1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The subsidiaries of the Group are primarily engaged in the extraction, refining, blending, bottling, packaging and distribution of edible oils and ancillary activities.

2. BASIS OF PRESENTATION

As at the balance sheet date, the net current liabilities of the Group amounted to HK$99,086,000. An arrangement for a refinancing of the Group's bank indebtedness in Hong Kong (the "Debt Refinancing") was finalised after the year end as further explained in note 36 to the financial statements. In the opinion of the directors, as a result of the Debt Refinancing, the Group will have sufficient working capital to finance its operations.

On the basis of the above, the directors consider that it is appropriate to prepare the financial statements on a going concern basis and the bank loans have been classified on the consolidated balance sheet in accordance with their repayment schedules before the Debt Refinancing.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs issued by the Hong Kong Society of Accountants are effective for the first time in the preparation of the current year's financial statements.

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. Further details of this change are included in the accounting policy for "Foreign currencies" in note 4 to the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes that have resulted from them are included in the accounting policy for "Cash and cash equivalents" and "Foreign currencies" in note 4 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. The recognition of this accrual has resulted in a prior year adjustment, further details of which are included under the heading "Employee benefits" in note 4 and in note 12 to the financial statements. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 28 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of an investment property, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses. Details of the principal subsidiaries are set out in note 16 to the financial statements.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Details of the principal associates are set out in note 17 to the financial statements.

The Group's share of the post-acquisition results of associates is included in the consolidated profit and loss account. The Group's interests in the associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entity

Jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results of the jointly-controlled entity is calculated based on the audited results after making appropriate adjustments to conform to the Group's accounting policies and is included in the consolidated profit and loss account. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets of the joint venture company less any impairment loss.

Unrealised gains arising from transactions with a jointly-controlled entity are eliminated to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Goodwill on consolidation

Goodwill arising on the acquisition of subsidiaries represents the excess of purchase consideration paid for the subsidiaries over the Group's share of the fair value of the identifiable assets and liabilities as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

Upon disposal of such subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill, which remains unamortised, and any relevant reserves, as appropriate.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognised, for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

Fixed assets and depreciation

Fixed assets, other than an investment property, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use including borrowing costs. In situations where it can be clearly demonstrated that the expenditure incurred after an asset has been put into operation, has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the remaining terms of the leases
Buildings	2% to 2.5% or over the terms of the leases if shorter
Barges, vehicles, leasehold improvements, machinery and equipment	5% to 20%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

The transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" have been adopted for fixed assets stated at valuation. As a result, those assets stated at revalued amounts based on revaluations which were reflected in the financial statements for the year ended 31 December 1993 have not been revalued by class at the balance sheet date.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Investment property

Investment property is an interest in land and buildings which are intended to be held on a long term basis for their investment potential. Such property is stated at its open market value on the basis of annual professional valuation and is not depreciated except where the unexpired term of the lease is 20 years or less, in which case the then carrying amount is amortised on the straight-line basis over the remaining lease term. Changes in the value of the investment property are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Trademarks

Trademarks are stated at cost less impairment losses and are not amortised.

Stocks

Stocks are stated at the lower of cost, on the weighted average method, and net realisable value. Cost comprises direct materials and the related purchase costs. In the case of finished goods and work in progress, cost also includes direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less all costs to be incurred to completion and on disposal.

Deferred tax

Provision is made for deferred tax, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) income from the sale of goods, on delivery of the goods to the customers;

(ii) revenue from management, marketing, bottling, packaging and testing services, in the period in which the services are rendered;

(iii) rental income, on the straight-line basis over the lease terms;

(iv) royalties, in the period in which the related products are sold; and

(v) interest income, in proportion to time taking into account the principal outstanding and the effective interest rate applicable.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 3 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has resulted in a prior year adjustment due to the initial recognition of the accrual, further details of which are included in note 12 to the financial statements.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such future payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Retirement benefits

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits (continued)

The employees of the Group's subsidiaries which operate 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. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

5. SEGMENT INFORMATION

The Group's primary segment is the edible oils and food related business segment. Since this is the only business segment of the Group, no further analysis thereof is presented.

