

The directors herein present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending and distribution of edible oils and ancillary activities.

Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 25 to 55.

The directors do not recommend the payment of any dividend for the year.

Comparative financial information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 56.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 13 to the financial statements.

Associates and jointly controlled entity

Details of the Group's interests in its associates and jointly controlled entity are set out in notes 14 and 15 to the financial statements, respectively.

Share capital and reserves

Shareholders' funds of the Group at the year end date were HK\$559 million, an increase of 3.8% over 1999. The increase was mainly attributable to the profit for the year.

Details of the Company's share capital are set out in note 25 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

Borrowings

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 20, 21 and 22 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Hung Hak Hip* (*Chairman*)

Liu Chi Keung, Ricky (*Vice-Chairman & CEO*)

Wong Yu Hong, Philip**

Sze Tsai To, Robert** (appointed on 1 June 2000)

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Han Kin Yee

Chan Sai On, David

Wong Kwok Ying (appointed on 10 January 2000)

Chan Kwok Yuen, Joseph (resigned on 1 January 2000)

* *Non-executive director*

** *Independent non-executive director*

All directors, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. At the forthcoming annual general meeting, Messrs. Hung Hak Hip, Sze Tsai To, Robert, Han Kin Yee and Ms. Hung Chiu Yee will retire and, being eligible, will offer themselves for re-election.

Directors and senior executives

(a) Non-executive directors

Hung Hak Hip, aged 56, Chairman, is a chartered accountant and worked in the Hong Kong securities industry before joining the Group in 1975. Mr. Hung is the brother of Ms. Hung Chiu Yee, a non-executive director of the Group. As disclosed under “Directors’ interests in shares and warrants”, an associate of Mr. Hung is a discretionary beneficiary of a discretionary trust which beneficially owns shares in the Company.

Dr The Hon Wong Yu Hong, Philip, JD, Ph D, aged 62, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organisations, including deputy of the National People’s Congress, member of The People’s Republic of China Hong Kong SAR Legislative Council, vice-chairman of the Chinese General Chamber of Commerce, board member of the Hong Kong Trade Development Council.

Sze Tsai To, Robert, aged 60, appointed a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies and is also a member of the Shanghai Committee of the Chinese People’s Political Consultative Conference.

Cheung Wing Yui, Edward, aged 51, appointed a director of the Group in 1989, has been a partner of Woo, Kwan, Lee & Lo, solicitors, since 1981. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of the Australian Society of Certified Practising Accountants.

Hung Chiu Yee, aged 60, appointed a director of the Group in 1988, holds a bachelor of Science degree and was a former senior executive of the Group. She has business interests in cosmetics and trading. Ms. Hung is the sister of Mr. Hung Hak Hip.

Lee Pak Wing, aged 55, holds a master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-Chairman of the Group.



Executive directors at meeting : Mr. Wong Kwok Ying, Mr. Liu Chi Keung, Ricky, Mr. Han Kin Yee, Mr. Chan Sai On, David (from left to right)

(b) Executive directors

Liu Chi Keung, Ricky, aged 52, Vice-Chairman & CEO, B. Comm; Master in Finance; F.I.M. He has over 27 years' senior management experience, the last 18 years of which were at the directorate level of international corporates and a locally listed company, carrying significant bottom-line responsibilities covering Greater China and South East Asia. He joined the Group on 8 March 1999 and was appointed to the board as the Executive Vice-Chairman on 23 March 1999.

Han Kin Yee, aged 54, Group Corporate Finance Director, is a chartered accountant with working experience in England, Canada and Hong Kong. Prior to joining the Group in 1992, he was a partner of KPMG and he also held a number of senior positions with corporations in Canada.

Chan Sai On, David, aged 46, is the Managing Director of the Group's operating subsidiaries in the People's Republic of China (the "PRC"). He holds a diploma in marketing from the Hong Kong Polytechnic University and has over 20 years' experience in the marketing of consumer products. He joined the Group in 1985 and was appointed a director on 1 January 1997.

Wong Kwok Ying, aged 41, is the Company Secretary and was appointed a director of the Company on 10 January 2000. Mr. Wong is a certified public accountant in Hong Kong and has over 20 years' experience in finance, accounting and audit. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

(c) Senior executives



Lam Fung Ming, Tammy, aged 37, is responsible for the manufacturing, quality assurance and product development functions of the Group. She holds a bachelor of Science degree in Food Science and Technology and a higher diploma in Chemical Technology from the Hong Kong Polytechnic University. She also has over 10 years' experience in oil and food industry. She joined the Group in 1990.



