

REVIEW OF OPERATIONS AND PROSPECTS

During the 6 months to 30 June 2001, the economy in Hong Kong has remained gloomy and the Hong Kong Government had accordingly revised its GDP forecast downwards. Spending has continued to be heavily influenced by the lack of confidence. In China, fierce competition in the edible oil market has persisted.

Operating results

The profit from operating activities for the 6-month period under review was HK\$20.9 million, as compared to HK\$36.7 million in the same period in 2000. Net profit attributable to shareholders during the period was HK\$7.0 million, against HK\$20.2 million for the corresponding period in last year.

The basic earnings per share for the period was 1.72 cents (2000: 4.93 cents).

Edible oil

Despite operating in a challenging economic climate, our edible oil business in Hong Kong has continued to perform steadily. Our Lion & Globe brand has grown in market share and maintained its position as one of the top brands in Hong Kong.

On the other hand, resulting from our focus on brand strategy, our Camel brand of products are now amongst the top 3 national brands in China.

Working capital

The bank rescheduling has been completed. We enjoy the full support of our 7 core relationship banks. As at 30 June 2001, our total interest-bearing bank loans amounted to HK\$303.3 million, a reduction of HK\$58.6 million from 31 December 2000.

Accordingly, when compared against that for 31 December 2000, the Group's gearing ratio on 30 June 2001 has improved by 11%.

Stock

Inventory was reduced from HK\$244.8 million on 31 December 1998 to HK\$75.6 million on 30 June 2001. We will continue to manage our business at an optimal level of inventory.

Human resources

In line with the requirement of our business strategies, we have continued to strengthen the breadth and depth of our management through formal in-house training schemes and direct recruit of talents.

Outlook

The Hong Kong market will remain steady while, in the longer term, China will become a huge growth market for edible oils in branded product form.

To weather the current economic downturn, we will continue to focus on our brand and risk management strategies and position ourselves in the best possible light for any upturn in the future.

Management and staff

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