



Hop Hing Holdings Limited

(Incorporated in Bermuda with limited liability)

Annual Report 2000





*The only cooking oil which was
awarded the honour of being one of the
Hong Kong Top Ten Brandname
in 2000*



CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3-5
MANAGEMENT DISCUSSION AND ANALYSIS	6-7
NOTICE OF ANNUAL GENERAL MEETING	8-11
REPORT OF THE DIRECTORS	12-23
REPORT OF THE AUDITORS	24
AUDITED FINANCIAL STATEMENTS	
CONSOLIDATED:	
PROFIT AND LOSS ACCOUNT	25
STATEMENT OF RECOGNISED GAINS AND LOSSES	26
BALANCE SHEET	27
CASH FLOW STATEMENT	28
COMPANY:	
BALANCE SHEET	29
NOTES TO THE FINANCIAL STATEMENTS	30-55
COMPARATIVE FINANCIAL INFORMATION	56

DIRECTORS

Hung Hak Hip* (*Chairman*)
Liu Chi Keung, Ricky (*Vice-Chairman & CEO*)
Wong Yu Hong, Philip**
Sze Tsai To, Robert**
Cheung Wing Yui, Edward**
Hung Chiu Yee*
Lee Pak Wing*
Han Kin Yee
Chan Sai On, David
Wong Kwok Ying

* *Non-executive director*

** *Independent non-executive director*

SOLICITORS

Woo, Kwan, Lee & Lo
27th Floor
Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Shops 1712-6
17/F., Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia, Limited
The Dai-Ichi Kangyo Bank, Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation
Limited
Standard Chartered Bank

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

COMPANY SECRETARY AND PRINCIPAL PLACE OF BUSINESS

Wong Kwok Ying
Units E & F, 2/F.,
Hop Hing Building
9 Ping Tong Street East
Tong Yan San Tsuen
Yuen Long
New Territories
Hong Kong

Dear Shareholders,

OPERATING RESULTS

The profit from operating activities for the year under review was HK\$51.9 million compared to HK\$27.3 million for the previous year. Net profit attributable to shareholders for the year ended 31 December 2000 was HK\$20.4 million, as compared to a net loss attributable to shareholders of HK\$24.9 million for 1999.

Basic earnings per share for 2000 was 4.98 cents (1999: loss of 6.09 cents)

DIVIDEND

No interim dividend was paid (1999: Nil) and your directors do not recommend the payment of any final dividend for the year under review (1999: Nil).

REVIEW OF OPERATIONS

Edible Oil

2000 was a challenging year for the edible oil industry both in Hong Kong and in the PRC. Despite a reported economic recovery by the Government in Hong Kong, household expenditure has not yet rebounded as a result. On the other hand, fierce competition backed by price driven strategies has continued throughout the year in the PRC market.

Against the above business environment, our edible oil business in Hong Kong has performed steadily and our brand management strategy in China has begun to positively impact on our China operations.

During the year, our Lion & Globe brand was awarded the Top Ten Brandname of consumer products in Hong Kong by The Chinese Manufacturers' Association of Hong Kong.



Return to Core Business

We have completed implementation of our plan to focus on our core business when Maria's bakery, together with two PRC properties, were sold to the controlling shareholder in July 2000.

Working Capital

We have continued to improve our management of working capital. As at the balance sheet date of 31 December 2000, our net current assets was HK\$25 million, as compared to net current liabilities of HK\$127 million in 1999.



In accordance with the rescheduling agreement with our 13 bank creditors, the amount of HK\$190 million due to 6 banks have been fully repaid by March 2001. The remaining 7 banks, namely the Standard Chartered Bank, HSBC, the Hang Seng Bank, the Bank of East Asia, the ABN-AMRO Bank, the Bayerische Hypo- und Vereinsbank AG and the Dai-ichi Kangyo Bank, will remain our core relationship banks and will provide us with facilities to meet our working capital needs. Up to March 2001, repayments totalling HK\$83 million have been made to these core banks.

During the year under review, we have improved our indebtedness risk profile by increasing the matching of RMB assets with RMB liabilities and increasing the portion of long term loans. The percentage of long term indebtedness to total indebtedness as at 31 December 2000 was 45%, as compared to 22% as at 31 December 1999.



Stock

Inventory was reduced from HK\$245 million as at 31 December 1998 to HK\$125 million on 31 December 1999 and then to HK\$79 million on 31 December 2000.

We will continue to manage our business at an optimal level of inventory.

Spin-off

Subsequent to the shareholders' approval on 30 June 2000, we have submitted the necessary application to the Hong Kong Stock Exchange to spin-off our PRC operation (to be known as Hop Kin Holdings Limited) and list it on Growth Enterprise Market ("GEM").

To prepare for this spin-off, a refinancing agreement has been reached with our 7 core banks through which the Standard Chartered Bank, HSBC, the Hang Seng Bank and the Bank of East Asia will provide for a transfer of a total facility of HK\$60 million to Hop Kin Holdings Limited to meet its working capital needs.

In accordance with the prevailing rules and regulations, our application to spin-off also requires China CSRC's written confirmation that its approval is not required. In the meantime, the stock market in Hong Kong, in particular the GEM, has taken a drastic downturn. We are of the view that worthwhile strategic benefits will result from the spin-off of Hop Kin Holdings Limited. Therefore, we will continue to pursue the spin-off at an appropriate time.