Chan Yuet Miu, aged 46, is principally responsible for treasury and accounting functions of the Group's operations in the PRC. Ms. Chan is a Fellow of the Hong Kong Society of Accountants and a Fellow of the Chartered Association of Certified Accountants. She has over 20 years' experience in finance and accounting positions and has worked in Hong Kong and Canada. Prior to joining the Group in July 1999, she held senior finance positions with publicly listed groups which were engaged in construction, engineering, publishing and electronics activities.



Wan Kam Shing, aged 52, is the general manager for the Group's sales activities in China South Region. He has managerial experience in cold storage, food service sales and sales of fast moving consumer goods gained in Hong Kong and the PRC. Mr. Wan joined the Group in 1998.



Mok Sui Yin, aged 45, is the general manager for the Group's sales activities in China Central Region. He graduated with an economics degree from Guangzhou Broadcast & TV University in 1987. Since then, he has held a number of managerial positions with organizations in the food industry in the PRC. He has been closely involved in the development of the bottling and marketing joint venture in Guangzhou since 1988.



Lian Bai Xiang, aged 52, is the deputy general manager for the Group's sales activities in China East Region. He had held various managerial positions with PRC entities for over 20 years. He was previously the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

(c) Senior executives (continued)



Yan Chong Yu, aged 36, is the deputy general manager for the Group's sales activities in China East Region. He holds a bachelor degree in Food Engineering from the Shanghai Fishiers University. He has over 13 years' managerial experience in quality control and production. Mr. Yan joined the Group in 2001.



Wu Ping Hu, aged 35, is the deputy general manager for the Group's sales activities in China South Region. He holds an engineering bachelor degree from the Zhejiang University in Internal Combustion Engineering and a post-graduate certificate in Management Science & Technology from the South China Technology University. He has had over 11 years' managerial experience with foreign owned manufacturing companies and international organizations engaged in the marketing and distribution of food products in China. Mr. Wu joined the Group in 2001.



Gao Feng, aged 36, is the deputy general manager for the Group's sales activities in China Central Region. He holds a bachelor degree in Finance from the Nanjing Jin Ling Vocational University. He has had about 15 years' managerial experience and has held senior positions including that of Deputy Director in the Finance Department of Nanjing City Government. Mr. Gao joined the Group in 2001.



Xiao Min, aged 36, is the operations manager of the Group in the PRC. He holds a bachelor degree in Chemistry and a master degree in Analysis Chemistry from the Wuhan University and then obtained his doctorate in Chemistry from Zhongshan University. His 13 years' working experience included teaching in Wuhan University, acting as Visiting Scholar at the Hong Kong Polytechnic University and serving with organisations in the food industry in the PRC. Dr. Xiao joined the Group in 2001.



Huang Shou Wen, aged 33, is the marketing manager of the Group in the PRC. He holds a graduate diploma in Commerce & Business Management from the Guangzhou Financial Management Institute. He has had about 12 years' managerial experience in marketing and sales in fast moving consumer goods and food products, covering various regions and areas in China. Mr. Huang joined the Group in 2001.

Directors' interests in contracts

Other than transactions disclosed under the heading "Connected transactions", none of the directors had a significant interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

Directors' service contracts

None of the directors proposed for re-election at the forthcoming annual general meeting was a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' interests in shares and warrants

The interests of the directors in the issued shares and warrants of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance as at 31 December 2000 were as follows:

A. Interests in shares

	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	3,601,607	896,645	–	3,227,420*
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	398,000	–	–	–
Hung Chiu Yee	772,673	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

* 3,227,420 shares were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

Other than nominee shares in certain subsidiaries held by certain directors in trust for the Company or the immediate holding company of those subsidiaries, none of the directors held an equity interest in any of the Company's subsidiaries.

B. Interests in warrants

	Number of warrants			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	686,038	170,793	–	631,562**
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	147,179	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

** 631,562 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

Details of the warrants are set out in note 25 to the financial statements.

