

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December 2005 (2004: HK0.5 cent) per ordinary share.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the Period, the Group has sustained continuous growth in turnover and continuous refinement to its business model. The retail and consumer markets in the PRC continued to be the major 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 approximately HK\$526.8 million, representing an increase of approximately 21.2% compared to HK\$434.5 million in the same period last year. The increase in turnover was mainly attributable to the increased sales quantity achieved through clientele expansion, product enrichment and product diversification.

Gross profit margin increased from 16.2% to 17.1% when compared with the same period last year. Such increase in the overall profit margin was mainly attributable to the Group's continual refinement of product mix. Nourishing and branded products, frozen meat and seafood and fresh fruit with higher profit margins had been successfully launched to or reinforced in the consumer markets in accordance with our management plans to implement product enrichment and diversification during the Period under review.

Selling and distribution expenses recorded approximately 54.3% increase or increased from approximately 4.0% to 5.1% of the turnover when compared with the same period last year. Such increase was mainly attributable to the increase in marketing and promotion campaigns, headcounts for sales force and miscellaneous selling expenses with extra outlay for strengthening market awareness of nourishing, branded and cold chain products and the geographical presence for PRC sales network with establishment of liaison offices in Dalian, Harbin, Mudanjiang and Chengdu in the PRC during the Period under review.

Administrative expenses recorded approximately 80.0% increase when compared with the same period last year. Such increase was mainly attributable to expansion of the Group's existing distribution operations in the PRC, the newly established operations for nourishing products and exclusively licensed products in Hong Kong and the administration costs incurred for our newly established procurement office in Australia and our Shanghai logistics centre since its commencement of operations in the second half of Year 2005.

Finance costs increased from approximately HK\$0.8 million to HK\$4.6 million during the Period. The increase was mainly attributable to the interest expenses incurred for a three-year term loan facility of HK\$78 million drawn down in June 2005.

During the Period under review, the Group recorded share of results of associated companies of approximately HK\$3 million, which consisted of the share of net profit of approximately HK\$5 million from Daqing Petroleum & Chemical Group Limited ("Daqing"), a public company listed on the Stock Exchange with 15.82% equity interest owned by the Group and the share of net loss of approximately HK\$2 million from Zhongshan fresh produce logistic centre with 50% equity interest owned by the Group. Share of net profit of approximately HK\$5 million from Daqing had been arrived at after our share of approximately HK\$1 million loss during the Period for the retrospective effect on expensing land cost previously stated at revaluation following the implementation of HKAS 17. The net loss of approximately HK\$2 million from Zhongshan fresh produce logistic centre represented our share in its pre-startup operating expenses.

Profit from operating activities increased to approximately HK\$53.7 million, representing an increase of approximately 18.7% compared to HK\$45.3 million in the same period last year. Though the Group managed an admirable growth in turnover and profit from operating activities, such increase was levelled off by the increase in finance costs and decrease in share of results of associated companies during the Period. Net profit attributable to shareholders only increased to HK\$52.2 million, representing an increase of approximately 1.1% compared to HK\$51.7 million in the same period last year.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The Group is principally engaged in investment holding, distribution of fast moving consumable goods, cold chain products and fresh fruit. The products distributed by the Group included packaged food, beverages, household consumable products, nourishing products, frozen meat and seafood and fresh fruit with their respective contribution of approximately 55%, 7%, 8%, 2%, 4% and 24% to the Group's turnover for the Period under review.