OUTLOOK

In the longer term, there is a huge growth market in China for edible oils, especially in branded product form. When China joins the WTO, market transparency and efficiency should improve, thus leading to a better business environment for the industry as a whole.

During the current transition period, we will focus on our brand and risk management strategies and position ourselves in the best possible light for any future opportunities presented by the market. Your Board looks ahead with full confidence in this regard.

MANAGEMENT AND STAFF

We thank all members of our management team and staff for their continued hard work and commitment during the year under review.

Hung Hak Hip
Chairman

19 April 2001

RESULTS

Net profit attributable to shareholders for the year ended 31 December 2000 was HK\$20.4 million, as compared to a net loss attributable to shareholders of HK\$24.9 million for 1999. The profit from operating activities for the year under review was HK\$51.9 million compared to HK\$27.3 million for the previous year. The basic earnings per share for the year was 4.98 cents (1999: loss of 6.09 cents).

EQUITY

The number of issued shares of HK\$0.10 each as at 31 December 2000 was 409,113,021. There was no movement in the share capital of the Company in the year under review. As at the year end date, there were outstanding 81,451,743 warrants carrying rights to subscribe for an aggregate of 81,451,743 new shares of HK\$0.10 each in the Company and outstanding share options granted to the certain eligible employees entitling them to subscribe for 23,492,677 shares of the Company. Details of the share capital and warrants of the Company and share options granted are set out in note 25 to the financial statements.

LIQUIDITY AND GEARING

As at the balance sheet date, the Group had net current assets of HK\$25 million (1999: net current liabilities of HK\$127 million). The Group's total borrowings less cash and cash equivalents amount to HK\$337 million. The maturity profile of the Group's borrowings is set out in notes 20 and 22 to the financial statements. The net interest expense for the year was HK\$33 million (1999: HK\$31 million).

During the year, the rescheduling arrangements in respect of the Group's bank indebtedness were finalized and executed by all the banks. Repayments to the banks according to terms of the rescheduling agreements started during the year. As at 31 December 2000, the Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) was 27% (1999: 17%).

The Group's bank borrowings are denominated in Hong Kong dollars, US dollars and Renminbi. It is the Group's policy to hedge 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' emoluments) of the Group in 2000 was HK\$51 million (1999: HK\$85 million). As at 31 December 2000, the Group had 582 (1999: 750) employees.

Details of share options granted under the Share Option Scheme of the Company are set out in note 25 to the financial statements.

DISPOSAL OF ASSETS

During the year, the Group disposed of certain properties in PRC and a bakery chain to companies associated with the controlling shareholders of the Group. The disposals were approved by the shareholders of the Company at a special general meeting held on 30 June 2000. Details of the disposals were set out in "Connected transactions" in the Report of the Directors.

CONTINGENT LIABILITIES

Details of the contingent liabilities are set out in note 30 to the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets are set out in note 28 to the financial statements.

SEGMENTED INFORMATION

The Group continued to develop its business based on the Group's core skills. In the year under review, the Group's edible oil business in Mainland China continued to account for a substantial proportion of the Group's turnover. The disposal of the bakery chain and the decrease in bulk oil activities in Hong Kong contributed to the fluctuation of Group's turnover and contribution as compared with last year.

Details of the segmented information are set out in note 3 to the financial statements.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of shareholders of HOP HING HOLDINGS LIMITED (the "Company") will be held at Units E & F, 2/E, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories on 4 June 2001 at 11:30 a.m. for the following purposes:-

1. to receive and consider the audited financial statements of the Company and the reports of the Directors and the Auditors thereon for the year ended 31 December 2000;
2. to re-elect retiring Directors;
3. to fix the remuneration for Directors;
4. to re-appoint Auditors and to authorise the Directors to fix their remuneration; and
5. as special business, to consider and, if thought fit, pass with or without amendments, the following resolutions:-

Ordinary Resolutions

A. **THAT:-**

- (i) subject to paragraph (iii) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and it is hereby generally and unconditionally approved;
- (ii) the approval contained in paragraph (i) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

Notice of Annual General Meeting

- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval contained in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue, (b) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, (c) the exercise of subscription rights under any warrants to subscribe for shares of the Company, or (d) the exercise of subscription rights attaching to options granted by the Company pursuant to its share option scheme, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date hereof and such approval shall be limited accordingly; and
- (iv) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (a) the conclusion of the next Annual General Meeting of the Company;
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares pursuant to an offer made to the shareholders of the Company, excluding for that purpose any shareholder who is resident in a place where such offer is not permitted or is impracticable under the law of that place and, where appropriate, to holders of other equity securities of the Company for the time being in issue (if any) entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings of shares (or such other equity securities);

Notice of Annual General Meeting

B. **THAT:-**

- (i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (which shall have the same meaning for the purposes of this Resolution, mutatis mutandis, as given in paragraph (iv) of the resolution set out as Resolution 5(A) in the notice of this meeting) of all powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and it is hereby generally and unconditionally approved; and
- (ii) the aggregate nominal amount of securities of the Company to be repurchased by the Company pursuant to paragraph (i) above during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution and the authority pursuant to paragraph (i) above shall be limited accordingly; and

- C. **THAT** conditionally upon the passing of Resolution 5(B) set out in the notice convening this meeting, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot shares be and it is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to repurchase such shares, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the existing issued share capital of the Company as at the date of this Resolution.

