

INTERIM DIVIDEND

The Board resolved that an interim dividend of 1 cent per share be payable on 21 May 2003. The shareholders' register will be closed from 12 May 2003 to 14 May 2003 (both days inclusive). In order to qualify for the interim dividend, transfer must be lodged at the company registrar, Tengis Limited, 28/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 9 May 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations and financial performance

The Group is principally engaged in the distribution of packaged food, beverages, fruits and household consumer products and food ingredients to the market of the PRC. Products distributed by the Group are sourced from overseas and sold to wholesalers in the PRC. These products are then sold to retailers, hotels and food manufacturers. The Group also operates a factory for the production of non-carbonated beverages in Tianjin, the PRC.

The turnover for the distribution business of the Group recorded an increase of 26% with total revenue grew to approximately HK\$305.7 million for the Period from approximately HK\$243.3 million for the six months ended 31 December 2001. The increase in turnover is mainly attributable to the efforts of the Group to expand its distribution business, in particular the addition of distribution business of fruit from New Zealand.

Net profit from operating activities attributable to shareholders increased to approximately HK\$24.4 million for the Period from approximately HK\$17.6 million for the six months ended 31 December 2001, representing a growth of approximately 39%. The gross profit margin has increased slightly as a result of the introduction of products of higher gross profit margin.

During the Period, the Group has strengthened its traditional distribution business by aggressively marketing its role as a platform for overseas suppliers to tap into the PRC market. The Group's efforts proved to be a success and the Group was able to substantially increase its suppliers base and range of products. The Group's business of distributing fresh fruits from overseas (especially from New Zealand) was performing in accordance with plan and the Group has gained in a foothold in the enormous PRC fruit market.

The Directors believed this performance of the Group in the Period was satisfactory as evidenced by the growth in both the turnover and profit of the Group.



Liquidity and financial resources

The Group finances its operations with internally generated cash flows and facilities granted by its bankers.

At 31 December 2002, the Group had bank borrowings of approximately HK\$47.6 million (30 June 2002: HK\$32.4 million) of which over 95% of the bank borrowings were denominated in Hong Kong dollars with maturity within one year. At 31 December 2002, the banking facilities of the Group were secured by: (i) corporate guarantees given by the Company and certain subsidiaries of the Company; and (ii) fixed deposits owned by the Group.

As a significant portion of the sales of the Group and purchases are denominated in Hong Kong dollars and US dollars, the Directors consider that the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates between Hong Kong dollars and US dollars.

At 31 December 2002, the Group had current assets of approximately HK\$188.8 million (30 June 2002: HK\$165.2 million) and current liabilities of HK\$98.5 million (30 June 2002: HK\$80.5 million). The current ratio of the Group was approximately 1.9 as at 31 December 2002. The Group had total assets of approximately HK\$221.4 million (30 June 2002: HK\$183.8 million) and total liabilities of approximately HK\$98.5 million (30 June 2002: HK\$80.5 million), representing a gearing ratio of approximately 44.5% as at 31 December 2002 as compared with approximately 43.8% as at 30 June 2002.

Outlook

Despite the outbreak of the war between the United States of America and Iraq, the Directors are optimistic that this war will not dampen the economic growth of the PRC greatly. The Group is well prepared to benefit from the continued growth of the PRC economy. Recently, the Group raised an amount of HK\$55.5 million to further the development of the Group's expansion. Details of the applications of the proceeds are detailed in the Company's announcements dated 20 February 2003 and 24 February 2003. In particular, the establishment of the Group's head office, logistics centre and packing facilities in Shanghai will greatly enhance our ability to serve our customers and suppliers. The Directors are confident that the Group will perform satisfactorily in the coming years.