Segment information is presented below in respect of the Group's geographical segment, which is regarded as the secondary segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Mainland China		**Hong Kong**		**Consolidated**	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**438,195**	462,112	**130,619**	135,929	**568,814**	598,041
Segment assets	**444,519**	539,820	**377,489**	409,783	**822,008**	949,603
Unallocated assets					**53,261**	58,228
					875,269	1,007,831
Capital expenditure incurred during the year	**1,772**	2,358	**3,138**	422	**4,910**	2,780

6. TURNOVER

Turnover represents the aggregate of the net invoiced value of goods sold, services rendered, rental and laboratory and testing fees income, but excludes intra-group transactions.

	2002	2001
	HK$'000	HK$'000
Sales of goods and services	**552,265**	579,512
Rental and other income	**16,549**	18,529
	568,814	598,041

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after crediting:

	Notes	2002 HK$'000	2001 HK$'000
Rental income:			
Investment property		**6,891**	8,120
Leasehold land and buildings		**4,728**	4,353
		11,619	12,473
Less: Outgoings		**(2,576)**	(2,600)
Net rental income		**9,043**	9,873
Royalties		**22,496**	23,190
Realised gains on investments in listed securities classified as other revenue and gains		**–**	624
Gain on disposal of a trading right in the Hong Kong Futures Exchange Limited classified as other revenue and gains		**832**	–
Gain on liquidation of a subsidiary	30	**–**	51

and after charging:

	Notes	2002 HK$'000	2001 HK$'000
Cost of stocks sold (including write-back of accounts payable provision of Nil (2001: HK$10,260,000))		**420,726**	418,974
Staff costs (including directors' emoluments in note 8):			
Wages and salaries		**40,893**	45,726
Pension scheme contributions		**1,185**	1,297
Less: Unvested contributions forfeited (note i)		**(90)**	(263)
		1,095	1,034
		41,988	46,760
Provision against and write-off of deposits and prepayments (note ii)		**39,272**	–
Depreciation	14	**28,409**	29,068
Minimum lease payments under operating leases in respect of land and buildings		**1,024**	2,946
Loss on disposal of fixed assets		**514**	985
Auditors' remuneration		**888**	800

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

Notes:

i As at 31 December 2002, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in note 4 to these financial statements amounted to HK$78,000 (2001: HK$95,000).

ii. The Group has commenced cooperation with a company established in Guangzhou, the PRC (the "PRC Company") in relation to the Group's edible oil business in the PRC (the "PRC Businesses") since 1999. A wholly owned subsidiary of the Company in the PRC has since been having a trading relationship with the PRC Company. In May 2000, the Group entered into a cooperative agreement with the PRC Company.

The Group receives information that the PRC Company is involved in certain enquiries currently being conducted by certain authorities in the PRC and is concerned as to the possible impacts to the Group, if the results of such enquiries adversely affect the PRC Company. In respect of the amounts due from the PRC Company (the "Amounts"), including trading deposits and prepayments, and in preparation for enforcement of payment thereof, the Group has obtained legal opinion which indicates that the Group has valid grounds to claim and recover the Amounts in full. However, actual recovery of the Amounts still depends on the financial conditions of the PRC Company and hence remains uncertain. It is therefore appropriate to make provisions for the recoverability of the Amounts. In this connection, costs associated with the proposed listing of the PRC Businesses on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited are also written off.

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to the Listing Rules and section 161 of the Companies Ordinance are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Directors' fees:		
Non-executive directors	**560**	560
Salaries and allowances*	**8,687**	8,549
Discretionary/performance related bonuses	**191**	300
Retirement fund contributions	**337**	334
	9,775	9,743

* Including fees paid to a management company in which a director is indirectly interested.

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The directors' emoluments are analysed as follows:

	Group	
	2002	2001
	Number	Number
Band	**of directors**	of directors
Nil to HK$1,000,000	**6**	6
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1

As at the balance sheet date, certain directors held share options of the Company, which were granted in 2000, the details of which are set out in note 28 to the financial statements. No value in respect of the share options granted in prior years had been charged to the profit and loss account or included in the disclosure of directors' emoluments.

