



## 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 2003.

### 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 2003 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 18 to 59.

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 60 and 61.

### 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.

### 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 25 and 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 and in the consolidated statement of changes in equity, respectively. Details of the distributable reserves of the Company 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 20, 21 and 22 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\*

Chan Sai On, David

Wong Kwok Ying

Han Kin Yee

(resigned on 1 July 2003)

\* *Non-executive directors*

\*\* *Independent non-executive directors*

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. Wong Yu Hong, Philip, Cheung Wing Yui, Edward and Hung Chiu Yee will retire and, being eligible, will offer themselves for re-election.

### DIRECTORS AND SENIOR EXECUTIVES

#### (a) Non-executive directors

**Hung Hak Hip**, aged 59, 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' and chief executive's interests and short positions in shares and underlying 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 65, 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.

**Sze Tsai To, Robert**, aged 63, 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.



## Report of the Directors

### DIRECTORS AND SENIOR EXECUTIVES (continued)

#### (a) Non-executive directors (continued)

**Cheung Wing Yui, Edward**, aged 54, 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 63, 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 58, 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 55, Vice Chairman & CEO, B. Comm; Master in Finance; Fellow of Chartered Management Institute. He has over 30 years' senior management experience, the last 21 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.

**Chan Sai On, David**, aged 49, 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.

**Wong Kwok Ying**, aged 44, 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 40, is the Chief Operating Officer for the Group's sales activities, manufacturing, quality assurance and product development. 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 55, 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.

### DIRECTORS AND SENIOR EXECUTIVES (continued)

#### (c) Senior executives (continued)

**Lian Bai Xiang**, aged 55, is the General Manager for the Group's sales activities in China East Region. 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 34, 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 over 10 years' managerial experience in the sales and marketing of food products in the PRC. Mr. Wang joined the Group in 2001.

**Tang Wing Yin, Wilson**, aged 38, is principally responsible for treasury and accounting functions of the Group's operations in the PRC. Mr. Tang is an associate member of the Hong Kong Society of Accountants. He has over 13 years' experience in finance and accounting functions in both Hong Kong and the PRC. Mr. Tang joined the Group in 2003.

**Chan Chi Lik, Tony**, aged 38, is the Group's IT manager. He holds a bachelor degree with honors in Information System from the University of Staffordshire in UK, and a post-graduate diploma of Chinese Law from Tsinghua University in Beijing. He has over 13 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, either directly or indirectly, in any contract of significance to the business of the Group 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.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2003, the interests of the directors and chief executive in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

#### Interests in ordinary shares of the Company

Name of director	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust		
Hung Hak Hip	–	1,396,645	3,601,607	3,227,420*	8,225,672	2.0
Liu Chi Keung, Ricky	–	–	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–	–	–
Sze Tsai To, Robert	–	–	–	–	–	–
Cheung Wing Yui, Edward	398,000	–	–	–	398,000	0.1
Hung Chiu Yee	772,673	–	–	–	772,673	0.2
Lee Pak Wing	–	–	–	–	–	–
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.

#### Interests in warrants of the Company

Name of director	Number of warrants held, capacity and nature of interest			
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust
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	–	–	–	–
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.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** (continued)

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**SHARE OPTION SCHEME**

Details of the Company's share option scheme are disclosed in note 26 to the financial statements.

**DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from as disclosed under the headings "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 26 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 respective spouse or minor children to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

**SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 31 December 2003, the interests of those persons (other than the directors and chief executive) holding 5% or more of the issued share capital, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

**Interests in ordinary shares of the Company**

<b>Name of holder</b>	<b>Notes</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Hung's (1985) Limited ("Hung's")	(i)	117,136,083	28.6%
Hop Hing Oil (1985) Limited ("HHO")	(ii)	155,392,698	38.0%
GZ Trust Corporation ("GZTC")	(iii)	272,528,781	66.6%
Hung Cheung Pui	(iv)	272,528,781	66.6%



## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

- (i) Hung's is the registered holder of the shares disclosed above.
- (ii) HHO is the registered holder of the shares disclosed above.
- (iii) GZTC is the registered holder of majority units of certain unit trusts, of which Hung's and HHO are trustees. The shares disclosed above represent GZTC's deemed interest in the shares held by Hung's and HHO.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. The shares disclosed above represent Mr. Hung Cheung Pui's deemed interest in the disclosed interest of GZTC mentioned above.

### Interests in warrants of the Company

Name of holder	Notes	Number of warrants held
Hung's	(i)	23,427,216
HHO	(ii)	31,078,539
GZTC	(iii)	54,505,755
Hung Cheung Pui	(iv)	54,505,755

Notes:

- (i) Hung's is the registered holder of the warrants disclosed above.
- (ii) HHO is the registered holder of the warrants disclosed above.
- (iii) GZTC is the registered holder of majority units of certain unit trusts, of which Hung's and HHO are trustees. The warrants disclosed above represent GZTC's deemed interest in the warrants held by Hung's and HHO.
- (iv) Mr. Hung Cheung Pui is the founder of two discretionary trusts, of which GZTC is the trustee. The warrants disclosed above represent Mr. Hung Cheung Pui's deemed interest in the disclosed interest of GZTC mentioned above.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.



### CONNECTED TRANSACTIONS

Liveral Company Limited (“Liveral”) 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 certain properties of the Group to the Lessees.

During the year, the above premises were sold to Wytak Limited (“Wytak”), an indirect wholly-owned subsidiary of the Company, with all the terms and conditions of the Tenancy Agreements remain unchanged. Accordingly, Wytak became the successor-in-title and the new landlord of the premises and succeeded all rights, obligations, interests and entitlements under the Tenancy Agreements.

The aggregate rent received under the Tenancy Agreements by the Group for the year amounted to HK\$1,886,400 and does not exceed the threshold under Rule 14.25(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) applicable in the year.

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

Further details of the connected transactions were set out in the Company’s announcement dated 14 November 2002.

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 applicable in the year 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 certain 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 in 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 aggregate rent under the Tenancy Agreements does not exceed the thresholds under Rule 14.25(1) of the Listing Rules applicable in the year.

The auditors of the Company have reviewed the above connected transactions in 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 applicable in the year.

Besides, details of the related party transactions in the year are set out in note 32 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.





## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 38% of the total sales for the year with sales to the largest customer included therein amounted to 30%. The percentage of purchases attributable to the Group's five largest suppliers was less than 30% of the Group's purchases for the year.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers during the year.

### RETIREMENT BENEFITS SCHEMES

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund 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.

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.

For the year ended 31 December 2003, the total scheme contributions made by the Group amounted to HK\$1,141,000 and forfeited contributions applied to reduce employer's contributions were HK\$82,000. No forfeited contributions were available to reduce future contributions to the Exempted Scheme as at 31 December 2003.

### 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.

### 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 and two non-executive directors 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*

27 April 2004