

Dear Shareholders,

OPERATING RESULTS

The profit from operating activities for the year under review was HK\$51.9 million compared to HK\$27.3 million for the previous year. Net profit attributable to shareholders for the year ended 31 December 2000 was HK\$20.4 million, as compared to a net loss attributable to shareholders of HK\$24.9 million for 1999.

Basic earnings per share for 2000 was 4.98 cents (1999: loss of 6.09 cents)

DIVIDEND

No interim dividend was paid (1999: Nil) and your directors do not recommend the payment of any final dividend for the year under review (1999: Nil).

REVIEW OF OPERATIONS

Edible Oil

2000 was a challenging year for the edible oil industry both in Hong Kong and in the PRC. Despite a reported economic recovery by the Government in Hong Kong, household expenditure has not yet rebounded as a result. On the other hand, fierce competition backed by price driven strategies has continued throughout the year in the PRC market.

Against the above business environment, our edible oil business in Hong Kong has performed steadily and our brand management strategy in China has begun to positively impact on our China operations.

During the year, our Lion & Globe brand was awarded the Top Ten Brandname of consumer products in Hong Kong by The Chinese Manufacturers' Association of Hong Kong.



Return to Core Business

We have completed implementation of our plan to focus on our core business when Maria's bakery, together with two PRC properties, were sold to the controlling shareholder in July 2000.



Working Capital

We have continued to improve our management of working capital. As at the balance sheet date of 31 December 2000, our net current assets was HK\$25 million, as compared to net current liabilities of HK\$127 million in 1999.



In accordance with the rescheduling agreement with our 13 bank creditors, the amount of HK\$190 million due to 6 banks have been fully repaid by March 2001. The remaining 7 banks, namely the Standard Chartered Bank, HSBC, the Hang Seng Bank, the Bank of East Asia, the ABN-AMRO Bank, the Bayerische Hypo- und Vereinsbank AG and the Dai-ichi Kangyo Bank, will remain our core relationship banks and will provide us with facilities to meet our working capital needs. Up to March 2001, repayments totalling HK\$83 million have been made to these core banks.

During the year under review, we have improved our indebtedness risk profile by increasing the matching of RMB assets with RMB liabilities and increasing the portion of long term loans. The percentage of long term indebtedness to total indebtedness as at 31 December 2000 was 45%, as compared to 22% as at 31 December 1999.



Stock

Inventory was reduced from HK\$245 million as at 31 December 1998 to HK\$125 million on 31 December 1999 and then to HK\$79 million on 31 December 2000.

We will continue to manage our business at an optimal level of inventory.

Spin-off

Subsequent to the shareholders' approval on 30 June 2000, we have submitted the necessary application to the Hong Kong Stock Exchange to spin-off our PRC operation (to be known as Hop Kin Holdings Limited) and list it on Growth Enterprise Market ("GEM").

To prepare for this spin-off, a refinancing agreement has been reached with our 7 core banks through which the Standard Chartered Bank, HSBC, the Hang Seng Bank and the Bank of East Asia will provide for a transfer of a total facility of HK\$60 million to Hop Kin Holdings Limited to meet its working capital needs.

In accordance with the prevailing rules and regulations, our application to spin-off also requires China CSRC's written confirmation that its approval is not required. In the meantime, the stock market in Hong Kong, in particular the GEM, has taken a drastic downturn. We are of the view that worthwhile strategic benefits will result from the spin-off of Hop Kin Holdings Limited. Therefore, we will continue to pursue the spin-off at an appropriate time.



OUTLOOK

In the longer term, there is a huge growth market in China for edible oils, especially in branded product form. When China joins the WTO, market transparency and efficiency should improve, thus leading to a better business environment for the industry as a whole.

During the current transition period, we will focus on our brand and risk management strategies and position ourselves in the best possible light for any future opportunities presented by the market. Your Board looks ahead with full confidence in this regard.

MANAGEMENT AND STAFF

We thank all members of our management team and staff for their continued hard work and commitment during the year under review.

Hung Hak Hip

Chairman

19 April 2001