By Order of the Board

Wong Kwok Ying
Company Secretary

Hong Kong
19 April 2001

Notice of Annual General Meeting

Notes:–

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and in the event of a poll, vote on his behalf. A proxy need not be a Member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company's Registrars in Hong Kong, Central Registration Hong Kong Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
4. Concerning item 5(A) above, the Directors wish to state that approval is being sought from shareholders for a general mandate to be given to the Directors to allot additional shares in the capital of the Company in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any shares of the Company up to 20 per cent of the existing issued share capital.
5. Concerning items 5(B) and 5(C) above, approval is being sought from shareholders for a general mandate to be given to the Directors to repurchase securities and to reissue shares as a result of such repurchase. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, a letter setting out the terms and conditions upon which such power will be exercised accompanies this notice.

Report of the Directors

The directors herein present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending and distribution of edible oils and ancillary activities.

Results and dividends

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 25 to 55.

The directors do not recommend the payment of any dividend for the year.

Comparative financial information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 56.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 11 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 13 to the financial statements.

Associates and jointly controlled entity

Details of the Group's interests in its associates and jointly controlled entity are set out in notes 14 and 15 to the financial statements, respectively.

Share capital and reserves

Shareholders' funds of the Group at the year end date were HK\$559 million, an increase of 3.8% over 1999. The increase was mainly attributable to the profit for the year.

Details of the Company's share capital are set out in note 25 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements.

Borrowings

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 20, 21 and 22 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Hung Hak Hip* (*Chairman*)

Liu Chi Keung, Ricky (*Vice-Chairman & CEO*)

Wong Yu Hong, Philip**

Sze Tsai To, Robert** (appointed on 1 June 2000)

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Han Kin Yee

Chan Sai On, David

Wong Kwok Ying (appointed on 10 January 2000)

Chan Kwok Yuen, Joseph (resigned on 1 January 2000)

* *Non-executive director*

** *Independent non-executive director*

All directors, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws. At the forthcoming annual general meeting, Messrs. Hung Hak Hip, Sze Tsai To, Robert, Han Kin Yee and Ms. Hung Chiu Yee will retire and, being eligible, will offer themselves for re-election.

Directors and senior executives

(a) Non-executive directors

Hung Hak Hip, aged 56, Chairman, is a chartered accountant and worked in the Hong Kong securities industry before joining the Group in 1975. Mr. Hung is the brother of Ms. Hung Chiu Yee, a non-executive director of the Group. As disclosed under "Directors' interests in shares and warrants", an associate of Mr. Hung is a discretionary beneficiary of a discretionary trust which beneficially owns shares in the Company.

Dr The Hon Wong Yu Hong, Philip, JD, Ph D, aged 62, appointed a director of the Group in 1989, is a prominent businessman who serves on the board of a number of public organisations, including deputy of the National People's Congress, member of The People's Republic of China Hong Kong SAR Legislative Council, vice-chairman of the Chinese General Chamber of Commerce, board member of the Hong Kong Trade Development Council.

Sze Tsai To, Robert, aged 60, appointed a director of the Group on 1 June 2000. Mr. Sze is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Society of Accountants and was a partner in an international firm of accountants with which he practised for over 20 years. He is a non-executive director of a number of Hong Kong listed companies and is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Cheung Wing Yui, Edward, aged 51, appointed a director of the Group in 1989, has been a partner of Woo, Kwan, Lee & Lo, solicitors, since 1981. Mr. Cheung is also a qualified solicitor in England and Singapore and a member of the Australian Society of Certified Practising Accountants.

Hung Chiu Yee, aged 60, appointed a director of the Group in 1988, holds a bachelor of Science degree and was a former senior executive of the Group. She has business interests in cosmetics and trading. Ms. Hung is the sister of Mr. Hung Hak Hip.

Lee Pak Wing, aged 55, holds a master of Science degree in production technology. He joined the Group in 1979 prior to which he was a systems manager with Tyco Industries Limited. He was formerly the Vice-Chairman of the Group.



Executive directors at meeting : Mr. Wong Kwok Ying, Mr. Liu Chi Keung, Ricky, Mr. Han Kin Yee, Mr. Chan Sai On, David (from left to right)

(b) Executive directors

Liu Chi Keung, Ricky, aged 52, Vice-Chairman & CEO, B. Comm; Master in Finance; F.I.M. He has over 27 years' senior management experience, the last 18 years of which were at the directorate level of international corporates and a locally listed company, carrying significant bottom-line responsibilities covering Greater China and South East Asia. He joined the Group on 8 March 1999 and was appointed to the board as the Executive Vice-Chairman on 23 March 1999.

Han Kin Yee, aged 54, Group Corporate Finance Director, is a chartered accountant with working experience in England, Canada and Hong Kong. Prior to joining the Group in 1992, he was a partner of KPMG and he also held a number of senior positions with corporations in Canada.

Chan Sai On, David, aged 46, is the Managing Director of the Group's operating subsidiaries in the People's Republic of China (the "PRC"). He holds a diploma in marketing from the Hong Kong Polytechnic University and has over 20 years' experience in the marketing of consumer products. He joined the Group in 1985 and was appointed a director on 1 January 1997.

