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. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the current year's financial statements and have had a significant impact thereon.

SSAP 12 prescribes the basis of accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future;

- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings; and

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 9 and 24 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 24 to the financial statements.

3. 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 certain land and buildings and 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 2003. 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 14 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 15 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 impairment losses.

3. 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 losses.

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

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 values 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.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, 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 the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP 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. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

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.

3. 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/amortisation), 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 investment property, is 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. Expenditure incurred after fixed assets have been put into operation such as repairs and maintenance, is normally charged to profit and loss account in the period in which it is occurred. In situations where it can be clearly demonstrated that the expenditure 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%

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net 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 depreciated 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.

On 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 disposal.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries, associates and a jointly-controlled entity, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries, associates and a jointly-controlled entity, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

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) 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, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

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.

4. 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, revenue 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	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Revenue from external customers	**271,252**	438,195	**156,137**	130,619	**427,389**	568,814
Segment assets	**405,373**	444,519	**367,043**	377,489	**772,416**	822,008
Unallocated assets					**65,853**	63,101
					838,269	885,109
Capital expenditure incurred during the year	**645**	1,772	**4,189**	3,138	**4,834**	4,910

5. TURNOVER

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

	2003	2002
	HK$'000	HK$'000
Sales of goods and services	**413,249**	552,265
Rental and other income	**14,140**	16,549
	427,389	568,814

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003 HK$'000	2002 HK$'000
Rental income	**11,129**	11,619
Less: Outgoings	**(2,848)**	(2,576)
Net rental income	**8,281**	9,043
Royalties	**15,629**	22,496
Gain on disposal of a trading right in the Hong Kong Futures Exchange Limited classified as other revenue and gains	**–**	832
Gain on disposal of fixed assets	**614**	–
and after charging:		
Cost of stocks sold	**327,735**	420,726
Staff costs (including directors' emoluments in *note 7*):		
Wages and salaries	**37,404**	40,893
Pension scheme contributions	**1,141**	1,185
Less: Unvested contributions forfeited *(note i)*	**(82)**	(90)
	1,059	1,095
	38,463	41,988
Provision against and write-off of deposits and prepayments *(note ii)*	**–**	39,272
Depreciation	**25,464**	28,409
Minimum lease payments under operating leases in respect of land and buildings	**853**	1,024
Loss on disposal of fixed assets	**–**	514
Auditors' remuneration	**838**	888

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

Notes:

i. At 31 December 2003, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in note 3 to these financial statements amounted to nil (2002: HK$78,000).

ii. The Group has commenced cooperation with a company established in Guangzhou, the People's Republic of China (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.

In the prior year, the Group received information that the PRC Company was involved in certain enquiries being conducted by certain authorities in the PRC and was 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, the actual recovery of the Amounts still depends on the financial conditions of the PRC Company and hence remains uncertain. Provisions for the recoverability of the Amounts were therefore made in the prior year. 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 (the "Stock Exchange") were also written off in the prior year.

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Companies Ordinance are as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Directors' fees:		
Non-executive directors	**60**	60
Independent non-executive directors	**500**	500
Salaries and allowances*	**7,777**	8,687
Discretionary/performance related bonuses	**–**	191
Retirement fund contributions	**331**	337
	8,668	9,775

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

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

(a) Directors' emoluments (continued)

The directors' emoluments are analysed as follows:

Band	Group 2003 Number of directors	2002 Number of directors
Nil to HK$1,000,000	**6**	6
HK$1,000,001 to HK$1,500,000	**3**	2
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 26 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 for the year are as follows:

	Group 2003 HK$'000	2002 HK$'000
Salaries and allowances	**8,082**	8,992
Discretionary/performance related bonuses	**–**	191
Retirement fund contributions	**398**	404
	8,480	9,587

The above emoluments are analysed as follows:

Band	Group 2003 Number of individuals	2002 Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$2,000,001 to HK$2,500,000	**–**	1
HK$4,000,001 to HK$4,500,000	**1**	1

8. FINANCE COSTS, NET

	Group 2003 HK$'000	Group 2002 HK$'000
Interest on bank borrowings	**16,232**	19,248
Interest on other loans wholly repayable within five years	**111**	138
Total finance costs	**16,343**	19,386
Less: Interest income	**(354)**	(774)
	15,989	18,612

9. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Overseas taxes have been provided for at the applicable tax rates, if required.

	Group 2003 HK$'000	Group 2002 HK$'000 (Restated)
Group		
Current – Hong Kong *(note)*	**6,386**	12,978
Current – Elsewhere	**133**	88
Deferred – *note 24*	**(5,126)**	(1,287)
	1,393	11,779
Share of tax attributable to a jointly-controlled entity		
– Hong Kong	**407**	292
Total tax charge for the year	**1,800**	12,071

Note: In the prior 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.

9. TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate for the country where the principal place of business of the Group is to the tax expense at the effective tax rates is as follows:

	Group			
	2003		2002	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax	**(24,432)**		(62,920)	
Tax at the statutory tax rate	**(4,276)**	**17.5**	(10,067)	16.0
Effect of different tax rates in other jurisdictions	**670**		1,985	
Effect of increase in rates on opening deferred tax	**(68)**		–	
Income not subject to tax	**(218)**		(191)	
Expenses not deductible for tax	**235**		5,273	
Tax losses not recognised	**5,871**		15,435	
Utilisation of tax losses brought forward from previous periods	**(414)**		(364)	
Tax charge at the Group's effective rate	**1,800**	**(7.4)**	12,071	(19.2)

For certain of subsidiaries incorporated in the British Virgin Islands income tax has been provided at nil tax rate (2002: nil) on the estimated profits arising in the British Virgin Islands for the year ended 31 December 2003.

Under PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, certain of the Group's PRC subsidiaries are operating in the coastal open economic zones of the PRC and the relevant tax authorities have granted the enterprises a preferential tax rate of 27%. CIT is payable based on the taxable income as reported in the statutory accounts which are prepared in accordance with PRC accounting regulations.

10. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK$57,948,000 (2002: HK$38,971,000).

11. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on the net loss attributable to shareholders of HK$27,676,000 (2002: HK$74,883,000 (as restated)), and the weighted average of 409,139,450 (2002: 409,119,516) shares in issue during the year.

(b) Diluted loss per share

Diluted 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 loss per share for these years.

12. 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 or valuation:				
At 1 January 2003	58,400	324,445	327,560	710,405
Additions	–	197	4,637	4,834
Disposals	–	–	(4,828)	(4,828)
At 31 December 2003	**58,400**	**324,642**	**327,369**	**710,411**
Accumulated depreciation and impairment:				
At 1 January 2003	–	41,220	148,188	189,408
Provided during the year	–	7,107	18,357	25,464
Impairment recognised directly in equity during the year	–	35,791	–	35,791
Disposals	–	–	(4,761)	(4,761)
At 31 December 2003	**–**	**84,118**	**161,784**	**245,902**
Net book value:				
At 31 December 2003	**58,400**	**240,524**	**165,585**	**464,509**
At 31 December 2002	58,400	283,225	179,372	520,997

12. FIXED ASSETS (continued)

The impairment losses in respect of leasehold land and buildings represented the write down of certain of these assets to their recoverable amounts which are determined by reference to a valuation carried out on an open market, existing use basis.

The Group's 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 2003. 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 and impairment losses	**Hong Kong, at cost less accumulated depreciation**	**Elsewhere, at cost less accumulated depreciation**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Long term leases	1,136	–	4,812	5,948
Medium term leases	28,983	53,810	151,783	234,576
	30,119	53,810	156,595	240,524

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$233,152,000 (2002: HK$239,404,000).

Certain of the Group's land and buildings with an aggregate net book value of HK$33,780,000 as at 31 December 2003 are let out under operating leases, details of which are included in note 29(a) to the financial statements.

13. 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 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 2003; 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.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**260,476**	260,476
Amounts due from subsidiaries	**257,727**	257,762
	518,203	518,238
Provision for impairment	**(97,000)**	(39,000)
	421,203	479,238

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

14. 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 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%	Bottling, packaging and 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
Hop Hing Oil Refinery Limited	Hong Kong	HK$10,000,000	100%	Edible oils refinery
Lapidus (1985) Limited	Hong Kong	HK$12	100%	Barge ownership
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 oils production
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 oils refinery

14. 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
Sino Food Products Company (Holdings) Limited	Hong Kong	HK$10	100%	Distribution of edible oils
Wytak Limited	Hong Kong	HK$10,900,000	100%	Distribution of edible oils and property holding
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.*

** *Registered as a wholly foreign owned enterprise 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.

15. INTERESTS IN ASSOCIATES

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**24,646**	24,646
Due to associates	**(26,071)**	(26,071)
	(1,425)	(1,425)

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

15. INTERESTS IN ASSOCIATES (continued)

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

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2003	2002
	HK$'000	HK$'000
Share of net assets	**55,090**	53,261

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

Name of company	Business structure	Place of incorporation and operations	Percentage of ownership 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

16. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

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

	2003	2002
	HK$'000	HK$'000
State of affairs		
Current assets	**247,965**	214,941
Non-current assets	**20,845**	26,354
Current liabilities	**(157,141)**	(132,627)
Long term liabilities	**(1,343)**	(1,486)
Net assets attributable to venturers	**110,326**	107,182
Income and profit		
Turnover	**587,278**	605,596
Net profit for the year	**3,218**	2,146

17. STOCKS

	Group	
	2003	2002
	HK$'000	HK$'000
Finished goods	**13,282**	13,880
Work in progress	**400**	1,874
Raw materials	**29,914**	26,814
	43,596	42,568

The amount of stocks that are carried at net realisable value is nil (2002: HK$49,000).

