

1. CORPORATE INFORMATION

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAPs") and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties and investments in securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Investments in subsidiaries are stated in the Company's balance sheet at cost unless, in the opinion of the directors, there have been diminutions in values other than temporary in nature, when they are written down to values determined by the directors. Details of the principal subsidiaries are set out in note 13 to the financial statements.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Details of the principal associates are set out in note 14 to the financial statements.

The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account. The Group's interests in the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

Jointly controlled entity

Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control and none of the parties involved unilaterally has control over the economic activity.

Joint venture arrangements which involve the establishments of a separate entity in which the Group and other parties have an interest are referred to as jointly controlled entities.

The Group's share of the post-acquisition results of the jointly controlled entity is calculated based on the audited results after making appropriate adjustments to conform to the Group's accounting policies and is included in the consolidated profit and loss account. The Group's interest in a jointly controlled entity is stated in the consolidated balance sheet at the aggregate of cost and the Group's share of post-acquisition results and reserves unless, in the opinion of the directors, there has been a diminution in value other than temporary in nature, when it is written down to a value determined by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on consolidation

Goodwill arising on consolidation represents the excess of purchase consideration paid for the subsidiaries and associates over the fair value ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Upon disposal of such subsidiaries and associates, the relevant portion of attributable goodwill previously eliminated against reserves is realised and accounted for in determining the gain or loss on disposal of the investment.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing costs. In situations where it can be clearly demonstrated that the expenditure incurred after an asset has been put into operation, has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	over the remaining terms of the leases
Buildings	2% to 2½% or over the terms of the leases if shorter
Barges, vehicles, leasehold improvements, machinery and equipment	5% to 20%

The transitional provisions set out in paragraph 72 of SSAP17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants have been adopted for fixed assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 31 December 1993 have not been revalued by class at the balance sheet date.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in progress

Construction in progress is stated at cost. Depreciation is provided when the facility commences commercial production. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential. Such properties are stated at their open market values on the basis of annual professional valuations and are not depreciated except where the unexpired terms of the leases are 20 years or less, in which case the then carrying amounts are amortised on the straight-line basis over the respective remaining lease terms. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Trademarks

Trademarks are stated at cost and are not amortised. Provision is made for any diminutions in values other than temporary in nature.

Stocks

Stocks are stated at the lower of cost, on the weighted average method, and net realisable value. Cost comprises direct materials and the related purchase costs. In the case of finished goods and work in progress, cost also includes direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less all costs to be incurred to completion and on disposal.

Investments in securities

Investments in securities represent investment in listed equity securities which are stated at fair value at the balance sheet date. Unrealised holding gains or losses arising on revaluation of securities to fair value are dealt with in the profit and loss account.

Deferred tax

Provision is made for deferred tax, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange gains and losses are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associates denominated in foreign currencies are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are dealt with in reserves.

Borrowing costs

Borrowing costs incurred on borrowings to finance construction in progress are capitalised until the development of the relevant project is completed and are included in the carrying value of these assets. Borrowing costs are capitalised at the Group's weighted average interest rate on external borrowings or, where applicable, the interest rate related to specific construction project borrowings.

Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) income from the sale of goods, on delivery of the goods to the customers;
- (ii) revenue from management, marketing and testing services, in the period in which the services are rendered;
- (iii) rental income, on the straight-line basis over the lease terms;
- (iv) royalties, in the period in which the related products are sold; and
- (v) interest income, in proportion to time taking into account the principal outstanding and the effective interest rate applicable.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial or operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

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3. SEGMENTED INFORMATION

Pursuant to Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the analysis of Group turnover and contribution to profit from operating activities by principal activity and geographical location is as follows:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Edible oils and food related products*	<u>847,166</u>	<u>1,102,429</u>	<u>51,880</u>	<u>27,258</u>
By geographical area:				
Mainland China and <u>others</u>	<u>756,973</u>	<u>907,952</u>	<u>29,286</u>	<u>6,340</u>
Hong Kong Special Administrative Region	<u>90,193</u>	<u>194,477</u>	<u>22,594</u>	<u>20,918</u>
	<u>847,166</u>	<u>1,102,429</u>	<u>51,880</u>	<u>27,258</u>

* Including rental income and other revenue which are considered incidental to the edible oils activity of the Group.

4. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods sold, services rendered, rental and laboratory and testing fees income, but excludes intra-group transactions.

	2000 HK\$'000	1999 HK\$'000
Sales of goods and services	<u>827,136</u>	<u>1,083,301</u>
Rental and other income	<u>20,030</u>	<u>19,128</u>
	<u>847,166</u>	<u>1,102,429</u>

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5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after crediting:

	2000 HK\$'000	1999 HK\$'000
Rental income:		
Investment property	9,504	9,134
Leasehold land and buildings	3,673	3,947
	<u>13,177</u>	<u>13,081</u>
Less: Outgoings	(2,592)	(2,635)
	<u>10,585</u>	<u>10,446</u>
Royalties	24,443	18,026
Unrealised holding gain on investments in listed securities classified as other revenue	24,867	–
and after charging:		
Cost of stocks sold (including write-back of accounts payable provision of HK\$13 million (1999: Nil) – note 23)	643,838	882,886
Staff costs (including directors' emoluments):		
Wages and salaries	50,356	83,381
Pension scheme contributions	1,348	2,064
Less: Unvested contributions forfeited*	(464)	(516)
	<u>884</u>	<u>1,548</u>
	<u>51,240</u>	<u>84,929</u>
Depreciation	30,551	31,706
Operating lease rentals in respect of land and buildings	5,558	10,571
Loss on disposal of fixed assets	905	1,477
Loss on disposal of subsidiaries	1,080	–
Auditors' remuneration	1,000	980

* At 31 December 2000, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in the Report of the Directors under the heading "Retirement Scheme" amounted to HK\$109,000 (1999: HK\$42,000).

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Directors' fees:		
Non-executive directors	340	120
Executive directors	–	–
Salaries and allowances*	8,654	12,181
Discretionary/performance related bonuses	1,074	1,877
Retirement fund contributions	259	182
	<u>10,327</u>	<u>14,360</u>

* Including fees paid to a management company in which a director is indirectly interested.

The directors' emoluments are analysed as follows:

Band	Group	
	2000 Number of directors	1999 Number of directors
Nil to HK\$1,000,000	7	5
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	1

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the section "Directors' right to acquire shares" in the Report of Directors and in note 25 to the financial statements.

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6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(b) Senior executives' emoluments

The five highest paid individuals' (including four directors for both years whose emoluments have been included in "Directors' emoluments" above) aggregate emoluments are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Salaries and allowances	8,915	12,124
Discretionary/performance related bonuses	1,074	1,677
Retirement fund contributions	317	302
	<u>10,306</u>	<u>14,103</u>

The above emoluments are analysed as follows:

Band	Group	
	2000 Number of individuals	1999 Number of individuals
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	1
	<u>1</u>	<u>1</u>

7. FINANCE COSTS, NET

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank borrowings	37,686	34,020
Interest on other loans wholly repayable within five years	161	781
	<u>37,847</u>	<u>34,801</u>
Total finance costs	37,847	34,801
Less: Interest capitalised	–	(538)
	<u>37,847</u>	<u>34,263</u>
Less: Interest income	(4,426)	(3,428)
	<u>33,421</u>	<u>30,835</u>

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8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Overseas taxes have been provided for at the applicable tax rates, if required.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	(1,113)	(2,777)
(Under)/over provision in respect of prior years	(297)	775
	<u>(1,410)</u>	<u>(2,002)</u>
Deferred tax – note 24	555	(795)
	<u>(855)</u>	<u>(2,797)</u>
Share of tax charges of a jointly controlled entity – Hong Kong	(534)	(611)
	<u>(1,389)</u>	<u>(3,408)</u>

9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$22,000 (1999: HK\$173,000).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on the profit attributable to shareholders of HK\$20,379,000 (1999: loss of HK\$24,901,000) and 409,113,021 shares (1999: 409,113,021 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for both years are not presented as the share options outstanding during the years had an anti-dilutive effect on the basic earnings/(loss) per share.

