improving business performance, the bonded warehouse operation in Futian reported a net cash inflow from operations. Coupled with our continuing disposal of non-core operations and the acquisition of cash generating core businesses such as Shenzhen SEG Scientific Navigations Co Ltd (described below), Management expects that ongoing operations will generate a positive cash flow.

The net cash outflow from investing activities resulted from the short-term investment and loan receivable and this was net off with cash received from the part disposal of our investment in DFCT.

New Acquisition

On 5 December 2003, Victorison Logistics Services (Shenzhen) Co. Limited ("Victorison Logistics"), the wholly owned subsidiary of the Company, entered into an agreement with Shenzhen SEG Scientific Navigations Co. Ltd ("SEG Scientific") and Shenzhen SEG Co. Ltd. ("SEG Co.") whereby Victorison Logistics agreed to subscribe for 21 million shares in SEG Scientific at RMB1.35 per share for a total cash consideration of RMB28.35 million, representing 35% of the enlarged share capital of SEG Scientific, and SEG Co. agreed to subscribe for 6 million shares also at RMB1.35 per share for a cash consideration of RMB8.1 million, representing 21.14% of the enlarged share capital of SEG Scientific.

SEG Scientific is a joint stock company incorporated in the PRC on 29 June 1999 and is a manufacturer of automatic vehicle locator of global positioning systems in the PRC. It also provides global positioning system vehicle tracking and monitoring services in the Southern China region.

Pursuant to the Listing Rules of The Stock Exchange of Hong Kong Ltd, the acquisition constitutes a discloseable transaction. Details of the acquisition were published in the Company's press announcement on 8 December 2003 and will be published in a circular to be issued to shareholders shortly.

Employees and Remuneration Policies

As at 30 September 2003, the number of employees of the Group was 386. The remuneration packages of employees are maintained at competitive levels and includes monthly salaries, insurance and medical cover, mandatory provident fund and share option scheme; other employee benefits include meal and traveling allowances and discretionary bonuses.

Strategies and Prospects

As mentioned in the Management Discussion and Analysis section of the Company's last annual report, the Board continues to follow the strategy direction to restructure or discontinue the existing non-core businesses and assets of the Group, as appropriate, to expand the bonded warehouse business capacity and to roll out GPS services in the PRC. The investment in SEG Scientific is the Board's critical investment in the expansion of core businesses.

Anticipating continuing strong economic growth in the PRC, where the Group already has a foothold, and a gradual recovery of the Hong Kong economy, the Board will continue to expand the base of core businesses through co-operation, merger or acquisition of profitable investments.