INTRODUCTION

The Group recorded satisfactory performance in the financial year ended 31 December 2004. Comparing with the financial year ended 31 December 2003, the Group's turnover increased from approximately HK$3,308.9 million to HK$4,569.0 million, representing an increase of approximately 38.1%. Profit attributable to the shareholders of the Company (the "**Shareholders**") was approximately HK$103.3 million (2003:HK$103.7 million). The Group met the profit forecast of not less than HK$103.0 million as stated in the Prospectus. Basic earnings per Share were HK cents 16.9. The Group's satisfactory performance in the financial year ended 31 December 2004 was mainly attributable to the strengthened sales network and increased production capacity. The booming Chinese economy and the increasing health conscious amongst people in China, also led to increased consumption of soyabean oil and palm oil products in the Chinese market, enabling the Group to report profit in 2004 financial year.

During the financial year ended 31 December 2004, soyabean oil contributed approximately 63.1% of the Group's turnover, of an approximate amount of HK$2,883.9 million, it was approximately 30.7% higher than the last financial year. The sales of palm oil products contribute approximately 33.2% of the Group's total turnover, of an approximate amount of HK$1,519.0 million, representing an increase of approximately 54.8% over the last financial year. The sales of both types of edible oil products recorded encouraging growth, benefiting from the commencement of commercial operation of the phase II of the refinery facilities in Tianjin and the fractionation facilities in Tianjin and Zhenjiang.

The gross profit of the Group for the financial year ended 31 December 2004 was approximately HK$253.6 million, representing an increase of approximately 39.2% as compared with the last financial year. This was attributable to the establishment of fractionation facilities which allowed the Group to produce high value-added palm oil products with higher profit margins. Besides, the Group also adopted hedging transactions, using different hedging instruments in the international markets, to minimize the risk of price fluctuations, keeping the total net position exposure in oil commodity at below 10% of its net assets from time to time. The Group successfully maintained the average gross profit of not less than HK$200 per tonne.

SALES VOLUME, AVERAGE SELLING PRICE AND GROSS PROFIT PER TONNE

	2004	2003
Sales volume	*('000 tonnes)*	*('000 tonnes)*
– Soyabean oil	530	457
– Palm oil	351	262
– Soyabean and palm oils	881	719
Average selling price per tonne	*(HK$)*	*(HK$)*
– Soyabean oil	5,437	4,834
– Palm oil	4,323	3,746
Average gross profit per tonne	*(HK$)*	*(HK$)*
– Soyabean oil	230	276
– Palm oil	252	101
– Soyabean and palm oils	238	211

SELLING AND DISTRIBUTION COSTS

During the financial year, the Group's selling and distribution costs amounted to approximately HK$60.0 million, which mainly included delivery charges for edible oil products, depreciation charges, staff costs relating to selling activities, sales commissions and entertainment expenses. The increase of selling and distribution costs was attributed to the increase in sales and the expansion of sales network the financial year ended 31 December 2004.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to approximately HK$40.9 million for the financial year ended 31 December 2004, which mainly included staff costs, depreciation charges relating to office premises, electricity, rental charges and office expenses. The new plant in Dongguan was the main reason for the increase in the administrative expenses.

FINANCE COSTS

The Group's finance costs for the financial year ended 31 December 2004 amounted to approximately HK$36.9 million, mainly comprised interest expenses on bank loans and discounting charges. The increase in finance costs was mainly due to the increase of bank loans.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial and liquidity position remained stable. As at 31 December 2004, the Group had approximately HK$436.7 million of cash and bank balances (31 December 2003: HK$208.6 million). The Group's net current assets were approximately HK$158.3 million (31 December 2003: net current liabilities of HK$ 42.0 million). The net gearing ratio also lowered significantly from approximately 170.6% as at 30 April 2004 to approximately 28.5% as at 31 December 2004. The directors believe that the Group has sufficient financial resources to meet the requirements of its ordinary operation and capital expenditure.

