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.

The Group's products are 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 account for approximately 76% of the Group's turnover for the Period and the Group has been expanding its customer base in retailer and on-premise sectors.

During the Period under review, the Group has consistently performed as a fast growing one-stop services platform provider conducting distribution, brand-building and value-added functions for the fast moving consumable goods, cold chain products and fresh produce industry. In addition to strengthening its core distribution business, the Group is also expanding its business through development of logistics business in the PRC.

The logistics, processing and repackaging plant in Shanghai of the PRC has commenced its operations in October 2005. The Shanghai logistics plant is equipped with stringent hygiene and temperature-controlled HACCP cold-chain standard facilities and its own refrigerated truck fleet to facilitate its distribution functions for a wide variety of imported frozen and chilled meat, seafood and dairy products to the PRC wholesale, retail, hotel and restaurant customers. Besides, the logistics plant also serves as the Group's headquarters in the PRC. During the Period under review, sales from distribution of cold chain products represented approximately 4% of the Group's turnover through the establishment and utilization of the cold-chain facilities in Shanghai logistics infrastructure. In addition, the Group is negotiating with certain foreign and domestic retails groups and chain stores to provide third-party logistics solutions for their imported cold chain products to be sold at the PRC market. The provision of the third-party logistics services will enable the Group to tap on another revenue stream by uplifting the utilization of Shanghai's cold chain facilities in its early operation stage before reaching its full capacity within three years' timeframe in the run-up to the 2008 Beijing Olympics.

The Group's investment in Zhongshan logistics centre is another important step among its expansion plan in logistics business in the PRC. Zhongshan logistics centre is principally engaged in the provision of various logistic services in fresh produce such as packaging, grading, export certification systems, marketing and distribution and will become the first mover to operate a nation-wide network of cold-chain distribution and logistics platform for fresh produce in the PRC. Zhongshan logistics centre is equipped with stringent hygiene and temperature-controlled HACCP cold-chain standard facilities and is scheduled to commence its operations in the first half of Year 2006. To maximize the return from the investment in the infrastructure of Zhongshan logistics centre, in addition to the provision of third party logistics services in fresh produce, Zhongshan logistics centre will also take up a trading function itself. The trading function will operate from the upper stream of the vertical operation model by performing sourcing function itself, through processing, grading and packaging in the logistics centre and reaching the lower stream by distributing to the sales outlets in supermarkets and chain-stores in the PRC. To support the sourcing function, Senox Group, being the holding company and its subsidiaries beneficially own Zhongshan logistics centre, entered into a sole and distribution agreement to secure the exclusive quality supply from certain collaborative growers of Thai fresh fruit for a five-year term and a acquisition agreement to acquire 60% of Nature Intuition Group. Nature Intuition Group is principally engaged in the cultivation, sales and export of fresh produce in Guangdong province of the PRC. By acquiring Nature Intuition Group, Senox Group is able to participate in the upper stream of the vertical operation and accordingly ensure a steady supply of a wide-variety of quality-assured fresh produce and an unbroken flow of fresh produce from cultivation to ultimate sales outlets and more importantly, a maximization of profitability in its fresh produce operations.

On 25 July 2005, the Company entered into a top-up placing and subscription agreement for the placing of 164,000,000 new ordinary shares of the Company to independent placees at an issued price of HK$1.25 per share. The net proceeds from the top-up placing and subscription were approximately HK$202 million, after deducting the relevant expenses of approximately HK$3 million. The net proceeds were intended to be used as to (i) approximately HK$50 million for acquisition of additional 20% equity interests in Zhongshan logistic centre; (ii) approximately HK$15 million for enhancement in operating equipment of Shanghai logistic plant; (iii) approximately HK$15 million for establishment of packaging plant for nourishing products in Hong Kong; (iv) approximately HK$15 million for development of brand name used for the Group's product; (v) approximately HK$10 million for expansion of the PRC sales network; (vi) approximately HK$10 million for expansion of overseas procurement network; and (vii) the balance of approximately HK$87 million for general working capital for the Group.

