Chairman's Statement

For the year ended 31 December 2005, the loss attributable to equity holders was HK$9.7 million, an improvement of 18.6% when compared to the net loss of HK$12.0 million for the year 2004. The loss before tax has been reduced by HK$2.5 million from HK$10.4 million for 2004 to HK$7.9 million for the year under review.

The loss per share for the year was 2.36 HK cents (2004: loss per share 2.92 HK cents).

DIVIDEND

No interim dividend was paid (2004: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2004: Nil).

REVIEW OF OPERATION

The competition in both the Hong Kong and PRC edible oil markets were keen in 2005. Although the escalating fuel costs added pressure to the operating costs of the Group, the management had been able to capitalize the decreasing trend of the raw material costs in the year under review. The continued effort in improving the Group's operating efficiency and streamlining operating costs has also been materialized. The general and administrative expenses in 2005 have been reduced by 6.6% to HK$37.5 million and the stock level decreased by 12.3% to HK$83.4 million.

In 2005, the Hong Kong economy continued its recovery. The Group's strategy to strengthen its brand loyalty and providing its customers with quality products has been proved to be successful and its significant market share remained stable. To ride on the recent healthy trend in the city, different new products, such as Rice Bran oil, Olive Canola oil and Olive Sunflower oil have been introduced to cater for the customer needs. As a result, this business segment performed satisfactorily in 2005.

In the year under review, the Group continued receiving awards from various associations, including "Hong Kong Top Brand Mark (Top Mark)" for "Lion & Globe" brand and "Camel" brand from The Chinese Manufacturers Association of Hong Kong and "2005 Superbrand Gold Award" for "Lion & Globe" brand from Reader's Digest. In addition, the research we conducted in February 2006 through one of the most reputable international research companies revealed that "Lion & Globe" has achieved the highest Brand Equity Index (a brand performance indicator to reflect consumer preference and brand loyalty) among all the major edible oil brands in Hong Kong. Apart from brand awards, the Group's integrated management system in Hong Kong has received ISO 9001:2000 and ISO 14001:2004 certification.

In April 2005, the Group disposed of certain of its subsidiaries whose major assets and liabilities were certain properties in Hong Kong and a syndicated bank loan. After the disposal, the Group's gearing ratio improved from 71.3% at the end of 2004 to 38.4% at the end of 2005 and net interest expenses for the year decreased by HK$4.0 million, or 26.9%, when compared to last year.

Chairman's Statement

In PRC, the Group continued with its proven strategy to focus on more profitable southern China markets. Although the edible oil market in PRC remained competitive, the management had been able to take advantage on the decreasing raw material costs which, together with the continued effort in streamlining costs, helped maintain the upward trend of the EBITDA of the PRC operation. Depreciation of property, plant and equipment and amortisation of prepaid land lease payments remained to be the main cause for the operating losses of this business segment.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each as at 31 December 2005 was 417,090,711 (31 December 2004: 409,252,938). At 1 January 2005, the Company had 81,682,687 units outstanding 2005 warrants carrying rights to subscribe for an aggregate of 81,682,687 new shares of HK$0.10 each in the Company at an initial subscription price of HK$0.27 per share. During the year under review, 3,745,853 units 2005 warrants were exercised for 3,745,853 shares of HK$0.10 each at a price of HK$0.27 per share. The unexercised 77,936,834 units 2005 warrants were cancelled upon their expiration on 30 April 2005.

On 26 May 2005, 2,064,993 share options were granted to a director for a cash consideration of HK$1.00 under the Share Option Scheme adopted by the Company in its special general meeting held on 25 June 2004, entitling her to subscribe for 2,064,993 shares of HK$0.10 each in the Company at a price of HK$0.286 per share upon exercise of her subscription rights in the exercise period from 26 May 2006 to 25 May 2016 (both dates inclusive). As at the year end date, there were outstanding share options granted to certain eligible employees, entitling them to subscribe for 17,375,410 shares of HK$0.10 each of the Company. Details of the share options outstanding are disclosed in note 28 to the financial statements.

On 15 September 2005, 82,599,758 units 2009 warrants were issued to shareholders of the Company whose registered addresses in the registers of members of the Company on 12 September 2005 were in Hong Kong. During the year under review 790 units 2009 warrants were exercised for 790 shares of HK$0.10 each at a price of HK$0.25 per share.

Liquidity and gearing

As at the year end date, the Group's total bank borrowings less pledged cash deposits amounted to HK$159.3 million (31 December 2004: HK$297.8 million), of which HK$152.6 million was either repayable or subject to renewal within one year and the balance was repayable within two to five years. The Group's gearing ratio (expressed as a percentage of total bank loans over shareholders' funds) as at the balance sheet date was 38.4% (31 December 2004: 71.3%). The substantial improvement in the Group's gearing ratio was mainly due to the disposal of certain wholly-owned subsidiaries whose liabilities included a syndicated bank loan.

Net interest expenses for the year was HK$10.9 million (2004: HK$14.9 million). Such decrease was mainly attributable to the repayments of bank loans and the disposal of certain subsidiaries of the Group which carried certain of the Group's bank borrowings in Hong Kong during the year under review.

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

Staff remuneration packages comprised salary and bonuses and are determined with reference to market conditions and the performance of the individuals concerned. The Group also provides other staff benefits including medical insurance and share options to eligible staff based on their performance and contributions to the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was HK$42 million (2004: HK$44 million). As at 31 December 2005, the Group had 421 full time and temporary employees (31 December 2004: 418).

Details of share options granted under the share option schemes of the Company are set out in note 28 to the financial statements.

SEGMENT INFORMATION

In the year under review, the Group's edible oil business in Hong Kong continues accounted for a major proportion of the Group's turnover.

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

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 33 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in notes 13, 15, 20, 21 and 25 to the financial statements.

Chairman's Statement

OUTLOOK

With the improving Hong Kong economy and market sentiment, the Group will continue with its strategy to reinforce the customer loyalty of its brands and expand its product range to cater for the needs of its customers. The Group's edible oil refinery facility in Hong Kong has provided the Group with the edge in capturing opportunities created by Closer Economic Partnership Arrangement ("CEPA").

In 2006, the PRC's quota system on controlling the import of edible oils will be lifted. It is expected that the fierce competition in the PRC edible oil market will persist. The strategy to focus on southern China sales region will be continued.

VOTE OF THANKS

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

HUNG HAK HIP, PETER
Chairman

24 April 2006