Directors' rights to acquire shares

At the balance sheet date, certain directors held share options granted to them under the Share Option Scheme of the Company entitling them to subscribe for shares of HK\$0.10 each in the Company upon exercise of their subscription rights as follows:

	Number of shares constituting the share options	Exercisable period (both dates inclusive)	Exercisable price per share
Hung Hak Hip	4,752,105	17 November 2000 to 16 November 2010	HK\$0.1834
Liu Chi Keung, Ricky	4,091,130	17 November 2000 to 16 November 2010	HK\$0.1834
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	HK\$0.2112
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	HK\$0.1834
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	HK\$0.1834
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	HK\$0.1834
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	HK\$0.1834
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	HK\$0.1834

All the above share options were granted pursuant to a board resolution on 17 November 2000.

Details of the movements during the year in share options granted by the Company are set out in note 25 to the financial statements.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

At 31 December 2000, the interests of those persons (other than the directors) in the share capital of the Company as recorded in the register kept under Section 16 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of shareholder	Number of shares of HK\$0.10 each
Hung's (1985) Limited ("Hung's")	117,136,083
Hop Hing Oil (1985) Limited ("HHO")	155,392,698
GZ Trust Corporation ("GZTC")	272,528,781

The shares disclosed under the name of GZTC include GZTC's deemed interest in the shares held by Hung's and HHO.

Connected transactions

- (i) During the year, the Group disposed of two properties in Shenzhen, the PRC to associates of the Group's controlling shareholder for RMB2,149,600 (equivalent to approximately HK\$2,012,000) and RMB2,946,800 (equivalent to approximately HK\$2,758,000), respectively.

During the year, the Group also disposed of its interest in a bakery chain to an associate of the Group's controlling shareholder for RMB7,403,600 (equivalent to approximately HK\$6,930,000).

The above transactions were approved by the shareholders at a special general meeting held on 30 June 2000. Details of these transactions were set out in the circular to members dated 13 June 2000.

- (ii) Pursuant to a board resolution on 17 November 2000, the independent non-executive directors were granted share options under the new share option scheme to subscribe for 6,136,695 shares of HK\$0.10 each in the Company at a consideration of HK\$1 per grantee. Details of the share options granted are set out in the section "Directors' rights to acquire shares" in Report of the Directors. The proposal to grant share options to independent non-executive directors were detailed in a circular to members dated 13 June 2000 and had been approved by the shareholders of the Company at a special general meeting held on 30 June 2000.

Connected transactions (continued)

- (iii) On 24 May 2000, Hop Hing Packaging (Pan Yu) Limited and Delightful GEM Holdings Limited, both indirect wholly-owned subsidiaries of the Company, entered into a conditional agreement with the Guangzhou Qiaojian Industrial Development Company, a company incorporated in the PRC, formalizing the co-operation between the parties in the development of edible oils business in the PRC. This transaction was approved by the shareholders of the Company at a special general meeting held on 30 June 2000. The principal terms of the co-operative agreement were set out in a circular dated 13 June 2000 sent to the shareholders.

Major customers and suppliers

For the year ended 31 December 2000, the respective percentage of purchase attributable to the Group's five largest suppliers and the turnover attributable to the Group's five largest customers was less than 30% of the Group's purchase and turnover.

Retirement scheme

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund ("MPF") Scheme (the "MPF Scheme") and the scheme registered under the Occupational Retirement Scheme Ordinance which has been exempted under the MPF Schemes Ordinance (the "Exempted Scheme"), for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the respective schemes. The assets of the respective schemes are held separately from those of the Group in independently administered funds. In accordance with the MPF Schemes Ordinance, when an employee leaves the Exempted Scheme prior to his/her interest in the employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. For the MPF Scheme, the employer contributions vest fully with the employees when contributed into the MPF Scheme.

For the year ended 31 December 2000, the total contributions made by the Group to the above schemes amounted to HK\$1,348,000 and forfeited contributions applied to reduce employer's contributions were HK\$464,000. At 31 December 2000, forfeited contributions totalling HK\$109,000 were available to reduce future contributions to the Exempted Scheme.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, sale or redemption of own listed securities

There were no purchases, sales or redemptions by the Company or any of its subsidiaries, of the Company's listed securities during the year.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement and re-election in accordance with the provisions of the Bye-laws of the Company.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

HUNG HAK HIP

Chairman

19 April 2001