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11. FIXED ASSETS

Group

	Investment property HK\$'000	Leasehold land and buildings HK\$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost/valuation:					
At 1 January 2000	68,000	323,996	329,948	4,862	726,806
Additions	-	2,684	8,930	-	11,614
Disposal of subsidiaries	-	(3,590)	(4,273)	-	(7,863)
Reclassification	-	4,862	-	(4,862)	-
Disposals	-	(1,822)	(3,374)	-	(5,196)
At 31 December 2000	68,000	326,130	331,231	-	725,361
Accumulated depreciation:					
At 1 January 2000	-	20,401	92,977	-	113,378
Provided during the year	-	7,937	22,614	-	30,551
Disposal of subsidiaries	-	(221)	(1,886)	-	(2,107)
Disposals	-	(96)	(1,865)	-	(1,961)
At 31 December 2000	-	28,021	111,840	-	139,861
Net book value:					
At 31 December 2000	68,000	298,109	219,391	-	585,500
At 31 December 1999	68,000	303,595	236,971	4,862	613,428

The investment property, which is situated at Lot. 2024 in D.D. 121, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong, is stated on the basis of the professional valuation performed by DTZ Debenham Tie Leung Limited, Chartered Surveyors, using an open market, existing use basis at 31 December 2000. The investment property is currently used for industrial purposes.

The revaluations of certain leasehold land and buildings situated in Hong Kong in 1993 were performed by Chesterton Petty Limited, Chartered Surveyors, on an open market, existing use basis at 31 December 1993.

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11. FIXED ASSETS (continued)

The leasehold land and buildings included above are held on the following lease terms:

	Hong Kong, professional valuation at 31 December 1993 less accumulated depreciation <i>HK\$'000</i>	Hong Kong, at cost less accumulated depreciation <i>HK\$'000</i>	Elsewhere, at cost less accumulated depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Long term	1,174	–	5,097	6,271
Medium term	69,545	58,086	163,021	290,652
Short term	–	–	1,186	1,186
	<u>70,719</u>	<u>58,086</u>	<u>169,304</u>	<u>298,109</u>

Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$253,375,000 (1999: HK\$254,753,000).

12. TRADEMARKS

In the opinion of the directors, the value of the trademarks is not less than the amount stated in the balance sheet.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	260,476	260,476
Amounts due from subsidiaries	257,425	257,380
	<u>517,901</u>	<u>517,856</u>

The amounts due from the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries of the Company at the balance sheet date were as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
Hop Hing Industrial Building Limited	Hong Kong	HK\$12	100%	Property holding
Hop Hing International Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Hop Hing Management (China) Limited	Hong Kong	HK\$2	100%	Distribution of edible oils
Hop Hing Oil Factory Limited	Hong Kong	HK\$24,000,010	100%	Distribution of edible oils
Hop Hing Oil (Holdings) Limited	Hong Kong	HK\$88,241,505	100%	Investment holding
Hop Hing Oil Trading (2000) Limited	Hong Kong	HK\$2	100%	Distribution of edible oils
Hung's Sino Holdings Limited	Hong Kong	HK\$100,010	100%	Property holding
Knight Investment Limited	Hong Kong	HK\$4	100%	Property holding
Lapidus (1985) Limited	Hong Kong	HK\$12	100%	Barge ownership
Lival Company Limited	Hong Kong	HK\$10,000	100%	Property holding
Monitor Ltd.	British Virgin Islands	US\$1	100%	Trademark holding

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13. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
Panyu Hop Hing Oils & Fats Co. Ltd.	People's Republic of China	HK\$75,000,000	100%	Edible oil production
Panyu Kwong Hing Packaging Company Limited	People's Republic of China	HK\$50,000,000	100%	Blending and distribution of edible oils
Pinghu Hop Hing Vegetable Oils Company Limited*	People's Republic of China	US\$1,400,000	51%	Edible oil refinery
Sino Food Products Company (Holdings) Limited	Hong Kong	HK\$10	100%	Distribution of edible oils
Zhejiang Hop Hing Oils & Fats Company Limited*	People's Republic of China	US\$1,400,000	61%	Edible oil refinery

* Registered as equity joint venture under PRC law.

Except for Hop Hing International Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

14. INTERESTS IN ASSOCIATES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets, other than goodwill	24,645	24,645
Due to associates	(26,070)	(26,070)
	<u>(1,425)</u>	<u>(1,425)</u>

The amounts due to the associates are unsecured, interest-free and have no fixed terms of repayments.