(b) Senior executives' emoluments

The five highest paid individuals' (including four directors for both years whose emoluments have been included in "Directors' emoluments" above) aggregate emoluments are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries and allowances	**8,992**	8,843
Discretionary/performance related bonuses	**191**	350
Retirement fund contributions	**404**	401
	9,587	9,594

8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(b) Senior executives' emoluments (continued)

The above emoluments are analysed as follows:

	Group	
	2002	2001
Band	**Number of individuals**	Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1

9. FINANCE COSTS, NET

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank borrowings	**19,248**	25,676
Interest on other loans wholly repayable within five years	**138**	161
Total finance costs	**19,386**	25,837
Less: Interest income	**(774)**	(2,809)
	18,612	23,028

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Overseas taxes have been provided for at the applicable tax rates, if required.

	Group	
	2002	2001
	HK$'000	HK$'000
Tax in the profit and loss account represents:		
Provision for profits tax (note)	**13,066**	1,080
Deferred tax – note 26	**(697)**	(254)
	12,369	826
Share of tax charges of a jointly-controlled entity – Hong Kong	**292**	751
	12,661	1,577

Note: During the year, the Group received notices of assessment from the Inland Revenue Department in Hong Kong in respect of the Group's assessable profits arising from royalty income, which is under appeal. In the opinion of the directors, adequate tax provision has been made as at the balance sheet date.

11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company was HK$38,971,000 (2001: net profit of HK$50,000).

12. PRIOR YEAR ADJUSTMENT

In the current year, the Company adopted SSAP 34 "Employee benefits" as explained in note 3 to the financial statements. This change in accounting policy has been made retrospectively and accordingly, the comparative balances for the year ended 31 December 2001, including earnings per share and retained profits brought forward as at 1 January 2001 have been restated. The effect of this change in respect of the year ended 31 December 2001 is an increase in general and administrative expenses and a decrease in net profit attributable to shareholders of HK$56,000 for the year ended 31 December 2001, which is the net movement in accrued employees' compensated leave during that year. The retained profits brought forward as at 1 January 2001 and 2002 have been reduced by HK$1,791,000 and HK$1,847,000, respectively, which are the amounts of adjustments in respect of the Group's required accrual for employees' compensated leave as at those dates.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on the net loss attributable to shareholders of HK$75,473,000 (2001: net profit of HK$7,285,000 (as restated)); and weighted average of 409,119,516 shares (2001: 409,113,021 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for both years have not been presented as the share options and warrants outstanding during the years had an anti-dilutive effect on the basic earnings/(loss) per share for these years.

14. FIXED ASSETS

Group

	Investment property HK$'000	**Leasehold land and buildings** HK$'000	**Barges, vehicles, leasehold improvements, machinery and equipment** HK$'000	**Total** HK$'000
Cost/valuation:				
At 1 January 2002	65,600	326,262	326,435	718,297
Additions	–	21	4,889	4,910
Disposals	–	(1,838)	(3,764)	(5,602)
Deficit on revaluation	(7,200)	–	–	(7,200)
At 31 December 2002	**58,400**	**324,445**	**327,560**	**710,405**
Accumulated depreciation:				
At 1 January 2002	–	34,473	129,629	164,102
Provided during the year	–	7,026	21,383	28,409
Disposals	–	(279)	(2,824)	(3,103)
At 31 December 2002	**–**	**41,220**	**148,188**	**189,408**
Net book value:				
At 31 December 2002	**58,400**	**283,225**	**179,372**	**520,997**
At 31 December 2001	65,600	291,789	196,806	554,195

14. FIXED ASSETS (continued)

The investment property, which is situated at Lot. 2024 in D.D. 121, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong, is stated on the basis of a professional valuation performed by DTZ Debenham Tie Leung Limited, Chartered Surveyors, using an open market, existing use basis at 31 December 2002. The investment property is currently used for industrial purposes.

The revaluations of certain leasehold land and buildings situated in Hong Kong in 1993 were performed by Chesterton Petty Limited, Chartered Surveyors, on an open market, existing use basis at 31 December 1993.

The leasehold land and buildings included above are held on the following lease terms:

	Hong Kong, professional valuation at 31 December 1993 less accumulated depreciation	**Hong Kong, at cost less accumulated depreciation**	**Elsewhere, at cost less accumulated depreciation**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Long term	1,149	–	5,001	6,150
Medium term	66,373	55,227	155,475	277,075
	67,522	55,227	160,476	283,225

Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK$239,404,000 (2001: HK$244,374,000).