Wong Kwok Ying, aged 41, is the Company Secretary and was appointed a director of the Company on 10 January 2000. Mr. Wong is a certified public accountant in Hong Kong and has over 20 years' experience in finance, accounting and audit. Prior to joining the Group in 1990, he worked with one of the international accounting firms in Hong Kong.

(c) Senior executives



Lam Fung Ming, Tammy, aged 37, is responsible for the manufacturing, quality assurance and product development functions of the Group. She holds a bachelor of Science degree in Food Science and Technology and a higher diploma in Chemical Technology from the Hong Kong Polytechnic University. She also has over 10 years' experience in oil and food industry. She joined the Group in 1990.



Chan Yuet Miu, aged 46, is principally responsible for treasury and accounting functions of the Group's operations in the PRC. Ms. Chan is a Fellow of the Hong Kong Society of Accountants and a Fellow of the Chartered Association of Certified Accountants. She has over 20 years' experience in finance and accounting positions and has worked in Hong Kong and Canada. Prior to joining the Group in July 1999, she held senior finance positions with publicly listed groups which were engaged in construction, engineering, publishing and electronics activities.



Wan Kam Shing, aged 52, is the general manager for the Group's sales activities in China South Region. He has managerial experience in cold storage, food service sales and sales of fast moving consumer goods gained in Hong Kong and the PRC. Mr. Wan joined the Group in 1998.



Mok Sui Yin, aged 45, is the general manager for the Group's sales activities in China Central Region. He graduated with an economics degree from Guangzhou Broadcast & TV University in 1987. Since then, he has held a number of managerial positions with organizations in the food industry in the PRC. He has been closely involved in the development of the bottling and marketing joint venture in Guangzhou since 1988.



Lian Bai Xiang, aged 52, is the deputy general manager for the Group's sales activities in China East Region. He had held various managerial positions with PRC entities for over 20 years. He was previously the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

(c) Senior executives (continued)



Yan Chong Yu, aged 36, is the deputy general manager for the Group's sales activities in China East Region. He holds a bachelor degree in Food Engineering from the Shanghai Fishiers University. He has over 13 years' managerial experience in quality control and production. Mr. Yan joined the Group in 2001.



Wu Ping Hu, aged 35, is the deputy general manager for the Group's sales activities in China South Region. He holds an engineering bachelor degree from the Zhejiang University in Internal Combustion Engineering and a post-graduate certificate in Management Science & Technology from the South China Technology University. He has had over 11 years' managerial experience with foreign owned manufacturing companies and international organizations engaged in the marketing and distribution of food products in China. Mr. Wu joined the Group in 2001.



Gao Feng, aged 36, is the deputy general manager for the Group's sales activities in China Central Region. He holds a bachelor degree in Finance from the Nanjing Jin Ling Vocational University. He has had about 15 years' managerial experience and has held senior positions including that of Deputy Director in the Finance Department of Nanjing City Government. Mr. Gao joined the Group in 2001.



Xiao Min, aged 36, is the operations manager of the Group in the PRC. He holds a bachelor degree in Chemistry and a master degree in Analysis Chemistry from the Wuhan University and then obtained his doctorate in Chemistry from Zhongshan University. His 13 years' working experience included teaching in Wuhan University, acting as Visiting Scholar at the Hong Kong Polytechnic University and serving with organisations in the food industry in the PRC. Dr. Xiao joined the Group in 2001.



Huang Shou Wen, aged 33, is the marketing manager of the Group in the PRC. He holds a graduate diploma in Commerce & Business Management from the Guangzhou Financial Management Institute. He has had about 12 years' managerial experience in marketing and sales in fast moving consumer goods and food products, covering various regions and areas in China. Mr. Huang joined the Group in 2001.

Directors' interests in contracts

Other than transactions disclosed under the heading "Connected transactions", none of the directors had a significant interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

Directors' service contracts

None of the directors proposed for re-election at the forthcoming annual general meeting was a party to any service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' interests in shares and warrants

The interests of the directors in the issued shares and warrants of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance as at 31 December 2000 were as follows:

A. Interests in shares

	Number of shares			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	3,601,607	896,645	–	3,227,420*
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	398,000	–	–	–
Hung Chiu Yee	772,673	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

* 3,227,420 shares were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

Other than nominee shares in certain subsidiaries held by certain directors in trust for the Company or the immediate holding company of those subsidiaries, none of the directors held an equity interest in any of the Company's subsidiaries.

B. Interests in warrants

	Personal interests	Number of warrants		
		Family interests	Corporate interests	Other interests
Hung Hak Hip	686,038	170,793	–	631,562**
Liu Chi Keung, Ricky	–	–	–	–
Wong Yu Hong, Philip	–	–	–	–
Sze Tsai To, Robert	–	–	–	–
Cheung Wing Yui, Edward	79,600	–	–	–
Hung Chiu Yee	147,179	–	–	–
Lee Pak Wing	–	–	–	–
Han Kin Yee	–	–	–	–
Chan Sai On, David	–	–	–	–
Wong Kwok Ying	–	–	–	–

** 631,562 warrants were beneficially owned by a discretionary trust whose discretionary beneficiaries include an associate of Mr. Hung Hak Hip.

Details of the warrants are set out in note 25 to the financial statements.