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14. INTERESTS IN ASSOCIATES (continued)

Details of the associates of the Group at the balance sheet date were as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Kwong Hing Food Products Company Limited	Corporate	People's Republic of China	50%	Ceased operations during 1999 and currently under dissolution
Omeron Profits Limited	Corporate	British Virgin Islands	50%	Trademark licencing
Tepac Profits Limited	Corporate	British Virgin Islands	50%	Trademark licencing

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	42,644	42,644
Share of post-acquisition profits	10,841	13,845
	<u>53,485</u>	<u>56,489</u>

Details of the jointly controlled entity of the Group at the balance sheet date were as follows:

Name of company	Business structure	Place of incorporation/ principal operation	Percentage of equity interest attributable to the Group	Principal activities
Evergreen Oils & Fats Limited ("Evergreen")	Corporate	Cayman Islands/ Hong Kong	50%	Blending and distribution of edible oils, fats and shortenings

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15. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

The state of affairs and income and profit of Evergreen are summarised as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
<i>State of affairs</i>		
Current assets	202,465	225,794
Non-current assets	38,248	47,604
Current liabilities	(129,032)	(152,894)
Long term liabilities	<u>(2,516)</u>	<u>(3,449)</u>
Net assets attributable to venturers	<u>109,165</u>	<u>117,055</u>
<i>Income and profit</i>		
Turnover	<u>662,775</u>	<u>735,326</u>
Profit for the year	<u>4,991</u>	<u>5,889</u>

16. STOCKS

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Finished goods	23,532	18,680
Work in progress	1,031	4,872
Raw materials	<u>54,702</u>	<u>101,105</u>
	<u>79,265</u>	<u>124,657</u>

The amount of stocks that are carried at net realisable value is HK\$14,081,000 (1999: HK\$48,087,000).

17. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	69,589	53,181
Less than 3 months	47,398	24,814
Over 3 months	9,605	5,358
	<u>126,592</u>	<u>83,353</u>

The Group's products are sold either on cash on delivery basis or on open account basis ranging from 30 to 50 days of credit. Each customer has a maximum credit limit. Overdue balances are regularly reviewed by senior management.

Accounts receivable of the Group include trading balance due from a jointly controlled entity of HK\$22,007,000 (1999: HK\$11,754,000), which is unsecured and interest-free.

18. INVESTMENTS IN SECURITIES

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investment in Hong Kong, at market value	<u>24,944</u>	<u>–</u>

19. PLEDGED CASH DEPOSIT

The pledged cash deposit was pledged to a bank as security for certain bills payable.

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20. INTEREST-BEARING BANK LOANS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Secured	329,738	128,767
Unsecured	32,176	196,929
	<u>361,914</u>	<u>325,696</u>
Portion due within one year included under current liabilities	<u>(153,910)</u>	<u>(214,380)</u>
Long term portion	<u>208,004</u>	<u>111,316</u>
The bank loans are repayable in various instalments within a period of:		
Less than 1 year or on demand	153,910	214,380
More than 1 year but less than 2 years	51,380	39,777
More than 2 years but less than 5 years	156,624	71,539
	<u>361,914</u>	<u>325,696</u>

The secured bank loans were secured by legal charges over certain properties and plant and machinery of the Group.

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21. OTHER LOANS

	Group	
	2000 HK\$'000	1999 HK\$'000
Due to the controlling shareholder of the Group	11,202	23,399
Due to minority shareholders of subsidiaries		
Secured	2,293	2,293
Unsecured	2,884	3,037
	<u>5,177</u>	<u>5,330</u>
	<u>16,379</u>	<u>28,729</u>

The amount due to the controlling shareholder is unsecured, interest-free and repayable on demand.

The amounts due to the minority shareholders bear interest at 7% to 12% per annum. During the year, certain minority shareholders had waived interest totalling HK\$346,000 (1999: HK\$346,000) on the loans due to them by the Group.

The secured other loans were secured by floating charges over certain stocks of the Group.

22. BILLS PAYABLE

Bills payable of HK\$26,404,000 (1999: HK\$6,037,000) are secured by cash deposits of HK\$5,802,000 (1999: HK\$604,000).

23. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Current and less than 3 months	31,414	35,363
Over 3 months	24,834	26,554
	<u>56,248</u>	<u>61,917</u>

Included in accounts payable as at 31 December 1999 is an amount due to a supplier (the "Supplier") incurred by a wholly-owned subsidiary of the Group in prior year.

