

Report of the Directors ■ ■

The directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and ancillary activities. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2002 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 20 to 61.

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

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 62 and 63.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS, AND RESERVES

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 22, 23 and 24 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. Hung Hak Hip, Sze Tsai To, Robert, Lee Pak Wing and Wong Kwok Ying will retire and, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR EXECUTIVES

(a) Non-executive directors

Hung Hak Hip, aged 58, 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 64, 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, Vice-chairman of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

DIRECTORS AND SENIOR EXECUTIVES (continued)

(a) Non-executive directors (continued)

Sze Tsai To, Robert, aged 62, 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 53, 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 62, 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 57, 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 54, Vice-Chairman & CEO, B. Comm; Master in Finance; Fellow of Chartered Management Institute. He has over 29 years' senior management experience, the last 20 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 56, 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.

Chan Sai On, David, aged 48, is the Managing Director of the Group's operating subsidiaries in the 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.

DIRECTORS AND SENIOR EXECUTIVES (continued)

(b) Executive directors (continued)

Wong Kwok Ying, aged 43, 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.

(c) Senior executives

Lam Fung Ming, Tammy, aged 39, 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 the oil and food industry. She joined the Group in 1990.

Wan Kam Shing, aged 54, 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 54, is the General Manager for the Group's sales activities in China East and China South-West Regions. He obtained a Diploma in Industrial Enterprise Management from the Shanghai University of Textile in 1987. He has 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.

Wang Yue, David, aged 33, 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 10 years' managerial experience in the sales and marketing of food products in the PRC. Mr. Wang joined the Group in 2001.

Cheng Yee Wah, Eva, aged 40, is principally responsible for treasury and accounting functions of the Group's operations in the PRC. 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 13 years' experience in finance and accounting positions in both Hong Kong and the PRC. Ms. Cheng joined the Group in 2000.

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DIRECTORS AND SENIOR EXECUTIVES (continued)

(c) Senior executives (continued)

Chan Chi Lik, Tony, aged 37, is the Group's IT manager. He holds a bachelor degree with honors in Information System from the University of Staffordshire in UK. He has over 12 years' experience in information services and the 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.

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DIRECTORS' INTERESTS IN SHARES AND WARRANTS

The interests of the directors in the issued shares and warrants of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance as at 31 December 2002 were as follows:

(a) Ordinary shares of the Company

	Number of shares of HK\$0.10 each			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	–	1,396,645	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	–	–	–	–

* 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' INTERESTS IN SHARES AND WARRANTS (continued)

(b) Warrants of the Company

	Number of warrants held			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	–	179,328	720,321	645,483**
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	154,534	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

** 645,483 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

SHARE OPTION SCHEME

Due to the adoption of Statement of Standard Accounting Practice No. 34 “Employee benefits” during the year, most of the detailed disclosures relating to the Company’s share option scheme are set out in note 28 to the financial statements.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the headings “Directors’ interests in shares and warrants” above and in the share option scheme disclosures in note 28 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the 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 2002, 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

On 14 November 2002, Lival Company Limited ("Lival") and Knight Investment Limited ("Knight"), indirect wholly-owned subsidiaries of the Company, entered into five tenancy agreements (the "Tenancy Agreements") as landlords with Hung's Management Services Limited ("HMSL"), Yoshinoya Fast Food (Hong Kong) Limited ("Yoshinoya") and Wasserbel Trading Company Limited ("Wasserbel") (collectively referred herein as the "Lessees") for letting the following premises of the Group to the Lessees:

1. Workshop A, First Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon;
2. Workshop B, C and D, Upper Ground Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon;
3. Factory B, Ground Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon; and
4. Car Parking Space No. 13, Ground Floor, Hop Hing Industrial Building, 704 Castle Peak Road, Kowloon.

The aggregate rent received and receivable under the Tenancy Agreements by the Group are HK\$227,410, HK\$1,886,400 and HK\$1,886,400 for the years ended 2002, 2003 and 2004 respectively, and which do not exceed the yearly threshold under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year.

CONNECTED TRANSACTIONS (continued)

The Lessees are controlled by GZ Trust Corporation, a substantial shareholder of the Company, and hence the Lessees are connected persons of the Group under Rule 14.03(2)(a) of the Listing Rules. Moreover, Mr. Hung Hak Hip, a non-executive director of the Company, is a director of HMSL; Ms Hung Chiu Yee, also a non-executive director of the Company, is a director of the Lessees; and Mr. Lee Pak Wing, a non-executive director of the Company, is a director of Wasserbel and Yoshinoya.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 14.25 of the Listing Rules in respect of the connected transactions and a conditional waiver from strict compliance with these disclosure requirements was granted by the Stock Exchange subject to the conditions, which have been fully complied with by the Company for the year.

The independent non-executive directors have reviewed and confirmed that the connected transactions arising from the Tenancy Agreements for the year (i) had been entered into by the Company in the ordinary and usual course of its business; (ii) had been entered into on normal commercial terms and on terms that were fair and reasonable so far as the shareholders of the Company are concerned; and (iii) the value of the annual aggregate rent under the Tenancy Agreements do not exceed the thresholds under Rule 14.25(1) for the year.

The auditors of the Company have reviewed the above connected transactions for the year and confirmed that the transactions (i) were approved by the Board of Directors of the Company; (ii) had been entered into in accordance with the terms of the Tenancy Agreements; and (iii) had not exceeded the thresholds under Rule 14.25(1) of the Listing Rules for the year.

Besides, details of the related party transactions for the year are set out in note 35 to the financial statements. Save as disclosed therein and the connected transactions mentioned above, there were no other transactions which, in the opinion of the directors, constitute connected transactions under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2002, 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.

For the year ended 31 December 2002, the total scheme contributions made by the Group amounted to HK\$1,185,000 and forfeited contributions applied to reduce employer’s contributions were HK\$90,000. At 31 December 2002, forfeited contributions totalling HK\$78,000 were available to reduce future contributions to the Exempted Scheme.

The employees of the Group’s subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These 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.

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AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

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

28 April 2003