

The gloomy economy and difficult and challenging business environment in 2001 have not improved in the year 2002. Consumer spending has remained low and the total size of the edible oil market in Hong Kong was affected by these factors.

## Operating Results

Earnings before interests, depreciation and amortisation (EBIDTA) for the year ended 31 December 2002 was HK\$23 million (before accounting for provision against and write-off of deposits and prepayments, and gain on disposal of a trading right in the Hong Kong Futures Exchange Limited).

Net loss before tax for the year ended 31 December 2002 was HK\$63 million, which included net interest expenses of HK\$19 million, depreciation of HK\$28 million and a provision/write-off of HK\$39 million (see below). This compares with a net profit before tax of HK\$9 million for the year 2001.

## Dividend

No interim dividend was paid (2001: nil) and your directors do not recommend the payment of any final dividend for the year under review (2001: nil).

## REVIEW OF OPERATIONS

### Edible Oil

Despite the market uncertainties, the Group has maintained its stable share of the Hong Kong market in 2002.

During the year, the Group's premium brand, Lion & Globe, received both the Hong Kong Superbrands Tribute Award and the Reader's Digest 2002 Superbrand Award, while the Group's other popular brand, Camel, also received the Hong Kong Top Ten Brandnames Award.

In China, much effort has been deployed to brand building while focusing our efforts and resources in those regions which present better opportunities. Our Camel brand received the 「中國放心食品信譽品牌」 and 「廣東省名牌產品」 Awards as well as the 「產品質量免檢證書」 from the authorities concerned.

On working capital management, the Group has further reduced its accounts receivable from HK\$51 million on 31 December 2001 to HK\$31 million on 31 December 2002. At the same time, inventory at the end of 2002 was HK\$43 million, as compared to HK\$60 million on 31 December 2001. Total wages and salaries in 2002 was about HK\$42 million, against HK\$47 million in 2001, a reduction of about 11%.

# Chairman's Statement ■■

## Financial Resources

The Group's relationship banks have reached an agreement with the Group which came into effect in April 2003 to refinance the Group's indebtedness in Hong Kong by providing three and a half year term loans of HK\$138 million and HK\$42 million fixed revolving loans to replace the Group's existing loans of HK\$143 million.

As a result, the Group's liquidity position has improved.

## Gearing

As at 31 December 2002, the total interest-bearing bank loans amounted to HK\$242 million, a reduction of HK\$55 million from 31 December 2001. Accordingly, when compared against that for 31 December 2001, the Group's gearing ratio on 31 December 2002 has improved by 18%.

## Provision and Write-off

In our Interim Report for 2002, we have reported on the provision against deposits paid to a PRC company for procurement of raw materials and write-off of the costs associated with the proposed listing of the Group's edible oil business in the PRC on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited of HK\$39 million. Since then, the Group has taken necessary actions to recover the money owed from the PRC company concerned, and the matter is currently in the hands of the Group's lawyers.

## OUTLOOK

The Hong Kong market is still going through a period of stagnation and increased competition. At the same time, the market in China remains volatile and requires focus both in terms of location and resources. However, your Board looks ahead with prudent optimism.

## 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*

28 April 2003