Directors' rights to acquire shares

At the balance sheet date, certain directors held share options granted to them under the Share Option Scheme of the Company entitling them to subscribe for shares of HK\$0.10 each in the Company upon exercise of their subscription rights as follows:

	Number of shares constituting the share options	Exercisable period (both dates inclusive)	Exercisable price per share
Hung Hak Hip	4,752,105	17 November 2000 to 16 November 2010	HK\$0.1834
Liu Chi Keung, Ricky	4,091,130	17 November 2000 to 16 November 2010	HK\$0.1834
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	HK\$0.2112
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	HK\$0.1834
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	HK\$0.1834
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	HK\$0.1834
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	HK\$0.1834
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	HK\$0.1834

All the above share options were granted pursuant to a board resolution on 17 November 2000.

Details of the movements during the year in share options granted by the Company are set out in note 25 to the financial statements.

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable directors of the Company or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders

At 31 December 2000, the interests of those persons (other than the directors) in the share capital of the Company as recorded in the register kept under Section 16 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of shareholder	Number of shares of HK\$0.10 each
Hung's (1985) Limited ("Hung's")	117,136,083
Hop Hing Oil (1985) Limited ("HHO")	155,392,698
GZ Trust Corporation ("GZTC")	272,528,781

The shares disclosed under the name of GZTC include GZTC's deemed interest in the shares held by Hung's and HHO.

Connected transactions

- (i) During the year, the Group disposed of two properties in Shenzhen, the PRC to associates of the Group's controlling shareholder for RMB2,149,600 (equivalent to approximately HK\$2,012,000) and RMB2,946,800 (equivalent to approximately HK\$2,758,000), respectively.

During the year, the Group also disposed of its interest in a bakery chain to an associate of the Group's controlling shareholder for RMB7,403,600 (equivalent to approximately HK\$6,930,000).

The above transactions were approved by the shareholders at a special general meeting held on 30 June 2000. Details of these transactions were set out in the circular to members dated 13 June 2000.

- (ii) Pursuant to a board resolution on 17 November 2000, the independent non-executive directors were granted share options under the new share option scheme to subscribe for 6,136,695 shares of HK\$0.10 each in the Company at a consideration of HK\$1 per grantee. Details of the share options granted are set out in the section "Directors' rights to acquire shares" in Report of the Directors. The proposal to grant share options to independent non-executive directors were detailed in a circular to members dated 13 June 2000 and had been approved by the shareholders of the Company at a special general meeting held on 30 June 2000.

Connected transactions (continued)

- (iii) On 24 May 2000, Hop Hing Packaging (Pan Yu) Limited and Delightful GEM Holdings Limited, both indirect wholly-owned subsidiaries of the Company, entered into a conditional agreement with the Guangzhou Qiaojian Industrial Development Company, a company incorporated in the PRC, formalizing the co-operation between the parties in the development of edible oils business in the PRC. This transaction was approved by the shareholders of the Company at a special general meeting held on 30 June 2000. The principal terms of the co-operative agreement were set out in a circular dated 13 June 2000 sent to the shareholders.

Major customers and suppliers

For the year ended 31 December 2000, the respective percentage of purchase attributable to the Group's five largest suppliers and the turnover attributable to the Group's five largest customers was less than 30% of the Group's purchase and turnover.

Retirement scheme

The Group operates defined contribution retirement benefits schemes, namely the Mandatory Provident Fund ("MPF") 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.

For the year ended 31 December 2000, the total contributions made by the Group to the above schemes amounted to HK\$1,348,000 and forfeited contributions applied to reduce employer's contributions were HK\$464,000. At 31 December 2000, forfeited contributions totalling HK\$109,000 were available to reduce future contributions to the Exempted Scheme.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, sale or redemption of own listed securities

There were no purchases, sales or redemptions by the Company or any of its subsidiaries, of the Company's listed securities during the year.

Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement and re-election in accordance with the provisions of the Bye-laws of the Company.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

HUNG HAK HIP

Chairman

19 April 2001



To the members

Hop Hing Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 25 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

19 April 2001

Consolidated Profit and Loss Account

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	3,4	847,166	1,102,429
Direct cost of stocks sold and services provided		(646,430)	(885,521)
Other production and service costs (including depreciation of HK\$30,551,000 (1999: HK\$31,706,000))		(57,629)	(68,070)
Selling and distribution costs		(33,892)	(27,618)
General and administrative expenses		(79,962)	(75,785)
Other revenue		24,867	–
Restructuring costs (including provision for decline in recoverable amounts of fixed assets of nil (1999: HK\$4,604,000))		(2,240)	(18,177)
PROFIT FROM OPERATING ACTIVITIES	4,5	51,880	27,258
Finance costs, net	7	(33,421)	(30,835)
Loss on disposal of an associate		–	(21,560)
Share of losses of associates		–	(444)
Share of profit of a jointly controlled entity		3,030	4,339
PROFIT/(LOSS) BEFORE TAX		21,489	(21,242)
Tax	8	(1,389)	(3,408)
PROFIT/(LOSS) AFTER TAX		20,100	(24,650)
Minority interests		279	(251)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	9,26	20,379	(24,901)
Retained profits/(accumulated loss) at beginning of year			
As previously reported		(1,133)	25,626
Prior year adjustment	32	–	(1,858)
Retained profits/(accumulated loss) as restated		(1,133)	23,768
RETAINED PROFITS/(ACCUMULATED LOSS) AT END OF YEAR		19,246	(1,133)
Retained in/(accumulated by):			
Company and subsidiaries		(16,241)	(39,624)
Associates		24,646	24,646
A jointly controlled entity		10,841	13,845
		19,246	(1,133)
EARNINGS/(LOSS) PER SHARE (HK cents) – Basic	10	4.98	(6.09)