18. ACCOUNTS RECEIVABLE

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

	Group	
	2003	2002
	HK$'000	HK$'000
Current and less than 60 days	**23,148**	25,972
Over 60 days	**1,166**	4,869
	24,314	30,841

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$10,830,000 (2002: HK$10,397,000), which is unsecured and interest-free.

19. PLEDGED CASH DEPOSITS

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

20. INTEREST-BEARING BANK LOANS

	Group	
	2003	2002
	HK$'000	HK$'000
Secured	**291,730**	236,191
Unsecured	**5,288**	5,569
	297,018	241,760
Portion due within one year included under current liabilities	**(41,060)**	(138,802)
Long term portion	**255,958**	102,958
The bank loans are repayable in various instalments within a period of:		
Less than one year or on demand	**41,060**	138,802
More than one year but less than two years	**33,000**	–
More than two years but not exceeding five years	**222,958**	102,958
	297,018	241,760

The secured bank loans were secured by certain of cash deposits and legal charges over certain properties and plant and machinery of the Group.

21. OTHER LOANS

	Group 2003 HK$'000	2002 HK$'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 5% to 6% per annum. During the year, certain minority shareholders waived interest totalling HK$160,000 (2002: HK$144,000) on the loans due to them by the Group.

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

22. BILLS PAYABLE

Bills payable are secured by cash deposits of HK$3,649,000 (2002: HK$11,545,000) of the Group.

23. ACCOUNTS PAYABLE

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

	Group 2003 HK$'000	2002 HK$'000
Current and less than 60 days	**20,595**	10,216
Over 60 days	**7,476**	8,457
	28,071	18,673

24. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Deferred tax liabilities

Group

	2003		
	Accelerated tax depreciation HK$'000	**Revaluation of properties HK$'000**	**Total HK$'000**
At 1 January 2003:			
As previously reported	**8,903**	**–**	**8,903**
Prior year adjustment:			
SSAP 12 – restatement of deferred tax	**217**	**9,002**	**9,219**
As restated	**9,120**	**9,002**	**18,122**
Deferred tax credited to equity during the year, including a charge of HK$843,000 due to the effect of change in tax rates	**–**	**(5,420)**	**(5,420)**
Deferred tax credited to the profit and loss account during the year, including a charge of HK$855,000 due to the effect of change in tax rates *(note 9)*	**(4,203)**	**–**	**(4,203)**
Deferred tax liabilities at 31 December 2003	**4,917**	**3,582**	**8,499**

24. DEFERRED TAX (continued)

Deferred tax assets

Group

	2003 Losses available for offsetting against future taxable profits HK$'000
At 1 January 2003:	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	**9,840**
As restated	**9,840**
Deferred tax credited to the profit and loss account during the year due to the effect of change in tax rates *(note 9)*	**923**
Deferred tax assets at 31 December 2003	**10,763**

Deferred tax liabilities

Group

	2002		
	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2002:			
As previously reported	9,600	–	9,600
Prior year adjustment:			
SSAP 12 – restatement of deferred tax	807	9,002	9,809
As restated	10,407	9,002	19,409
Deferred tax credited to the profit and loss account during the year *(note 9)*	(1,287)	–	(1,287)
Deferred tax liabilities at 31 December 2002	9,120	9,002	18,122

24. DEFERRED TAX (continued)

Deferred tax assets

Group

	2002 Losses available for offsetting against future taxable profits HK$'000
At 1 January 2002:	
As previously reported	–
Prior year adjustment:	
SSAP 12 – restatement of deferred tax	9,840
As restated and deferred tax assets at 31 December 2002	9,840

Deferred tax assets has been recognised in respect of HK$61,500,000 (2002: HK$61,500,000) of such losses based on the expected future profit streams.

The Group has tax losses of HK$141,443,000 (2002: HK$131,151,000) arising in Hong Kong that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of the Group's associates or a jointly-controlled entity.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has been applied retrospectively and has resulted in an increase in the Group's deferred tax asset and deferred tax liabilities as at 31 December 2002 by HK$9,840,000 and HK$9,219,000, respectively. As a consequence, the Group's net loss attributable to shareholders for the year ended 31 December 2002 has been decreased by HK$590,000, the consolidated retained profits and other properties revaluation reserve as at 1 January 2002 have been increased by HK$9,033,000 and reduced by HK$9,002,000, respectively, and the consolidated accumulated losses and other properties revaluation reserve as at 1 January 2003 have been reduced by HK$9,623,000 and HK$9,002,000, respectively, as detailed in the consolidated statement of changes in equity.