Notes to the Financial Statements

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23. ACCOUNTS PAYABLE (continued)

Based on the legal opinion expressed by the Group's legal advisor, the directors are of the opinion that such level of accrual is no longer required following the decision of the directors not to provide further financial support from the Group, other than the remaining provision, to that subsidiary. Accordingly, the Group wrote back an amount due to the Supplier of HK\$13 million (note 5).

24. DEFERRED TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
Balance at beginning of year	10,409	9,614
Charge/(reversal) for the year – note 8	<u>(555)</u>	<u>795</u>
Balance at end of year	<u><u>9,854</u></u>	<u><u>10,409</u></u>

The provision for deferred tax as shown in the balance sheet relates to timing differences arising from accelerated capital allowances. There were no other material timing differences at the balance sheet date.

No provision for deferred tax has been made for the revaluation surpluses of the investment property and other properties as they do not constitute timing differences.

25. ISSUED CAPITAL

Shares

	Company	
	Number of shares	HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 1 January 2000 and 31 December 2000	<u>800,000,000</u>	80,000
Shares of US\$0.10 each		
At 1 January 2000 and 31 December 2000	<u>120,000</u>	<u>93</u>
		<u>80,093</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1 January 2000 and 31 December 2000	<u>409,113,021</u>	<u>40,911</u>

25. ISSUED CAPITAL (continued)

Warrants

At 1 January 2000, the Company had outstanding 81,451,743 warrants carrying rights to subscribe for an aggregate of 81,451,743 new shares of HK\$0.10 each in the Company at any time up to 30 April 2001 at an initial subscription price of HK\$1.25 per share, subject to adjustments.

No warrants were exercised during the year. The exercise in full of these warrants would, under the capital structure of the Company at 31 December 2000, result in the issue of 81,451,743 additional shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$101,815,000.

Share options

The Share Option Scheme adopted by the Company on 4 June 1990 (the "Old Scheme") expired on 4 June 2000. A new share option scheme ("New Scheme") was adopted and approved by the Company at a special general meeting held on 30 June 2000. The principal terms of the New Scheme were set out in a circular dated 13 June 2000 to the shareholders.

On 10 January 2000, Wong Kwok Ying, a director, was granted 4,091,130 share options for a cash consideration of HK\$1 under the Old Scheme entitling him to subscribe shares of HK\$0.10 each in the Company at a price of HK\$0.384 per share upon exercise of his subscription rights in the exercisable period from 10 January 2001 to 9 January 2007 (both dates inclusive).

On 17 November 2000, all the unexercised share options granted under the Old Scheme, which entitled the grantees to subscribe for 17,182,755 shares of HK\$0.10 each in the Company in total, were waived by the grantees.

Pursuant to a board resolution on 17 November 2000, certain directors, including independent non-executive directors, were granted share options under the New Scheme to subscribe for an aggregate of 23,492,677 shares of HK\$0.10 each in the Company at a consideration of HK\$1 per grantee, the details of which are set out in the Report of the Directors under the heading "Directors' rights to acquire shares".

The granting of share options under the New Scheme to independent non-executive directors has been approved by the shareholders of the Company at a special general meeting held on 30 June 2000.

No share options were exercised during the year.

The exercise in full of the above share options would, under the capital structure of the Company at 31 December 2000, result in the issue of 23,492,677 additional shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$4,365,000.

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26. RESERVES

Group

Note	Revaluation reserves			Capital	Retained	Total
	Share premium	Investment property	Other properties	and other reserves	profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as 1 January 1999						
As previously stated	374,364	21,119	56,810	58,112	25,626	536,031
Prior year adjustment	32	-	-	-	(1,858)	(1,858)
	<u>374,364</u>	<u>21,119</u>	<u>56,810</u>	<u>58,112</u>	<u>23,768</u>	<u>534,173</u>
Release in reserve regarding the provision for decline in recoverable amounts of fixed assets	-	-	(545)	-	-	(545)
Deficit on revaluation of investment property	-	(11,200)	-	-	-	(11,200)
Exchange differences arising on consolidation	-	-	-	5	-	5
Net loss attributable to shareholders	-	-	-	-	(24,901)	(24,901)
Balance at 31 December 1999 and as at 1 January 2000	<u>374,364</u>	<u>9,919</u>	<u>56,265</u>	<u>58,117</u>	<u>(1,133)</u>	<u>497,532</u>
Net profit attributable to shareholders	-	-	-	-	20,379	20,379
Balance at 31 December 2000	<u>374,364</u>	<u>9,919</u>	<u>56,265</u>	<u>58,117</u>	<u>19,246</u>	<u>517,911</u>