Consolidated Statement of Recognised Gains and Losses

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Deficit on revaluation of investment property	26	–	(11,200)
Release in reserve regarding the provision for decline in recoverable amounts of fixed assets	26	–	(545)
Exchange differences arising on consolidation	26	–	5
		<hr/>	<hr/>
Net losses not recognised in the profit and loss account		–	(11,740)
Net profit/(loss) attributable to shareholders		<hr/> 20,379	<hr/> (24,901)
Total recognised gains and losses		<hr/> 20,379	<hr/> (36,641)

Consolidated Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	585,500	613,428
Trademarks	12	121,502	126,298
Interests in associates	14	(1,425)	(1,425)
Interest in a jointly controlled entity	15	53,485	56,489
		<u>759,062</u>	<u>794,790</u>
CURRENT ASSETS			
Stocks	16	79,265	124,657
Accounts receivable	17	126,592	83,353
Investments in securities	18	24,944	–
Sundry receivables, deposits and prepayments		47,437	51,145
Pledged cash deposit	19	5,802	604
Cash and bank balances		<u>119,985</u>	<u>175,261</u>
		<u>404,025</u>	<u>435,020</u>
CURRENT LIABILITIES			
Interest-bearing bank loans	20	153,910	214,380
Other loans	21	16,379	28,729
Bills payable	22	101,206	191,886
Accounts payable	23	56,248	61,917
Other payables and accrued charges		50,869	64,099
Tax		477	1,034
		<u>379,089</u>	<u>562,045</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>24,936</u>	<u>(127,025)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>783,998</u>	<u>667,765</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	20	208,004	111,316
Deferred tax	24	9,854	10,409
		<u>217,858</u>	<u>121,725</u>
Minority interests		<u>7,318</u>	<u>7,597</u>
		<u>558,822</u>	<u>538,443</u>
CAPITAL AND RESERVES			
Issued capital	25	40,911	40,911
Reserves	26	517,911	497,532
		<u>558,822</u>	<u>538,443</u>

HUNG HAK HIP
CHAIRMAN

LIU CHI KEUNG, RICKY
VICE-CHAIRMAN & CEO

Consolidated Cash Flow Statement

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	27(a)	(42,591)	107,409
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received from a jointly controlled entity		5,500	–
Interest received		4,426	3,428
Interest paid		(37,847)	(34,263)
Net cash outflow from returns on investments and servicing of finance		(27,921)	(30,835)
TAX			
Tax paid		(1,967)	(968)
INVESTING ACTIVITIES			
Purchases of fixed assets		(11,614)	(28,762)
Proceeds from disposal of fixed assets		2,330	1,751
Acquisition of trademarks		(104)	(263)
Net proceeds from disposal of an associate		–	22,509
Decrease in amounts due to associates		–	(15)
Proceeds from disposal of subsidiaries	27(c)	7,921	–
Net cash outflow from investing activities		(1,467)	(4,780)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING ACTIVITIES		(73,946)	70,826
FINANCING ACTIVITIES			
New bank and other loans	27(b)	208,547	44,315
Repayment of bank and other loans	27(b)	(116,061)	(35,820)
Increase in pledged cash deposit		(5,198)	(604)
Net cash inflow from financing activities		87,288	7,891
INCREASE IN CASH AND CASH EQUIVALENTS		13,342	78,717
Cash and cash equivalents at 1 January		48,951	(29,771)
Effect of changes in exchange rates		–	5
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		62,293	48,951
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and time deposits		119,985	175,261
Bank loans with maturity within three months from drawdown dates		(57,692)	(126,310)
		62,293	48,951

Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	13	<u>517,901</u>	<u>517,856</u>
CURRENT ASSETS			
Sundry receivables and prepayments		246	73
Cash and bank balances		<u>113</u>	<u>112</u>
		359	185
CURRENT LIABILITIES			
Other payables and accrued charges		<u>478</u>	<u>281</u>
NET CURRENT LIABILITIES			
		<u>(119)</u>	<u>(96)</u>
		<u>517,782</u>	<u>517,760</u>
CAPITAL AND RESERVES			
Issued capital	25	40,911	40,911
Reserves	26	<u>476,871</u>	<u>476,849</u>
		<u>517,782</u>	<u>517,760</u>

HUNG HAK HIP
CHAIRMAN

LIU CHI KEUNG, RICKY
VICE-CHAIRMAN & CEO

Notes to the Financial Statements

31 December 2000

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The subsidiaries of the Group are mainly engaged in the extraction, refining, blending and distribution of edible oils and ancillary activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAPs") and 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 the remeasurement of investment properties and investments in securities, 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 2000. 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.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Investments in subsidiaries are stated in the Company's balance sheet at cost unless, in the opinion of the directors, there have been diminutions in values other than temporary in nature, when they are written down to values determined by the directors. Details of the principal subsidiaries are set out in note 13 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 14 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 provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

Jointly controlled entity

Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control and none of the parties involved unilaterally has control over the economic activity.

Joint venture arrangements which involve the establishments of a separate entity in which the Group and other parties have an interest are referred to as jointly controlled entities.

