

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2004 (the “Period”), the Group has sustained continuous growth in turnover and net profit attributable to shareholders. The retail and consumer markets in the PRC continued to be the market place where the Group secured its business and growth. The strong demand driven forces in the PRC consumer market has enabled the Group to realise its growth momentum through its well-established global sourcing network, extensive sales network and management experience and expertise.

Turnover for the Period was HK\$434.5 million, representing an increase of 30% compared to HK\$333.2 million in the same period last year. The increase in turnover was mainly attributable to the increased sales quantity from existing and new products sold to the established distribution network and expanding network mainly covering certain second tier cities in the Eastern and Northern parts of the PRC.

Gross profit margin remained fairly stable at approximately 16% during the Period under review. The Group will carry on continual refinement of product mix to maintain an overall stable gross profit margin for its core distribution business.

Net profit attributable to shareholders increased to HK\$51.7 million, representing an increase of 49% compared to HK\$34.6 million in the same period last year. Increase in net profit after tax of HK\$7.2 million was attributable to the share of half year’s net profit of Daqing Petroleum & Chemical Group Limited (“Daqing”), which is a public company listed on the Stock Exchange and became an associated company of the Group on 11 January 2004. Increase in the net profit of HK\$9.9 million was attributable to the growth in the Group’s core distribution business.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The Group is principally engaged in the distribution of fast moving consumable goods and fresh fruit. The products distributed by the Group included packaged food, rice and beverages, household consumable products and fresh fruit with their respective contribution of approximately 61%, 8%, 7% and 24% to the Group’s turnover for the Period under review.

The Group’s products were mainly sourced from the Southeast Asia, the United States of America, Europe, Australia and New Zealand and sold to wholesalers, retailers and on-premise customers in the PRC. Wholesalers are still the main customer category, which accounted for approximately 82% of the Group’s turnover for the Period and the Group has been expanding its customer base in retailer and on-premise sectors.