

2003 was an exceptional year. During the first 6 months, the economic conditions in Hong Kong had remained difficult, and the war in Iraq and the outbreak of SARS both created further negative impacts on the business environment in which we operate. In the second half of the year, however, the signing of CEPA and the opening up of visitors to Hong Kong by China had, directly and indirectly, helped improve the economy within a relatively short timeframe.

OPERATING RESULTS

Net loss after tax for the year ended 31 December 2003 was HK\$27.7 million. This compares with the net loss after tax of HK\$74.9 million for the year 2002.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2003 was HK\$17.0 million, compared with a negative EBITDA of HK\$15.9 million in 2002.

Loss per share in 2003 was 6.76 cents whereas loss per share in 2002 was 18.3 cents.

DIVIDEND

No interim dividend was paid (2002: nil) and your directors do not recommend the payment of any final dividend for the year under review (2002: nil).

BUSINESS REVIEW

Review of Operations

In line with the changes in the economy during the period under review, business turnover for the second half of the year showed an increase of some 53% when compared to that of the first 6 months. The Group's efforts in streamlining costs in previous years has begun to be reflected in the accounts this year, although its impact was to an extent diluted by the rapid rise in raw material oil costs.

In Hong Kong, our market share has improved over 2002. The Company received the 2003/04 Caring Company Award and our premium brand, the Lion & Globe, received the Hong Kong Superbrands Tribute Award and the Honorary Award amongst the Hong Kong Top Ten Brandnames Awards. In respect of the latter, Lion & Globe is believed to be the first and so far the only edible oil product to have received such Honorary Award.

In China, the Group's strategy to concentrate only in the more profitable sales regions has begun to produce positive results, and the China operations has delivered a positive EBITDA from the second half of the year.

On working capital management, the Group has continued to improve the quality of accounts receivable by re-focusing of sales efforts, and the accounts receivable in 2003 was HK\$24 million, as compared to HK\$31 million of 2002 and HK\$51 million of 2001.



Chairman's Statement

Provision and Write-off

In 2002, the Group made a provision of HK\$39 million which was mainly against deposits paid to a PRC company for procurement of raw materials. The Group has since taken actions to seek recovery of such and, in this regard, the matter is now in the hands of our lawyers.

FINANCIAL REVIEW

Equity

The number of issued shares of HK\$0.10 each as at 31 December 2003 was 409,152,938 (31 December 2002: 409,125,738). During the year under review, the share capital of the Company was increased by 27,200 shares resulting from the exercise of 27,200 warrants of the Company. As at 31 December 2003, there were 81,782,687 warrants carrying rights to subscribe an aggregate of 81,782,687 new shares of HK\$0.10 each in the Company at any time up to 30 April 2005 at an initial subscription price of HK\$0.27 per share.

As at the year end date, there were outstanding share options granted to certain eligible employees entitling them to subscribe for 23,492,677 shares of the Company. Details of the share options outstanding are disclosed in note 26 to the financial statements.

Liquidity and gearing

On 24 April 2003, the Group completed refinancing of its bank loans which resulted in a net current asset of HK\$41 million as at 31 December 2003 (net current liabilities as at 31 December 2002: HK\$99 million).

As at the balance sheet date, the Group's total bank borrowings less pledged cash deposits amounted to HK\$303 million (31 December 2002: HK\$295 million). Of the total bank borrowings, HK\$53 million was repayable within one year and the balance was repayable within two to five years. The Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) as at 31 December 2003 was 38% (31 December 2002: 18%). The increase in gearing ratio was mainly due to additional bank borrowings and reclassification of bank loans from current liabilities to long term liabilities as a result of the debt refinancing.

The net interest expenses for the year was HK\$16.0 million (2002: HK\$18.6 million). Such decrease is mainly attributable to the repayments of bank loans and the decrease in interest rates during the year under review.

The Group's bank borrowings are denominated in Hong Kong dollars and Renminbi. The Group continues to adopt the policy of hedging foreign currency liabilities with foreign currency assets.

Remuneration policies and share option scheme

Remuneration packages comprised salary and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK\$38 million (2002: HK\$42 million). As at 31 December 2003, the Group had 222 (31 December 2002: 379) employees.

Details of share options granted under the Share Option Scheme of the Company are set out in note 26 to the financial statements.

Segment information

In the period under review, the Group's edible oil business in Mainland China continued to account for a major proportion of the Group's turnover.

Details of the segment information are set out in note 4 to the financial statements.

Contingent liabilities

Details of the contingent liabilities are set out in note 31 to the financial statements.

Pledge of assets

Details of the pledge of assets are set out in note 28 to the financial statements.

OUTLOOK

As the economy continues to improve, your Board expects market situation to do likewise and have taken steps to position ourselves in this regard.

In addition, the Group has engaged a professional firm as our advisor to assist in a review of the overall strategic future of our business. Such review may or may not result in a restructuring of our businesses.

VOTE OF THANKS

We would like to thank all of our customers, suppliers, business associates and bankers for the continued support during 2003. We would also like to thank all members of our management team and staff for their hard work during the year.

HUNG HAK HIP

Chairman

27 April 2004