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 aggregate of cost and the Group's share of post-acquisition results and reserves unless, in the opinion of the directors, there has been a diminution in value other than temporary in nature, when it is written down to a value determined by the directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on consolidation

Goodwill arising on consolidation represents the excess of purchase consideration paid for the subsidiaries and associates over the fair value ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Upon disposal of such subsidiaries and associates, the relevant portion of attributable goodwill previously eliminated against reserves is realised and accounted for in determining the gain or loss on disposal of the investment.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation. 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. In situations where it can be clearly demonstrated that the expenditure incurred after an asset has been put into operation, 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 $\frac{1}{2}$ % 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 72 of SSAP17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants 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.

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

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account, except to the extent that they reverse previous revaluation surpluses in respect of the same items, when they are charged to the revaluation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction in progress

Construction in progress is stated at cost. Depreciation is provided when the facility commences commercial production. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential. Such properties are stated at their open market values on the basis of annual professional valuations and are not depreciated except where the unexpired terms of the leases are 20 years or less, in which case the then carrying amounts are amortised on the straight-line basis over the respective remaining lease terms. Changes in the values of investment properties 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.

Upon 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 and are not amortised. Provision is made for any diminutions in values other than temporary in nature.

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 on disposal.

Investments in securities

Investments in securities represent investment in listed equity securities which are stated at fair value at the balance sheet date. Unrealised holding gains or losses arising on revaluation of securities to fair value are dealt with in the profit and loss account.

Deferred tax

Provision is made for deferred tax, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange gains and losses are dealt with in the profit and loss account.

On consolidation, the financial statements of subsidiaries and associates denominated in foreign currencies are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are dealt with in reserves.

Borrowing costs

Borrowing costs incurred on borrowings to finance construction in progress are capitalised until the development of the relevant project is completed and are included in the carrying value of these assets. Borrowing costs are capitalised at the Group's weighted average interest rate on external borrowings or, where applicable, the interest rate related to specific construction project borrowings.

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) income from the sale of goods, on delivery of the goods to the customers;
- (ii) revenue from management, marketing 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, in proportion to time taking into account the principal outstanding and the effective interest rate applicable.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such 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 or 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 equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes to the Financial Statements

31 December 2000

3. SEGMENTED INFORMATION

Pursuant to Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the analysis of Group turnover and contribution to profit from operating activities by principal activity and geographical location is as follows:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Edible oils and food related products*	<u>847,166</u>	<u>1,102,429</u>	<u>51,880</u>	<u>27,258</u>
By geographical area:				
Mainland China and <u>others</u>	756,973	907,952	29,286	6,340
Hong Kong Special Administrative Region	<u>90,193</u>	<u>194,477</u>	<u>22,594</u>	<u>20,918</u>
	<u>847,166</u>	<u>1,102,429</u>	<u>51,880</u>	<u>27,258</u>

* Including rental income and other revenue which are considered incidental to the edible oils activity of the Group.

4. TURNOVER

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

	2000 HK\$'000	1999 HK\$'000
Sales of goods and services	827,136	1,083,301
Rental and other income	<u>20,030</u>	<u>19,128</u>
	<u>847,166</u>	<u>1,102,429</u>

Notes to the Financial Statements

31 December 2000

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after crediting:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Rental income:		
Investment property	9,504	9,134
Leasehold land and buildings	3,673	3,947
	<hr/>	<hr/>
	13,177	13,081
Less: Outgoings	(2,592)	(2,635)
	<hr/>	<hr/>
Net rental income	10,585	10,446
	<hr/>	<hr/>
Royalties	24,443	18,026
Unrealised holding gain on investments in listed securities classified as other revenue	24,867	–
and after charging:		
Cost of stocks sold (including write-back of accounts payable provision of HK\$13 million (1999: Nil) – note 23)	643,838	882,886
Staff costs (including directors' emoluments):		
Wages and salaries	50,356	83,381
Pension scheme contributions	1,348	2,064
Less: Unvested contributions forfeited*	(464)	(516)
	<hr/>	<hr/>
	884	1,548
	<hr/>	<hr/>
	51,240	84,929
	<hr/>	<hr/>
Depreciation	30,551	31,706
Operating lease rentals in respect of land and buildings	5,558	10,571
Loss on disposal of fixed assets	905	1,477
Loss on disposal of subsidiaries	1,080	–
Auditors' remuneration	1,000	980
	<hr/>	<hr/>

* At 31 December 2000, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in the Report of the Directors under the heading "Retirement Scheme" amounted to HK\$109,000 (1999: HK\$42,000).

Notes to the Financial Statements

31 December 2000

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 161 of the Companies Ordinance are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Directors' fees:		
Non-executive directors	340	120
Executive directors	–	–
Salaries and allowances*	8,654	12,181
Discretionary/performance related bonuses	1,074	1,877
Retirement fund contributions	259	182
	<u>10,327</u>	<u>14,360</u>

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

The directors' emoluments are analysed as follows:

Band	Group	
	2000 Number of directors	1999 Number of directors
Nil to HK\$1,000,000	7	5
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	1

No value is included in directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the directors during the year are set out in the section "Directors' right to acquire shares" in the Report of Directors and in note 25 to the financial statements.