USE OF NET PROCEEDS FROM THE LISTING ON THE MAIN BOARD

As at 31 December 2004, out of the funds raised from the Listing of approximately HK$273.6 million, approximately HK$80.0 million were used for the construction of the new Dougguan plant, whilst the rest of the net proceeds placed with banks as short-term fixed deposits.

BUSINESS REVIEW

The edible oil market in China experienced unusual severe fluctuation during 2004. First, the cost of raw materials reached a new high level in April 2004. Second, the feedings and pouling rearing industry was hard hit by bird flu incidents revealed in the first quarter which in turn affected the development of edible oil enterprises in China. The Chinese government macroeconomic austerity measures implemented in April 2004 also created capital pressure on less competitive edible oil enterprises. The edible oil industry in China has been steadily recovering since August 2004, with the negative factors receding. The Group remained committed to its established goals, hence sustain development despite the unfavourable business environment.

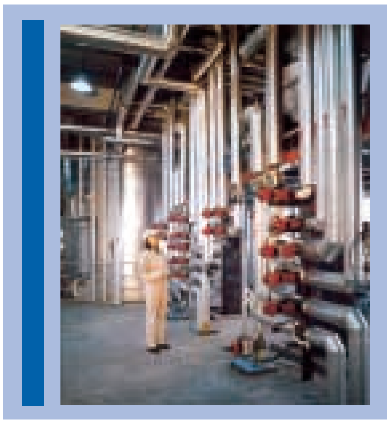
The newly constructed production plant in Dongguan commenced the commercial operation during the fourth quarter of 2004. This new plant has a site area of approximately 165,498 sq.m. and the designed daily production capacity of approximately 1,200 tonnes of refined edible oil products. It increased the Group's annual edible oil production capacity for refined oil from approximately 1.0 million tonnes to approximately 1.4 million tonnes. In addition to the new Dongguan plant, the Group operated production plants in Tianjin and Zhenjiang with daily production capacity for refined oil products of approximately 1,600 tonnes and 1,800 tonnes, respectively. The three plants, equipped with fractionation and refinery facilities, transmission pipes and storage tanks, are all located in coastal areas adjacent to port facilities, hence allow the Group to reduce both sea and land transportation costs significantly.

As at 31 December 2004, the Group had 28 distribution centers, covering: (i) the northern China, north-eastern and north-western China; (ii) eastern China and the upper and middle Yangtze River region and (iii) southern China. The distribution centers and our production facilities together made a nationwide logistics network allowing us to provide our customers with timely, stable and cost-effective delivery service. More importantly, this distribution network can serve as a logistics and delivers services network for large industrial users, such as national foods manufacturers in the PRC.

To date, the Group has over 1,200 customers, of which approximately 70% are edible oil distributors and approximately 30% are industrial users. The edible oil distributors are market intermediaries who sell products to caterers, retailers or for repackaging by other brands. These customers also include trading agents. Industrial users are mostly the instant noodles and food manufacturers, who demands long-term and stable supplies from the Group.

PROSPECTS

Since August 2004, the edible oil industry in China has started to rebound. As the fastest growing economy in the world, the living standards in China are improving, which are expected to translate into strong demand for high quality and healthy food. Moreover, the consumption of edible oil per capita in China is still low comparing with European countries and the U.S. This means that the Group's soyabean oil and palm oil business has plenty of room for development. To grasp the opportunities in Chinese edible oil market, the Group will strive to widen its market share improve the cost-effectiveness of its production process and achieve further vertical integration of its production activities.



To meet market needs in China, we are planning to construct a new production plant so as to gain more market shares. The Group will also plan to sell its own brand edible oil products so as to capture the retail and domestic markets.

To improve cost-effectiveness and achieve vertical integration, the Group will construct a private berth with storage and ancillary facilities to serve vessels of capacities of up to 55,000 tonnes. With the private berth, it is expected to reduce port handling charge. On the other hand, believing that soyabean products can be used as food addictives, the Group will develop upstream soy protein products as well as downstream fatty acid products with additional production facilities. The Group will also expand its product lines and increase the value of products.