15. TRADEMARKS

In accordance with the requirements of SSAP 29 "Intangible assets", the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its earnings/(loss) per share for the following reasons:

(i) The trademarks, which were acquired by the Group in 1988, have been in use for a very long time, some of them since the 1930s, and will continue to be used for the long term. The valuation of the Group's trademarks performed by Sallmanns (Far East) Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 31 December 2002; and

(ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to the profit and loss account when incurred, to maintain and increase the market value of its trademarks and brands.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy that trademarks are stated at cost and provision is made for any impairment in value. The Group intends to confirm the value of its trademarks by independent professional valuations periodically.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**260,476**	260,476
Amounts due from subsidiaries	**257,762**	257,711
	518,238	518,187
Provision for impairment	**(39,000)**	–
	479,238	518,187

The amounts due from the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INTERESTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries of the Company at the balance sheet date were as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
Hop Hing Industrial Building Limited	Hong Kong	HK$12	100%	Property holding
Hop Hing International Limited	British Virgin Islands	US$1,000	100%	Investment holding
Hop Hing Management (China) Limited	Hong Kong	HK$2	100%	Distribution of edible oils
Hop Hing Oil Factory Limited	Hong Kong	HK$24,000,010	100%	Distribution of edible oils
Hop Hing Oil (Holdings) Limited	Hong Kong	HK$88,241,505	100%	Investment holding
Hop Hing Oil Trading (2000) Limited	Hong Kong	HK$2	100%	Distribution of edible oils
Hung's Sino Holdings Limited	Hong Kong	HK$100,010	100%	Property holding
Knight Investment Limited	Hong Kong	HK$4	100%	Property holding
Lapidus (1985) Limited	Hong Kong	HK$12	100%	Barge ownership
Liveral Company Limited	Hong Kong	HK$10,000	100%	Property holding
Monitor Ltd.	British Virgin Islands	US$1	100%	Trademark holding
Panyu Hop Hing Oils & Fats Co. Ltd.	People's Republic of China/ Mainland China	HK$75,000,000	100%	Edible oil production

16. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration and operations	Issued/ registered and fully paid share capital	Percentage of equity interest attributable to the Company	Principal activities
Panyu Kwong Hing Packaging Company, Limited	People's Republic of China/ Mainland China	HK$50,000,000	100%	Blending and distribution of edible oils
Pinghu Hop Hing Vegetable Oils Company, Limited*	People's Republic of China/ Mainland China	US$1,400,000	51%	Edible oil refinery
Sino Food Products Company (Holdings) Limited	Hong Kong	HK$10	100%	Distribution of edible oils
Top Charter Holdings Limited	British Virgin Islands	US$1	100%	Bottling and packaging of edible oils
Zhejiang Hop Hing Oils & Fats Company, Limited*	People's Republic of China/ Mainland China	US$1,400,000	61%	Edible oil refinery

* Registered as an equity joint venture under PRC law.

Except for Hop Hing International Limited, all subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would result in particulars of excessive length.

17. INTERESTS IN ASSOCIATES

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets, other than goodwill	**24,645**	24,645
Due to associates	**(26,070)**	(26,070)
	(1,425)	(1,425)

The amounts due to the associates are unsecured, interest-free and have no fixed terms of repayment.

Details of the associates of the Group at the balance sheet date were as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
Omeron Profits Limited	Corporate	British Virgin Islands	50%	Dormant
Tepac Profits Limited	Corporate	British Virgin Islands	50%	Dormant

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net assets	**53,261**	57,919

Details of the jointly-controlled entity at the balance sheet date were as follows:

Name of company	Business structure	Place of incorporation/ principal operations	Percentage of equity interest attributable to the Group	Principal activities
Evergreen Oils & Fats Limited ("Evergreen")	Corporate	Cayman Islands/ Hong Kong	50%	Blending and distribution of edible oils, fats and shortenings

18. INTERREST IN A JOINTLY-CONTROLLED ENTITY (continued)

The state of affairs and income and profit of Evergreen are summarised as follows:

	2002	2001
	HK$'000	HK$'000
State of affairs		
Current assets	**214,941**	203,884
Non-current assets	**26,354**	31,330
Current liabilities	**(132,627)**	(116,321)
Long term liabilities	**(1,486)**	(1,857)
Net assets attributable to venturers	**107,182**	117,036
Income and profit		
Turnover	**605,596**	627,542
Net profit for the year	**2,146**	9,172

19. STOCKS

	Group	
	2002	2001
	HK$'000	HK$'000
Finished goods	**13,880**	9,625
Work in progress	**1,874**	1,000
Raw materials	**26,814**	49,030
	42,568	59,655

The amount of stocks that are carried at net realisable value is HK$49,000 (2001: HK$13,862,000).

20. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable as at the balance sheet date is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current	**23,333**	35,792
Less than 60 days	**2,639**	5,192
Over 60 days	**4,869**	10,032
	30,841	51,016

The Group's products are sold either on a cash on delivery basis, or on an open account basis ranging from 30 to 50 days of credit. Each customer has a maximum credit limit and overdue balances are regularly reviewed by senior management.

Accounts receivable of the Group include a trading balance due from a jointly-controlled entity of HK$10,397,000 (2001: HK$6,845,000), which is unsecured and interest-free.

21. PLEDGED CASH DEPOSITS

The pledged cash deposits were pledged to banks as securities for certain bills payable.

22. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Secured	**236,191**	291,227
Unsecured	**5,569**	5,616
	241,760	296,843
Portion due within one year included under current liabilities	**(138,802)**	(140,335)
Long term portion	**102,958**	156,508
The bank loans are repayable in various instalments within a period of:		
Less than one year or on demand	**138,802**	140,335
More than one year but less than two years	**–**	156,508
More than two years but not exceeding five years	**102,958**	–
	241,760	296,843

The secured bank loans were secured by legal charges over certain stocks, accounts receivable, properties and plant and machinery of the Group.

23. OTHER LOANS

	Group 2002 HK$'000	Group 2001 HK$'000
Due to minority shareholders of subsidiaries:		
Secured	**2,293**	2,293
Unsecured	**2,884**	2,884
	5,177	5,177

The amounts due to the minority shareholders bear interest at 6% to 7% per annum. During the year, certain minority shareholders waived interest totalling HK$144,000 (2001: HK$173,000) on the loans due to them by the Group.

The secured other loans were secured by floating charges over certain stocks of the Group.

24. BILLS PAYABLE

Bills payable are secured by certain cash deposits, investment property and certain leasehold land and buildings of the Group.

25. ACCOUNTS PAYABLE

The aged analysis of accounts payable as at the balance sheet date is as follows:

	Group 2002 HK$'000	Group 2001 HK$'000
Current and less than 60 days	**10,216**	15,588
Over 60 days	**8,457**	7,865
	18,673	23,453

26. DEFERRED TAX

	Group 2002 HK$'000	Group 2001 HK$'000
Balance at beginning of year	**9,600**	9,854
Reversal for the year – note 10	**(697)**	(254)
Balance at end of year	**8,903**	9,600

The provision for deferred tax as shown in the balance sheet relates to timing differences arising from accelerated capital allowances. There were no other material timing differences at the balance sheet date.

No provision for deferred tax has been made for the revaluation surpluses of the investment property and other properties as they do not constitute timing differences.

27. SHARE CAPITAL

Shares

	Company 2002 HK$'000	Company 2001 HK$'000
Authorised:		
800,000,000 (2001: 800,000,000) ordinary shares of HK$0.10 each (2001: HK$0.10 each)	**80,000**	80,000
120,000 (2001: 120,000) ordinary shares of US$0.10 each (2001: US$0.10 each)	**93**	93
	80,093	80,093
Issued and fully paid:		
409,125,738 (2001: 409,113,021) ordinary shares of HK$0.10 each (2001: HK$0.10 each)	**40,913**	40,911

During the year, 12,717 shares of HK$0.10 each were issued for cash at a subscription price of HK$0.27 per share pursuant to the exercise of 12,717 warrants of the Company for a total cash consideration, before expenses, of HK$3,434.

There was no change in the issued capital during the year ended 31 December 2001.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 28 to the financial statements.

27. SHARE CAPITAL (continued)

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 22 May 2002, resulting in 81,822,604 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.10 at a subscription price of HK$0.27 per share, payable in cash and subject to adjustment, from the date of issue to 30 April 2005.

During the year, 12,717 warrants were exercised for 12,717 shares of HK$0.10 each at HK$0.27 per share. At the balance sheet date, the Company had 81,809,887 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 81,809,887 additional shares of HK$0.10 each and cash proceeds, before the related issue expenses, of approximately HK$22,089,000.

