

domestic consumer market and uplift the Group's overall gross profit margin with their higher margin contribution relative to the Group's existing products distributed in the PRC market. Within an apposite timeframe after commencement of the trading, the Group plans to seek for suitable OEM suppliers to launch such products in accordance with the Group's specifications and under the Group's own brand name to further tap on domestic business opportunity.

In February 2005, the Group signed a memorandum of understanding ("February MOU") with New Zealand Government & Enterprise. Pursuant to the February MOU, the Group would be appointed by this official trade-endorsed bureau to bring New Zealand products into the full view of the PRC consumer market through a carefully planned and ongoing promotional campaign. Through such campaign, small and medium sized New Zealand suppliers would be offered opportunities to launch their quality and premium products into the PRC consumer market on a government-funded promotional campaign. The campaign will aim at producing a notable increase in the volume of consumer food and beverage products from New Zealand suppliers through the Group's management expertise and well-established sales network.

In the years ahead, we will continue to reinforce our core distribution business while compounding our growth through our investments in the logistics business. The Group will consistently pursue its mission to become a leading integrated provider of distribution, logistics services and brand building in the fast moving consumable goods and cold-chain products industry and to continuously create shareholder value.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position throughout the Period under review. The Group financed its operations and business development with internally generated resources, equity funding and banking facilities provided by its principal bankers in Hong Kong. During the Period under review, the Company raised funds from the issuance of capital through exercise of share options by option holders totaling approximately HK\$28 million.

At 31 December 2004, the Group had interest-bearing bank borrowings of approximately HK\$77.3 million (30 June 2004: HK\$68.6 million) of which over 90% and approximately 83% of the bank borrowings were denominated in Hong Kong dollars and mature within one year respectively. All of the Group's banking borrowings were floating-interest bearing and secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of sales and purchases of the Group were either denominated in Hong Kong or US dollars. The Directors consider that the operations of the Group are not exposed to any significant foreign exchange risk in view of the stability of the exchange rates between Hong Kong and US dollars. The Group did not have any hedging instrument outstanding as at 31 December 2004.

At 31 December 2004, the Group's current assets amounted to approximately HK\$255.4 million (30 June 2004: HK\$221.5 million) and the Group's current liabilities amounted to approximately HK\$99.2 million (30 June 2004: HK\$91.3 million). The Group's current ratio remained to stay at a sound level at approximately 2.6 as at 31 December 2004 (30 June 2004: 2.4). At 31 December 2004, the Group had total assets of approximately HK\$498.6 million (30 June 2004: HK\$411.6 million) and total liabilities of approximately HK\$112.4 million (30 June 2004: HK\$97.6 million) with a gearing ratio of approximately 15.5% (30 June 2004: 16.7%). The gearing ratio was expressed as a ratio of bank borrowings to total assets. The decrease in gearing ratio was mainly attributable to the net increase in total assets as a result of the proceeds received from the exercise of share options.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2004, the Group had 96 staff for its operations in Hong Kong, Macau and the PRC. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a defined Mandatory Provident Fund Scheme for its staff in Hong Kong and a retirement benefit scheme for its staff in the PRC. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. At the date of this interim report, a total of 6,600,000 share options remain unexercised.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests and short positions in equity or debt securities

At 31 December 2004, the interests and short positions of the Directors, the chief executive of the Company and their respective associates in shares, underlying shares (in respect of equity derivatives) and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as