

REPORT OF



THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

## 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.

## SEGMENT INFORMATION

Segment information of the Group for the year ended 31 December 2001 is set out in note 4 to the financial statements.



## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 21 to 55.

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

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 of HK\$0.10 each. Each Bonus Warrant entitles the warrant holder 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. Further details of the Bonus Warrants are set out in note 34 to the financial statements.

## 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 and 57.

## FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

## SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 14 to the financial statements.

# Report of the directors

10

report of  
the directors

## ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Details of the Group's interests in its associates and jointly controlled entity are set out in notes 15 and 16 to the financial statements, respectively.

## SHARE CAPITAL AND RESERVES

Shareholders' funds of the Group at the year end date were HK\$564 million, an increase of HK\$6 million over 2000. The increase was mainly attributable to the profit for the year.

Details of the Company's share capital are set out in note 26 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

## BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 21, 22 and 23 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\*\*

Cheung Wing Yui, Edward\*\*

Hung Chiu Yee\*

Lee Pak Wing\*

Han Kin Yee

Chan Sai On, David

Wong Kwok Ying

\* *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. Liu Chi Keung, Ricky, Wong Yu Hong, Philip, Cheung Wing Yui, Edward and Chan Sai On, David will retire and, being eligible, will offer themselves for re-election.



## DIRECTORS AND SENIOR EXECUTIVES

### (a) Non-executive directors

**Hung Hak Hip**, aged 57, 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”, 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 63, 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 (the “PRC”) Hong Kong SAR Legislative Council, treasurer of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

**Sze Tsai To, Robert**, aged 61, 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 52, 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 61, 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 56, 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.

### (b) Executive directors

**Liu Chi Keung, Ricky**, aged 53, Vice-Chairman & CEO, B. Comm; Master in Finance; F.I.M. He has over 28 years’ senior management experience, the last 19 years of which were at the directorate level of international corporates and locally listed companies, 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 55, 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.

# Report of the directors

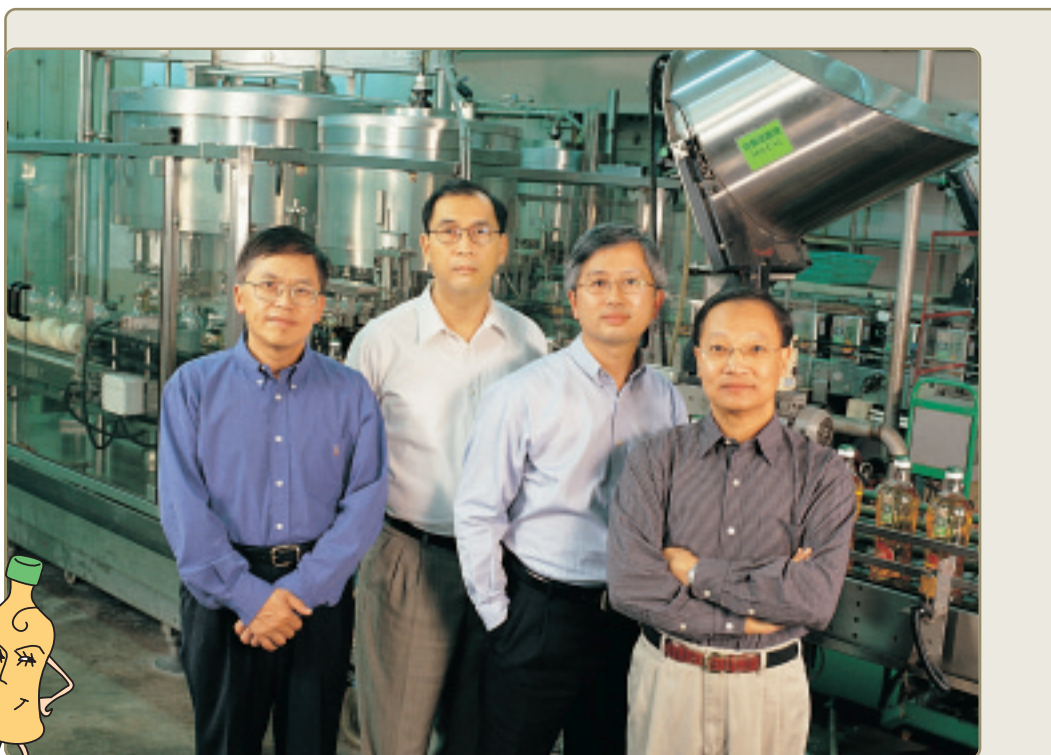
12

report of  
the directors

## (b) Executive directors (continued)

**Chan Sai On, David**, aged 47, is the Managing Director of the Group's operating subsidiaries in 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 42, 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.