28. SHARE OPTIONS

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any full-time employee in the service of the Company or its subsidiaries. The Scheme became effective on 30 June 2000 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of HK$0.10 each in the Company in respect of which share options may be granted will not exceed 10% of the issued shares of the Company (excluding any shares issued upon the exercise of options granted pursuant to the Scheme) from time to time. At 31 December 2002, the number of shares issuable under share options granted under the Scheme was 23,492,677, which represented approximately 5.7% of the Company's shares in issue as at that date. The maximum entitlement of each participant under the Scheme is limited to 25% of the shares issued and issuable under the Scheme from time to time.

The offer of a grant of share options may be accepted within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors and shall in any event not less than three years or more than ten years from the date on which it commences.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (a) 80% of the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant of the options and (b) the nominal value of the shares.

28. SHARE OPTIONS (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

At the balance sheet date, certain directors held share options granted to them under the Scheme 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	Exercise period of share options	Exercise price of share options *	Price of Company's shares ** at grant date of options
			HK$	HK$
Hung Hak Hip	4,752,105	17 November 2000 to 16 November 2010	0.1834	0.227
Liu Chi Keung, Ricky	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	0.2112	0.280
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	0.1834	0.230
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	0.1834	0.227
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	0.1834	0.227
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227

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.

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

28. SHARE OPTIONS (continued)

At the balance sheet date, the Company had 23,492,677 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 23,492,677 additional ordinary shares of the Company and additional share capital of HK$2,349,268 and share premium of approximately HK$2,016,000 (before issue expenses).

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits/ (Accumulated loss) HK$'000	Total HK$'000
Balance at 1 January 2001	231,754	231,383	13,734	476,871
Net profit attributable to shareholders	–	–	50	50
Balance at 31 December 2001 and 1 January 2002	231,754	231,383	13,784	476,921
Issue of share capital	1	–	–	1
Bonus warrants issue expenses	(251)	–	–	(251)
Net loss attributable to shareholders	–	–	(38,971)	(38,971)
Balance at 31 December 2002	231,504	231,383	(25,187)	437,700

The Company's contributed surplus arose in 1990 as a result of the Group reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries, net of the subsequent distribution therefrom.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances. As at 31 December 2002, the total amount of reserves distributable to shareholders, including the Company's accumulated loss, amounted to HK$206,196,000 (2001: HK$245,167,000).

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Liquidation of a subsidiary:

	2002	2001
	HK$'000	HK$'000
Net liabilities disposed of:		
Fixed assets, net	**–**	1,280
Minority interests	**–**	(1,973)
	–	(693)
Release of reserve	**–**	642
Gain on liquidation of a subsidiary	**–**	51
	–	–

The subsidiary liquidated in the prior year had no significant impact on the Group's cash flows. The results of the subsidiary liquidated in the prior year had no significant impact on the consolidated turnover and the consolidated profit after tax for the prior year.

31. PLEDGE OF ASSETS

At the balance sheet date, investment property, certain leasehold land and buildings and certain plant and machinery of the Group with an aggregate carrying value of approximately HK$362,784,000 (2001: HK$344,970,000), certain accounts receivable and stocks of the Group of approximately HK$2,230,000 (2001: 27,145,000), and a cash deposit of the Group of approximately HK$11,545,000 (2001: HK$7,437,000) 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 (2001: HK$2,293,000) were pledged to secure certain other loans.

32. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its leasehold land and building and investment property under operating lease arrangements, with leases negotiated for terms ranging from two to eight years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2002	2001
	HK$'000	HK$'000
Within one year	**10,433**	9,623
In the second to fifth years, inclusive	**23,192**	23,587
After five years	**8,467**	13,940
	42,092	47,150

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between one to twenty-five years.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2002	2001
	HK$'000	HK$'000
Within one year	**745**	837
In the second to fifth years, inclusive	**910**	497
After five years	**3,382**	3,520
	5,037	4,854

33. COMMITMENTS

In addition to the operating lease commitments details in note 32(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	HK$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	**2,210**	4,931
Authorised, but not contracted for	**2,898**	2,069

The Company had no significant commitments at the balance sheet date (2001: Nil).

34. CONTINGENT LIABILITIES

Group

(a) At the balance sheet date, 28 (2001: 37) employees had completed the required number of years of service under the Employment Ordinance to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees met the circumstances required by the Employment Ordinance, the Group's liability at the balance sheet date would be approximately HK$750,000 (2001: HK$964,000). No provision has been made for this amount in the financial statements as the probability of an outflow of resources thereof is considered remote.

