

MANAGEMENT DISCUSSION AND ANALYSIS

Results

Net profit attributable to shareholders for the six-month period ended 30 June 2001 was HK\$7 million, as compared to 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).

During the period under review, the Group has continued to state its trademarks at cost. Details of the accounting treatment in respect of the Group's trademarks and the reasons for not amortising the cost of trademarks as required by SSAP 29 "Intangible Assets" are set out in note 1 to the interim financial report.

Equity

The number of issued shares of HK\$0.10 each as at 30 June 2001 was 409,113,021. There was no movement in the share capital of the Company in the period under review. No warrants of the Company were exercised in the period and the outstanding 81,451,743 warrants carrying rights to subscribe an aggregate of 81,451,743 new shares of HK\$0.10 each in the Company expired on 30 April 2001. As at the period end date, there were outstanding share options granted to certain eligible employees entitling them to subscribe for 23,492,677 shares of the Company. Details of the share options outstanding as at the period end date are set out in section under "Directors' Interests".

Liquidity and gearing

As at the balance sheet date, the Group had net current asset of HK\$12 million (31 December 2000: HK\$25 million). The decrease in net current assets is mainly due to repayment of long term bank loans. The Group's total bank borrowings less cash and bank balances amounted to HK\$311 million (31 December 2000: HK\$337 million). The net interest expenses for the period were HK\$13 million (2000: HK\$16 million). Such decrease is mainly attributable to the repayments of bank loans and the decrease in interest rates during the period under review.

The Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) dropped from 27% as at 31 December 2000 to 24% as at 30 June 2001.

The Group bank borrowings are denominated in Hong Kong dollars, US dollars and Reminbi. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

Remuneration policies and share option scheme

Remuneration packages comprised salary and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was HK\$22 million (2000: HK\$31 million). As at 30 June 2001, the Group had 598 (31 December 2000: 582) employees.

Details of share options granted under the Share Option Scheme of the Company are set out in the section under "Directors' Interests".

Contingent liabilities

Details of the contingent liabilities are set out in note 12 to the interim financial report.

Pledge of assets

As at 30 June 2001, investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK\$350,386,000 (31 December 2000: HK\$352,174,000) and cash deposits of the Group of approximately HK\$28,050,000 (31 December 2000: HK\$5,802,000) 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 (31 December 2000: HK\$2,293,000) were pledged to secure certain other loans.

Segmented information

As explained in the previous annual report, the Group continued to concentrate its efforts on its core business – edible oils. In the period under review, the Group's edible oil business in Mainland China continued to account for a substantial proportion of the Group's turnover. The disposal of the bakery chain and the decrease in bulk oil activities contributed to the fluctuation in the Group's turnover and contribution as compared with the corresponding period in the last year. The contribution in the six-month ended 30 June 2000 also included an unrealised holding gain on investments in listed securities.

Details of the segmented information are set out in note 2 to the interim financial report.

AUDIT COMMITTEE

The Directors have engaged the Group's external auditors to review the interim financial report for the six months ended 30 June 2001. The Group's external auditors have carried out their review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the interim report for the six months ended 30 June 2001.

DEALINGS IN THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2001, there were no purchases, sales or redemptions by the Company or any of its subsidiaries of the Company's listed securities.