For the year ended 31 December 2004, net loss attributable to shareholders was HK$12.0 million, an improvement of 57% when compared to the net loss of HK$27.7 million for the year 2003. The loss per share for the year was 2.92 cents (2003 : loss per share 6.76 cents).

Earnings before interest, tax, depreciation and amortization (EBITDA) increased by 73% from HK$17.0 million in 2003 to HK$29.4 million in the year under review.

DIVIDEND

No interim dividend was paid (2003: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2003: Nil).

REVIEW OF OPERATION

In the year under review, the edible oil markets continued to be competitive and the high raw material oil costs remained a challenge. However, the management continued effort to increase efficiency and streamline costs has been proven to be rewarding. The general and administrative expenses for 2004 have been reduced by 26% and the staff costs for the year under review also decreased by 23% from $38.5 million to $29.6 million.

For Hong Kong, the gradual recovery of its economy continued from the second half of 2003 into 2004. The catering edible oil segment which was hard hit by SARS in the first half of 2003 recorded a growth in the year under review. Together with the positive results contributed by improvement in efficiency and streamlining costs, the performance of our edible oil operation in Hong Kong showed an improvement over last year.

Our flagship brand, Lion & Globe, continues to be recognized as a leading brand in Hong Kong. Following the receipt of 2003 Hong Kong Top Ten Brandnames Awards - Honorary Award from The Chinese Manufacturers' Association, Lion & Globe has recently been awarded Superbrands Hong Kong 2004/05 by Superbrands Limited.

For PRC, our strategy to focus our effort in more profitable China South sales region has been implemented. Despite of the fierce competition in the edible oil market, especially the retail segment, and high raw material costs, our PRC operation continued to record positive and improving EBITDA in the year under review.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each as at 31 December 2004 was 409,252,938 (31 December 2003: 409,152,938). During the year under review, the share capital of the Company was increased by 100,000 shares resulting from the exercise of 100,000 warrants of the Company. As at 31 December 2004, there were 81,682,687 warrants carrying rights to subscribe an aggregate of 81,682,687 new shares of HK$0.10 each in the Company at any time up to 30 April 2005 at an initial subscription price of HK$0.27 per share. A press announcement was made on 31 March 2005 and a circular was sent to the warrantholders on 8 April 2005 to remind the warrantholders to exercise their outstanding warrants on or before 30 April 2005.

During the year, the share option scheme (the "Old Scheme") adopted by the Company on 30 June 2000 was terminated. A new share option scheme with rules complying the new Listing Rules of the Stock Exchange of Hong Kong Limited was adopted by the Company in its special general meeting held on 25 June 2004. The share options which were granted under the Old Scheme and outstanding as at 25 June 2004 are exercisable up to and including their respective expiry dates. As at the year end date, there were outstanding share options granted to certain eligible employees entitling them to subscribe for 19,401,547 shares of the Company. Details of the share options outstanding are disclosed in note 27 to the financial statements.

Liquidity and gearing

The Group's funding policy is to finance the business operations with internally generated cash and bank facilities.

As at the balance sheet date, the Group's total bank borrowings less pledged cash deposits amounted to HK$276.1 million (31 December 2003: HK$303.0 million). Of the total bank borrowings, HK$59.0 million was repayable within one year and the balance was repayable within a period of less than two years. The Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term borrowings) as at 31 December 2004 was 35.2% (31 December 2003: 37.8%).

The net interest expense for the year was HK$14.6 million (2003: HK$16.0 million). Such decrease was mainly attributable to the repayments of bank loans and the decrease in interest rates during the year under review.

Subsequent to the year end, the Group has taken steps to improve its financial position. The proposals being considered include realising certain of its non-current assets and reducing its bank borrowings. Based on the current progress, the management is optimistic that the Group's indebtedness will be reduced. Your Board will report to you on this when the steps have been completed.

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

REMUNERATION POLICIES AND SHARE OPTION SCHEME

Remuneration packages comprised salary and bonuses based on individual merits. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK$28.7 million (2003: HK$37.4 million). As at 31 December 2004, the Group had 340 full time and temporary employees (31 December 2003: 354).

Details of share options granted under the share option schemes of the Company are set out in note 27 to the financial statements.

SEGMENTED INFORMATION

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

Details of the segmented information are set out in note 5 to the financial statements.

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 32 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in note 29 to the financial statements.

OUTLOOK

As the owner of the only edible oil refinery facility in Hong Kong, the Group has been able to capture the opportunities created by the Closer Economic Partnership Arrangement ("CEPA"). With the gradual recovery of Hong Kong economy, your Board expects the market situation will improve.

Following China's accession to WTO, PRC's quota system on controlling the import of edible oil will be lifted in 2006. To meet with the challenges lying ahead, the Group will continue with its proven South China strategy and building and reinforcing the brand loyalty of its customers.

The Board is in progress of reviewing the overall strategic structure of our business.

VOTE OF THANKS

We would like to thank all of our customers, suppliers, business associates and bankers for the continued support during 2004. We would also like to thank all members of our management team and staff for their hard work during the year.

HUNG HAK YIP
Chairman

28 April 2005