On 9 December 2005, to cope with the business development of Zhongshan logistics centre, the shareholders of Zhongshan logistics centre agreed to increase their total investment from HK$130 million to HK$310 million. The Group, being a 50% shareholder would make an additional pro rata capital contribution of HK$90 million to its investment in the associated company. The additional capital contribution would be used as to (i) HK$25 million to secure the sole and distribution rights for the exclusive quality supply from certain collaborative growers of Thai fresh fruit for a five-year term; (ii) HK$55 million to acquire 60% equity interest in Nature Intuition Group; and (iii) HK$100 million as additional working capital of Senox Group to support its enlarged operations. In view of such additional funding required for Zhongshan logistic centre and no agreement that could be reached in relation to the acquisition of further 20% equity interests by the Group with other shareholders of Zhongshan logistic centre, the Group decided not to proceed further the negotiation and to change to the use of the proceeds of HK$50 million originally intended for such acquisition from the top-up placing and subscription on 25 July 2005 to be applied to such capital contribution. Details of the additional capital contribution have been set out in the announcement made by the Company on 9 December 2005.

On 26 January 2006, the Group entered into the acquisition agreement to acquire 70% equity interest of Sunning State Group Limited and its subsidiaries ("Sunning Group") at a consideration of HK$77 million. Sunning Group is principally engaged in the wholesaling and distribution of overseas and domestic brand name cosmetics and skincare products in the PRC. In view of the ample potentials of cosmetics, skincare and toiletries products in the PRC steadily growing market, the acquisition offered the Group an excellent business opportunity to further diversify its product lines whilst at the same time allowed the Group to extend its existing distribution network in the PRC. The addition of new product lines and new distribution network will have a synergic effect to the Group's existing product lines and distribution network for enhanced economy of scales and efficiency when both the new and existing product lines are channelled for distribution in the integrated and extended distribution network of the Group.

In addition to the two strategically located logistics centres in the eastern and southern regions of the PRC, the Group has been looking for suitable business opportunities in the north-eastern region of the PRC to further expand and complement its distribution network in the PRC. On 24 February 2006, the Group entered into a non-binding memorandum of understanding with a leading logistics and storage company in Dalian of the PRC, pursuant to which both parties intended to establish a fresh produce logistic centre in Dalian to provide the Group with various logistic services for the imports and distribution of fresh produce in the north-east region of the PRC. The estimated investment cost in Dalian logistic centre by the Group was approximately HK$160 million. The establishment of the logistic centre in Dalian would significantly raise the Group's processing capacity and complement its distribution network of imported fresh produce in the PRC together with the two logistic centres in Shanghai and Zhongshan of the PRC.

On 25 February 2006, the Group also entered into a non-binding memorandum of understanding with a leading logistics and transport company operating in the Far East region with the intention of securing a strategic partner with an established, experienced and licensed logistics and transportation services business in the Far East Region and in the PRC to further cater for the expanded logistics and distribution operation of the Group. The estimated investment cost in such logistic and transportation services business was approximately HK$70 million and such investment would enable the Group to provide self owned logistic and transportation services to its existing and expanding sales network in the PRC in a more efficient and effective way.

On 1 March 2006, the Company announced to propose to raise approximately HK$298 million, after deducting all the relevant expenses of approximately HK$7 million, by issuing 407,180,000 offer shares on the basis of two offer shares at HK$0.75 each payable in full on application for every five shares held on the record date on 24 March 2006. The estimated net proceeds of the open offer of approximately HK$298 million was intended to be used as to (i) approximately HK$160 million for the establishment of a fresh produce logistic centre in Dalian of the PRC; (ii) approximately HK$70 million for the acquisition of a logistics and transport company operating in the Far East region; and (iii) the remaining balance of approximately HK$68 million as working capital of the Group. Details of the open offer have been set out in the announcement made by the Company on 1 March 2006 and in the prospectus despatched to shareholders on 27 March 2006.

In the years ahead, the Group will continue to enhance its business model and consistently pursue its mission to become a leading integrated provider of distribution, logistic services and brand building in the fast moving consumable goods and cold-chain products industry.

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.

At 25 July 2005, the Company entered into a top-up placing and subscription agreement for the placing of 164,000,000 new ordinary shares of the Company to independent placees at a subscription price of HK$1.25 per share. The net proceeds of approximately HK$202 million would provide an enlarged shareholder base with additional resources to the Group's development.