CHAIRMAN'S STATEMENT

Chairman's statement

REVIEW OF OPERATIONS AND PROSPECTS

2001 was another difficult and challenging year for businesses in Hong Kong, and household and consumer spending continued to have been influenced by high unemployment rate as well as the gloomy local and international economic outlook. During this year, your management has maintained its focus on its prudent strategies while at the same time taking the necessary steps to position itself for any market changes in the future.

Operating Results

Earnings before interests, depreciation and amortisation (EBIDTA) for the year ended 31 December 2001 was HK$60.3 million, as compared to HK$60.8 million (before accounting for gain on investment shares) for the year 2000.

Net profit attributable to shareholders for the year ended 31 December 2001 was HK$7.3 million, as compared to HK$20.6 million for 2000. The latter figure includes HK$24.9 million gain on investment shares.

Dividend and Bonus Warrants

No interim dividend was paid (2000: Nil) and your directors do not recommend the payment of any final dividend for the year under review (2000: Nil).

The directors propose a bonus issue of warrants (the “Bonus Warrants”) to be granted to the shareholders on the basis of one Bonus Warrant for every five shares held. Each Bonus Warrant entitles the warrantholder to subscribe for one new share at an initial subscription price of HK$0.27 each in the period from 29 May 2002 to 30 April 2005.

REVIEW OF OPERATIONS

Edible Oil

Your business in Hong Kong has performed slightly better than the previous year, but much efforts and resources had to be deployed to maintaining and enhancing our cutting edge against anticipated increase in competition after China’s accession to WTO.

In China, the market was still heavily impacted by competition with price driven strategies. In the circumstance, your management has continued to concentrate on brand building and risk management, strengthening our readiness for more profitable market shares in the foreseeable future.

Edible Oil (continued)

At the same time, our drive to further improve working capital management and become more cost effective has produced positive results. Our accounts receivable was reduced by about 60%, from HK$127 million of 2000 to HK$51 million on 31 December 2001.

Inventory at the end of 2001 amounted to HK$60 million, as compared to HK$79 million on 31 December 2000. Total wages and salaries paid in 2001 was about HK$46.8 million, against HK$51.2 million in 2000, a reduction of 8.6%.

Gearing

As at 31 December 2001, the total interest-bearing bank loans amounted to HK$296.8 million, a reduction of HK$65.1 million from 31 December 2000. Accordingly, when compared against that for 31 December 2000, the Group's gearing ratio on 31 December 2001 has improved by 19%.

Human Resources

The Group places high emphasis on the quality of its employees which is vital for performance in this fast changing and challenging business environment.

During the reporting year, the Group has completed rebuilding a management team with both the breadth and depth required to meet the forthcoming business needs. Concurrently, much has been done in training and development, designed to achieve a quantum leap in quality in all levels of employment.

OUTLOOK

The Hong Kong market will go through a period of stagnation and increased competition. On the other hand, with China's accession to WTO and the fast expansion of international supermarket chains in PRC, retail sales of branded edible oils in China will stand to benefit due to increased transparency and anticipated growth in this sector of the industry. Your Board looks ahead with prudent optimism in this regard.

MANAGEMENT AND STAFF

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

HUNG HAK HIP
Chairman
23 April 2002