Chairman's Statement

For the year ended 31 December 2006, the loss attributable to equity holders was HK$6.8 million, an improvement of 30% when compared to the net loss of HK$9.7 million for the year ended 31 December 2005. The loss per share for the year was 1.62 HK cents (2005: loss per share 2.36 HK cents).

The loss for the year was mainly attributable to an additional tax provision of HK$7.5 million made for the Group's royalty income in respect of prior years. The profit before tax for 2006 was HK$3.5 million, representing an improvement of HK$11.4 million or 144% over the loss before tax of HK$7.9 million for last year. In the second half of 2006, the Group recorded a profit before tax of HK$5.4 million (second half of 2005: loss before tax of HK$3.0 million), the first half year period recording a positive profit before tax since 2002. The earnings before interest, tax and depreciation and amortisation ("EBITDA") for the year was HK$35.3 million, an increase of 36% over the EBITDA of HK$26.0 million for the year 2005.

DIVIDEND

No interim dividend was paid (2005: Nil) and the directors do not recommend the payment of any final dividend for the year under review (2005: Nil).

REVIEW OF OPERATION

During the year under review, the edible oil markets remained competitive and challenging, in particular, the abrupt upsurge of edible oil costs towards the end of the year. Despite all these challenges, our Group was able to capture business opportunities improving the performance of this year, including capitalizing the record high market refinery premium and taking advantage of the improving market sentiment and passing out part of the raw material and operational costs to the market. Together with the management's persistence in adopting appropriate strategies and improving operational efficiency and streamlining operational costs in past years, the Group has been able to report an increase in gross profit margin and a profit before tax in 2006, the first time in the last five years.

Following the Group's disposal of certain of its subsidiaries, whose major assets and liabilities were certain properties in Hong Kong and a syndicated bank loan, in April 2005 and the restructuring of bank loans in these two years, the Group's financial health has improved substantially. The bank loans have been reduced from HK$292.2 million at the end of 2004 to HK$148.8 million at the end of 2006. The net interest expense has gone down from HK$14.9 million for 2004 to HK$9.4 million for the year under review. As at 31 December 2006, the Group had a net current asset of HK$89.8 million.

In Hong Kong, strengthening brand loyalty and providing customers with variety of quality products remain the strategies of the Group. During the year, a number of new products, such as Extra Light Olive oil, Sunflower Healthy oil and Olive Sunflower oil, which ride on the healthy trend of the society, were launched. Together with appropriate marketing and pricing strategies being executed, the Group had been able to capture significant market shares in these fast growing market segments. In the year under review, the Hong Kong edible oil operation continued to increase her contribution to the Group's bottomline.

REVIEW OF OPERATION (Continued)

Having gone through a difficult period of corporate restructuring and cost streamlining, the PRC operation is now much more efficient than before. Despite the keen competition and the escalating raw material costs during the year, the Group's PRC retail edible oil segment recorded a significant increase in sales tonnage and gross profit. In addition, the cooperation with fast-growing retailing chains for providing them with exclusive branded products enabled the Group to improve the utilization and operational efficiency of her PRC facilities. In the year under review, the Group's PRC operation reported a positive profit before depreciation of properties, plant and equipment and amortisation of prepaid land lease payments.

Lion & Globe brand, the flagship brand of our Group, has recently been awarded the Trusted Brand 2007 Gold Award by Reader's Digest. This award is the eighth gold award in a row received by the Group from Readers' Digest. In PRC, Administration of Industry and Commerce of Guangzhou Municipality has recently awarded "廣州市著名商標" to our Lion & Globe brand and Camel brand. Apart from receiving awards confirming the quality and market recognition of our products, the Group has also been awarded as a Green Medalist of The One Factory – One Year – One Environmental Project (One-One-One) Programme 2006 by Federation of Hong Kong Industries. As a good corporate citizen, the Group has subscribed to Wage Protection Movement as promulgated by the Government of HKSAR.