(b) At the balance sheet date, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the jointly-controlled entity of the Group amounted to HK$38,623,000 (2001: HK$15,333,000).

Company

At the balance sheet date, the contingent liabilities of the Company in respect of guarantees given to banks to secure banking facilities utilised by a subsidiary and the jointly-controlled entity amounted to HK$89,032,000 (2001: HK$109,671,000).

35. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2002 HK$'000**	2001 HK$'000
Transactions with the jointly-controlled entity:			
Sales of goods	a	**33,678**	52,746
Purchases of goods/services	b	**2,283**	2,290
Oil refinement income	c	**10,510**	14,597
Production income	d	**22,255**	–
Royalty income	e	**22,496**	23,190
Property rental and tank farm income	f	**11,679**	12,552
Other property related income	g	**4,231**	4,174
Management and marketing fee income	h	**6,000**	7,000
Transactions with the controlling shareholders of the Company:			
Sales of goods	a	**–**	569
Transactions with companies in which a director of the Company has an indirect interest:			
Management fee	i	**540**	540
Rental income	j	**1,128**	864

Notes:

a. The sales of goods were at prices comparable to those offered to other unrelated customers of the Group.

b. The purchases of goods/services were at prices comparable to those offered by other unrelated suppliers/providers.

c. The oil refinement income was charged at rates comparable to those offered to other unrelated customers of the Group.

d. The production income was charged basing on agreements entered into with the jointly-controlled entity after arm's length negotiation and were at rates comparable to those offered to other unrelated customers of the Group.

35. RELATED PARTY TRANSACTIONS (continued)

Notes:

e. Pursuant to a trademark licence agreement entered into between the Group and the jointly-controlled entity, the royalties received for the use of the trademarks is calculated based on a percentage as agreed between the parties from time to time, of the gross sales value of licensed products sold by the jointly-controlled entity within Hong Kong and Macau.

f. The property rental income related to the investment property and barges included in fixed assets. The property rental income and tank farm income were charged by reference to the relevant industry practice and was subject to review on a regular basis.

g. The other property related income included air-conditioning charges and property management fee and were charged based on the cost incurred in managing the properties and providing air-conditioning service.

h. The management and marketing fee income were charged based on the cost incurred for providing such services.

i. The management fee expenses represented the payment of remuneration to a director of the Company through a company in which he has an indirect interest therein.

j. The property rental income was charged by reference to the relevant industry practice and was subject to review on a regular basis.

36. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, on 24 April 2003, the Group entered into debt refinancing agreements (the "Refinancing Agreements") with its principal bankers (the "Banks") to refinance its existing bank indebtedness in Hong Kong.

As at 31 December 2002, the total outstanding balance due to the Banks was HK$142.9 million (including HK$105.1 million of bank loans and HK$37.8 million of bills payable). This indebtedness was repayable within twelve months and is classified as current liabilities on the Group's consolidated balance sheet. In accordance with the Refinancing Agreements, the facilities were increased by HK$37.1 million to HK$180 million. Of the total bank loans, HK$7 million representing semi-annual installments due within 2003 should be classified as current liabilities. The remaining balances are either semi-annual installments of long term loans which are not due within the next twelve months or three and a half years fixed term revolving loans and have been classified as non-current liabilities.

The liquidity position of the Group has improved after the Debt Refinancing. A summary of the pro forma adjusted consolidated net assets, based on the audited consolidated net assets of the Group as at 31 December 2002, is presented below as if the Debt Refinancing had taken place at that date.

36. POST BALANCE SHEET EVENTS (continued)

	31 December 2002			
	Audited consolidated net assets	**Increment of bank loans**	**Reclassification of bank loans**	**Pro forma adjusted consolidated net assets**
	HK$million	HK$million	HK$million	HK$million
Non-current assets	695	–	–	695
Current assets	179	37	–	216
Current liabilities	(278)	(37)	173	(142)
Net current assets/(liabilities)	(99)			74
Long term portion of bank and other loans	(103)	–	(173)	(276)
Deferred tax	(9)	–	–	(9)
Minority interests	(5)	–	–	(5)
Net asset value	479			479

37. COMPARATIVE AMOUNTS

As explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 April 2003.