Company

	Share premium	Contributed surplus	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 1999	231,754	231,383	13,539	476,676
Net profit attributable to shareholders	-	-	173	173
Balance at 31 December 1999 and 1 January 2000	<u>231,754</u>	<u>231,383</u>	<u>13,712</u>	<u>476,849</u>
Net profit attributable to shareholders	-	-	22	22
Balance at 31 December 2000	<u>231,754</u>	<u>231,383</u>	<u>13,734</u>	<u>476,871</u>

The Company's contributed surplus arose in 1990 as a result of the Group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries, net of the subsequent distribution therefrom.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances. As at 31 December 2000, the total amount of reserves distributable to shareholders, including the Company's retained profits, amounted to HK\$245,117,000 (1999: HK\$245,095,000).

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit from operating activities to net cash (outflow)/inflow from operating activities:

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	51,880	27,258
Depreciation	30,551	31,706
Loss on disposal of fixed assets	905	1,477
Loss on disposal of subsidiaries	1,080	-
Write-back of accounts payable provision	(13,000)	-
Unrealised holding gain on investments in listed securities	(24,867)	-
Provision for decline in recoverable amounts of fixed assets	-	4,604
Decrease in stocks	44,603	120,151
(Increase)/decrease in accounts receivable	(43,256)	33,351
Decrease in sundry receivables, deposits and prepayments	2,076	9,153
Decrease in bills payable	(90,680)	(101,149)
Increase in accounts payable	7,331	5,279
Decrease in other payables and accrued charges	(9,214)	(24,421)
	<u>(42,591)</u>	<u>107,409</u>
Net cash (outflow)/inflow from operating activities	<u>(42,591)</u>	<u>107,409</u>

- (b) Analysis of changes in financing:

	Interest-bearing bank and other loans* HK\$'000	Minority interest HK\$'000
Balance at 1 January 1999	219,620	7,346
Net cash inflow from financing	8,495	-
Share of profits of subsidiaries for the year	-	251
	<u>228,115</u>	<u>7,597</u>
Balance at 31 December 1999 and 1 January 2000	228,115	7,597
Net cash inflow from financing	92,486	-
Share of losses of subsidiaries for the year	-	(279)
	<u>320,601</u>	<u>7,318</u>
Balance at 31 December 2000	320,601	7,318

* excluding bank loans maturing within 3 months from drawdown dates.

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27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposals of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Net assets/(liabilities) disposed of:		
Fixed assets, net	5,756	–
Trademarks	4,900	–
Stocks	789	–
Accounts receivable	17	–
Sundry receivables, deposits and prepayments	1,555	–
Cash and bank balances	1,767	–
Other payables and accrued charges	(4,016)	–
	<u>10,768</u>	–
Losses on disposals	(1,080)	–
	<u>9,688</u>	–
Satisfied by:		
Cash	<u>9,688</u>	–

Analysis of the net cash inflow of cash and cash equivalents in respect of the disposals of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	9,688	–
Cash and bank balances disposed of	(1,767)	–
	<u>7,921</u>	–

The subsidiaries disposed of during the year had no significant impact on the Group's cash flows. The results of the subsidiaries disposed of during the year had no significant impact on the consolidated turnover and the consolidated profit after tax for the year ended 31 December 2000.

(d) Major non-cash transaction:

Pursuant to the restructuring of The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited (the "HKFE") during the year, the Group received one HKFE Trading Right and certain ordinary shares in the Hong Kong Exchange and Clearing Limited (the "HKEC Shares") in exchange for one share in the HKFE previously held by the Group.

As at the balance sheet date, the HKEC shares were stated at market value which resulted in an unrealised holding gain of HK\$24,867,000.

28. PLEDGE OF ASSETS

At the balance sheet date, investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK\$352,174,000 (1999: HK\$175,170,000) and a cash deposit of the Group of approximately HK\$5,802,000 (1999: HK\$604,000) were pledged to banks to secure banking facilities granted to the Group. In addition, certain stocks with carrying value of approximately HK\$2,293,000 (1999: HK\$2,293,000) were pledged to secure certain other loans.

29. COMMITMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	3,704	4,705
Authorised, but not contracted for	3,057	9,384
	<u> </u>	<u> </u>
Annual commitments under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	327	296
In the second to fifth years, inclusive	2,373	7,554
Beyond five years	76	76
	<u> </u>	<u> </u>

The Company had no commitments at the balance sheet date (1999: Nil).

30. CONTINGENT LIABILITIES

Group

- (a) At the balance sheet date, 49 (1999: 74) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees met the circumstances required by the Employment Ordinance, the Group's liability at the balance sheet date would be approximately HK\$1,148,000 (1999: HK\$2,603,000). No provision has been made for this amount in the financial statements as it is unlikely that this liability will crystallise in the foreseeable future.
- (b) At the balance sheet date, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the jointly controlled entity (the "JCE") of the Group amounted to HK\$10,131,000 (1999: HK\$29,665,000).

Company

At the balance sheet date, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities utilised by a subsidiary and the jointly controlled entity amounted to HK\$175,682,000 (1999: HK\$239,934,000).

Notes to the Financial Statements

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31. RELATED PARTY TRANSACTIONS

In addition to those transactions disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2000 HK\$'000	1999 HK\$'000
Transactions with the JCE:			
Sales of goods	<i>a</i>	63,562	129,086
Purchases of goods/services	<i>b</i>	6,090	25,127
Oil refinement income	<i>c</i>	14,317	10,319
Royalty income	<i>d</i>	24,443	18,026
Property rental and tank farm income	<i>e</i>	13,506	14,835
Other property related income	<i>f</i>	4,340	4,111
Management and marketing fee income	<i>g</i>	2,050	7,560
Transactions with an associate			
Management fee income	<i>g</i>	–	570
Transactions with the controlling shareholder of the Company			
Sales of goods	<i>a</i>	920	856
Consideration received on disposal of subsidiaries	<i>h</i>	9,688	–
Consideration received on disposal of a property	<i>h</i>	2,012	–
Consideration received on disposal of an associate to a company controlled by a former director of the Company	<i>i</i>	–	23,399
Management fee expenses paid to a company in which a director of the Company has an indirect interest	<i>j</i>	540	540

Notes:

- The sales of goods were at prices comparable to those offered to other unrelated customers of the Group.
- The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers.
- The oil refinement income was charged at rates comparable to those offered to other unrelated customers of the Group.

31. RELATED PARTY TRANSACTIONS (Continued)

- d. Pursuant to a trademark licence agreement entered into between the Group and the JCE, the royalties received for the use of the trademarks is calculated based on a percentage as agreed between the parties from time to time, of the gross sales value of licensed products sold by the JCE within Hong Kong and Macau.
- e. The property rental income related to the investment property and barges included in fixed assets. The property rental income and tank farm income were charged by reference to the relevant industry practice and was subject to review on a regular basis.
- f. The other property related income included air-conditioning charges and property management fee and were charged based on the cost incurred in managing the properties and providing air-conditioning service.
- g. The management and marketing fee income were charged based on the cost incurred for providing such services.
- h. The transactions were conducted according to the terms of contracts entered into between the Group and companies associated with the controlling shareholder. The transactions were approved by the shareholders at a special general meeting held on 30 June 2000, and the details of the contracts are summarised in a circular to the shareholders dated 13 June 2000.
- i. Pursuant to a sales and purchase agreement dated 18 August 1999 entered into between the Group and Universal Investment Holdings Limited ("UIH"), 99.99% owned by a former director of the Group, the Group agreed to dispose of its 50% equity interest in Universal Energy Limited, the then associate of the Group, and the shareholders' loan thereto to UIH for a consideration of RMB25,000,000.
- j. The management fee expenses represented payment of remuneration to a director of the Company through a company in which he has indirect interest therein.

At 31 December 2000, the Group had an outstanding balance due to the controlling shareholder of the Group of HK\$11,202,000 (1999: HK\$23,399,000), the terms of which are disclosed in note 21 to the financial statements.

32. PRIOR YEAR ADJUSTMENT

In the prior year, the Group changed its accounting policy with respect to the treatment of pre-operating expenses. In order to conform with the provisions of SSAP 1, "Presentation of Financial Statements" as subsequently confirmed by Interpretation 9 "Accounting for Pre-operating Cost", the Group expensed rather than capitalised and amortised such pre-operating expenses. This change in accounting policy was made retrospectively.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.