*Mr. Han Kin Yee, Mr. Chan Sai On, David, Mr. Wong Kwok Ying, Mr. Liu Chi Keung, Ricky  
(from left to right)*

## (c) Senior executives

**Lam Fung Ming, Tammy**, aged 38, 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, Amy**, aged 47, 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.

(c) Senior executives (continued)

**Wan Kam Shing**, aged 53, 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.

**Lian Bai Xiang**, aged 53, is the general manager for the Group's sales activities in China South-West Region. He obtained a Diploma in Industrial Enterprise Management from the Shanghai University of Textile in 1987. He had held various managerial positions with PRC entities for over 20 years. He is also the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

**Wu Chuan Fang, Julia**, aged 36, is the general manager for the Group's sales activities in China East and China Central Regions. She graduated from the Metal Corrosion and Anticorrosive Department of Nanchang Institute of Aeronautical Technology and holds a master degree in Business Administration from the Guangzhou Zhongshan University. She has held a number of managerial positions with various PRC entities for over 12 years. Ms. Wu joined the Group in 2001.

**Wu Ping Hu, Michael**, aged 36, is the deputy general manager for the Group's sales activities in China South Region. He holds a bachelor degree in Internal Combustion Engineering from the Zhejiang University and completed in a post-graduate certificate in Management Science & Technology from the South China Technology University. He has over 12 years' managerial experience with foreign owned manufacturing companies and international organisations engaged in the marketing and distribution of food products in China. Mr. Wu joined the Group in 2001.



*Ms. Chan Yuet Miu, Amy, Mr. Wu Ping Hu, Michael, Ms. Lam Fung Ming, Tammy, Mr. Huang Shou Wen, Simon, Mr. Luo Jie, Roger, Mr. Wang Yue, David (from left to right)*

# Report of the directors

14

report of  
the directors



## (c) Senior executives (continued)

**Wang Yue, David**, aged 32, is the deputy general manager for the Group's sales activities in China East Region. He holds a bachelor degree in Bio-Chemical Engineering from the South China Technology University. He has about 9 years' managerial experience in the sales and marketing of food products in the PRC. Mr. Wang joined the Group in 2001.

**Luo Jie, Roger**, aged 32, is the deputy general manager for the Group's sales activities in China Central Region. He graduated from the University of Chongqing in Motor Engineering. He has held managerial positions with various PRC entities for over 10 years. Mr. Luo joined the Group in 1998 and was promoted to his current position in March 2002.

**Xiao Min**, aged 37, 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 the Zhongshan University. His 14 years' working experience included teaching in the Wuhan University, acting as a 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, Simon**, aged 34, 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 about 13 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.



*Ms. Cheng Yee Wah, Eva, Mr. Chan Chi Lik, Tony, Mr. Wan Kam Shing, Mr. Lian Bai Xiang, Ms. Wu Chuan Fang, Julia, Mr. Xiao Min (from left to right)*

## (c) Senior executives (continued)

**Cheng Yee Wah, Eva**, aged 39, is the Group's accounting manager responsible for the PRC financial and accounting functions. Ms. Cheng is an associate member of the Hong Kong Society of Accountants and a member of the American Institute of Certified Public Accountants. She has over 12 years' experience in finance and accounting positions in both Hong Kong and the PRC. Ms. Cheng joined the Group in 2000.

**Chan Chi Lik, Tony**, aged 36, is the Group's IT manager. He holds a bachelor degree with honor in Information System from the University of Staffordshire in UK. He has over 11 years' experience in information services and implementation of Enterprise Resources Planning Execution systems. Mr. Chan joined the Group in 2000.

## 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

The interests of the directors in the issued shares of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance as at 31 December 2001 were as follows:

	Number of shares of HK\$0.10 each			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	-	896,645	3,601,607	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	-	-	-	-



# Report of the directors

16

report of  
the directors

## DIRECTORS' INTERESTS IN SHARES (continued)

\* 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.

## 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 the exercise of their subscription rights as follows:

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

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

No share options were granted or exercised during the year.

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 2001, 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

Details of the related party transactions for the year are set out in note 33 to the financial statements. Save as disclosed therein, there were no other transactions which, in the opinion of the directors, constitute connected transactions under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, the percentage of purchases 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 purchases and turnover, respectively.

## 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.

## RETIREMENT SCHEME (continued)

For the year ended 31 December 2001, the total scheme contributions made by the Group amounted to HK\$1,297,000 and forfeited contributions applied to reduce employer's contributions were HK\$263,000. At 31 December 2001, forfeited contributions totalling HK\$95,000 were available to reduce future contributions to the Exempted Scheme.

The employees of the Group's subsidiaries which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 11% of its payroll costs to the central pension 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 (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code 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*

23 April 2002