Since the Group is now gradually back to health and as part of the Group's corporate restructuring exercise, our directors have decided to act more proactively to diversify the Group's business to other related sectors so as to balance and enhance the overall financial performance of the Group. Our directors have therefore proposed to incorporate a new Cayman Islands company ("Newco") to be the new holding company of the Group so that any new businesses which the Group may acquire in future will be put under Newco, rather than the Company. In doing so, the business risks and associated liabilities of the new businesses can be kept separate from those of the existing business of the Group.

FINANCIAL REVIEW

Equity

The number of issued shares of HK$0.10 each as at 31 December 2006 was 419,438,434 (31 December 2005: 417,090,711). At 1 January 2006, the Company had 82,598,968 warrants carrying rights to subscribe for an aggregate of 82,598,968 new shares of HK$0.10 each in the Company at an initial subscription price of HK$0.25 per share. During the year under review, 302,158 warrants were exercised for 302,158 shares of HK$0.10 each at a price of HK$0.25 per share.

On 4 August 2006, 417,373 share options were granted to Mr. Seto Gin Chung, John, an independent non-executive 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 him to subscribe for 417,373 shares of HK$0.10 each in the Company at a price of HK$0.294 per share upon exercise of his subscription rights in the exercise period from 4 August 2007 to 3 August 2012 (both dates inclusive). During the year under review, 2,045,565 share options were exercised for 2,045,565 shares of HK$0.10 each at a price of HK$0.1834 per share. As at the year end date, there were outstanding share options granted to certain eligible employees and directors entitling them to subscribe for 15,747,218 shares of the Company.

FINANCIAL REVIEW (CONTINUED)

Liquidity and gearing

As at 31 December 2006, the Group's bank borrowing, including bank loans and bills payable, in Hong Kong was HK$40.8 million. The Group's other bank borrowings, including bank loans and bills payable, as at the year end were PRC bank borrowings, including bank loans and bills payable, amounted to HK$129.8 million. Loans of approximately HK$101.0 million were secured by assets of certain PRC subsidiaries of the Group and have no recourse to other members of the Group.

As at the balance sheet date, the Group's total bank loans amounted to HK$148.8 million (31 December 2005: HK$156.5 million), of which HK$50.8 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 31 December 2006 was 36.8% (31 December 2005: 38.4%).

The net interest expenses for the year was HK$9.4 million (2005: HK$10.9 million). Such decrease was mainly attributable to repayments of bank loans and the disposal of certain subsidiaries of the Group which carried certain of the Group's bank loans in Hong Kong in last year.

The Group's funding policy is to finance the business operations with internally generated cash and banking facilities. The Group's bank borrowings, including bank loans and bills payable, 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 are comprised of 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, continuing education allowance and share options to eligible staff of 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 (2005: HK$42 million). As at 31 December 2006, the Group had 449 full time and temporary employees (31 December 2005: 421).

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

SEGMENT INFORMATION

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

Details of the segment 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, 14, 19, 20 and 24 to the financial statements.

OUTLOOK

Providing quality and premium products catering for the needs of the market has always been a long-term strategy of the Group. While the market sentiment in Hong Kong continues to improve and the PRC economy grows persistently, the high raw material costs will be a challenge. With a better financial position and an improved operational efficiency, the management has confidence that our Group is in a much better position to meet with any challenges lying ahead.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 21 June 2007 to 26 June 2007, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for attending the AGM, (a) all transfers in relation to shares of the Company held by the members whose names are recorded in the register of members of the Company in Hong Kong, accompanied by the relevant share certificates, must be lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 20 June 2007 for registration; (b) all transfers in relation to shares of the Company held by the members whose names are recorded in the register of members of the Company in Bermuda, accompanied by the relevant share certificates, must be lodged with HSBC Institutional Trust Services (Asia) Limited, at 39th Floor, Dorset House, Taikoo Place, 979 King's Road, Hong Kong not later than 4:00 p.m. on 20 June 2007 for registration.

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 under review.

HUNG HAK HIP, PETER
Chairman

19 April 2007