25. SHARE CAPITAL

Shares

	Group and Company 2003 HK$'000	2002 HK$'000
Authorised:		
800,000,000 (2002: 800,000,000) ordinary shares of HK$0.10 each (2002: HK$0.10 each)	**80,000**	80,000
120,000 (2002: 120,000) ordinary shares of US$0.10 each (2002: US$0.10 each)	**93**	93
	80,093	80,093
Issued and fully paid:		
409,152,938 (2002: 409,125,738) ordinary shares of HK$0.10 each (2002: HK$0.10 each)	**40,915**	40,913

During the year, 27,200 (2002: 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 the Company's warrants for a total cash consideration, before expenses, of approximately HK$7,000 (2002: HK$3,000).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 26 to the financial statements.

Warrants

During the year, 27,200 warrants were exercised for 27,200 shares of HK$0.10 each at a price of HK$0.27 per share. At the balance sheet date, the Company had 81,782,687 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 81,782,687 additional shares of HK$0.10 each and cash proceeds, before the related issue expenses, of approximately HK$22,081,000.

26. SHARE OPTIONS

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. 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 The Stock Exchange of Hong Kong Limited (the "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.

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

At the balance sheet date, certain directors held share options granted to them under the Scheme of the Company 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 the 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

26. SHARE OPTIONS (continued)

	Number of shares constituting the share options	Exercise period of share options	Exercise price of share options * HK$	Price of the Company's shares at grant date of options ** HK$
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.*

At the balance sheet date, the Company had 23,492,677 share options outstanding under the Scheme, which represented approximately 5.7% of the Company's shares in issue as at that date. 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 HK$2,016,000 (before issue expenses).

27. 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 on page 21 of the financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
Balance at 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 for the year	–	–	(38,971)	(38,971)
Balance at 31 December 2002 and 1 January 2003	231,504	231,383	(25,187)	437,700
Issue of share capital	5	–	–	5
Bonus warrants issue expenses	(57)	–	–	(57)
Net loss for the year	–	–	(57,948)	(57,948)
Balance at 31 December 2003	**231,452**	**231,383**	**(83,135)**	**379,700**

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 2003, the total amount of reserves distributable to shareholders, including the Company's accumulated losses, amounted to HK$148,248,000 (2002: HK$206,196,000).

28. 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$309,409,000 (2002: HK$362,784,000), certain accounts receivable and stocks of the Group of nil (2002: HK$2,230,000), and cash deposits of the Group of approximately HK$6,149,000 (2002: HK$11,545,000) 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 (2002: HK$2,293,000) were pledged to secure certain other loans.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties 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 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003 **HK$'000**	2002 HK$'000
Within one year	**8,064**	10,433
In the second to fifth years, inclusive	**21,808**	23,192
After five years	**2,822**	8,467
	32,694	42,092

(b) As lessee

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

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2003 **HK$'000**	2002 HK$'000
Within one year	**529**	745
In the second to fifth years, inclusive	**619**	910
After five years	**3,243**	3,382
	4,391	5,037

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2003	2002
	HK$'000	HK$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	**1,902**	2,210
Authorised, but not contracted for	**2,878**	2,898

The Company had no significant commitments at the balance sheet date (2002: Nil).

31. CONTINGENT LIABILITIES

Group

(a) At the balance sheet date, 35 (2002: 28) 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$444,000 (2002: HK$750,000). No provision has been made for this amount in the financial statements as it is not considered probable that there will be an outflow of resources in respect thereof.

(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$45,544,000 (2002: HK$38,623,000).

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$218,544,000 (2002: HK$89,032,000).

32. 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	2003 HK$'000	2002 HK$'000
Transactions with the jointly-controlled entity:			
Sale of goods	a	**55,884**	33,678
Purchases of goods/services	b	**924**	2,283
Oil refinement income	c	**1,832**	10,510
Production income	d	**39,243**	22,255
Royalty income	e	**15,629**	22,496
Property rental and tank farm income	f	**10,228**	11,679
Other property related income	g	**2,939**	4,231
Management and marketing fee income	h	**2,000**	6,000
Transactions with companies in which a director of the Company has an indirect interest:			
Management fee	i	**540**	540
Rental income	j	**1,886**	1,128

Notes:

a. The sale 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 an arm's length negotiation and were at rates comparable to those offered to other unrelated customers of the Group.

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 are 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 properties 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.

32. RELATED PARTY TRANSACTIONS (continued)

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.

33. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 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, prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 April 2004.