

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.

At 31 December 2005, the Group had interest-bearing bank borrowings of approximately HK\$127.8 million (30 June 2005: HK\$188.4 million) of which over 90% of the bank borrowings were denominated in Hong Kong dollars and approximately 28% 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 significant hedging instrument outstanding as at 31 December 2005.

At 31 December 2005, the Group's current assets amounted to approximately HK\$399.8 million (30 June 2005: HK\$355.7 million) and the Group's current liabilities amounted to approximately HK\$73.4 million (30 June 2005: HK\$122.1 million). The Group's current ratio has significantly improved to approximately 5.4 as at 31 December 2005 (30 June 2005: 2.9). At 31 December 2005, the Group had total assets of approximately HK\$892.4 million (30 June 2005: HK\$716.4 million) and total liabilities of approximately HK\$166.0 million (30 June 2005: HK\$223.7 million) with a gearing ratio of approximately 14.3% (30 June 2005: 26.3%). The gearing ratio was expressed as a ratio of bank borrowings to total assets. The improvement in current ratio and gearing ratio was mainly attributable to the continued growth in current and total assets with cash generated from operations, equity fund raising and the repayment of short-term bank borrowings during the Period.

### **NUMBER AND REMUNERATION OF EMPLOYEES**

At 31 December 2005, the Group had 172 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. As at 31 December 2005, a total of 600,000 share options remain unexercised.