Notes to the Financial Statements

31 December 2000

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

(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 are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Salaries and allowances	8,915	12,124
Discretionary/performance related bonuses	1,074	1,677
Retirement fund contributions	317	302
	<u>10,306</u>	<u>14,103</u>

The above emoluments are analysed as follows:

Band	Group	
	2000 Number of individuals	1999 Number of individuals
Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	1
	<u>1</u>	<u>1</u>

7. FINANCE COSTS, NET

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank borrowings	37,686	34,020
Interest on other loans wholly repayable within five years	161	781
	<u>37,847</u>	<u>34,801</u>
Total finance costs	37,847	34,801
Less: Interest capitalised	–	(538)
	<u>37,847</u>	<u>34,263</u>
Less: Interest income	(4,426)	(3,428)
	<u>33,421</u>	<u>30,835</u>

Notes to the Financial Statements

31 December 2000

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Overseas taxes have been provided for at the applicable tax rates, if required.

	Group	
	2000	1999
	HK\$'000	HK\$'000
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	(1,113)	(2,777)
(Under)/over provision in respect of prior years	(297)	775
	<u>(1,410)</u>	<u>(2,002)</u>
Deferred tax – note 24	555	(795)
	<u>(855)</u>	<u>(2,797)</u>
Share of tax charges of a jointly controlled entity – Hong Kong	(534)	(611)
	<u>(1,389)</u>	<u>(3,408)</u>

9. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$22,000 (1999: HK\$173,000).

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on the profit attributable to shareholders of HK\$20,379,000 (1999: loss of HK\$24,901,000) and 409,113,021 shares (1999: 409,113,021 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for both years are not presented as the share options outstanding during the years had an anti-dilutive effect on the basic earnings/(loss) per share.

Notes to the Financial Statements

31 December 2000

11. FIXED ASSETS

Group

	Investment property HK\$'000	Leasehold land and buildings HK\$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost/valuation:					
At 1 January 2000	68,000	323,996	329,948	4,862	726,806
Additions	-	2,684	8,930	-	11,614
Disposal of subsidiaries	-	(3,590)	(4,273)	-	(7,863)
Reclassification	-	4,862	-	(4,862)	-
Disposals	-	(1,822)	(3,374)	-	(5,196)
At 31 December 2000	68,000	326,130	331,231	-	725,361
Accumulated depreciation:					
At 1 January 2000	-	20,401	92,977	-	113,378
Provided during the year	-	7,937	22,614	-	30,551
Disposal of subsidiaries	-	(221)	(1,886)	-	(2,107)
Disposals	-	(96)	(1,865)	-	(1,961)
At 31 December 2000	-	28,021	111,840	-	139,861
Net book value:					
At 31 December 2000	68,000	298,109	219,391	-	585,500
At 31 December 1999	68,000	303,595	236,971	4,862	613,428

The 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 the professional valuation performed by DTZ Debenham Tie Leung Limited, Chartered Surveyors, using an open market, existing use basis at 31 December 2000. 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.

Notes to the Financial Statements

31 December 2000

11. FIXED ASSETS (continued)

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 <i>HK\$'000</i>	Hong Kong, at cost less accumulated depreciation <i>HK\$'000</i>	Elsewhere, at cost less accumulated depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Long term	1,174	–	5,097	6,271
Medium term	69,545	58,086	163,021	290,652
Short term	–	–	1,186	1,186
	<u>70,719</u>	<u>58,086</u>	<u>169,304</u>	<u>298,109</u>

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\$253,375,000 (1999: HK\$254,753,000).

12. TRADEMARKS

In the opinion of the directors, the value of the trademarks is not less than the amount stated in the balance sheet.

13. INTERESTS IN SUBSIDIARIES

	Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	260,476	260,476
Amounts due from subsidiaries	<u>257,425</u>	<u>257,380</u>
	<u>517,901</u>	<u>517,856</u>

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

Notes to the Financial Statements

31 December 2000

13. 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 Industrial Building Limited	Hong Kong	HK\$12	100%	Property holding
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%	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
Hung's Sino Holdings Limited	Hong Kong	HK\$100,010	100%	Property holding
Knight Investment Limited	Hong Kong	HK\$4	100%	Property holding
Lapidus (1985) Limited	Hong Kong	HK\$12	100%	Barge ownership
Lival Company Limited	Hong Kong	HK\$10,000	100%	Property holding
Monitor Ltd.	British Virgin Islands	US\$1	100%	Trademark holding

Notes to the Financial Statements

31 December 2000

13. 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
Panyu Hop Hing Oils & Fats Co. Ltd.	People's Republic of China	HK\$75,000,000	100%	Edible oil production
Panyu Kwong Hing Packaging Company Limited	People's Republic of China	HK\$50,000,000	100%	Blending and distribution of edible oils
Pinghu Hop Hing Vegetable Oils Company Limited*	People's Republic of China	US\$1,400,000	51%	Edible oil refinery
Sino Food Products Company (Holdings) Limited	Hong Kong	HK\$10	100%	Distribution of edible oils
Zhejiang Hop Hing Oils & Fats Company Limited*	People's Republic of China	US\$1,400,000	61%	Edible oil refinery

* Registered as equity joint venture 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.

14. INTERESTS IN ASSOCIATES

	Group	
	2000 HK\$'000	1999 HK\$'000
Share of net assets, other than goodwill	24,645	24,645
Due to associates	(26,070)	(26,070)
	<u>(1,425)</u>	<u>(1,425)</u>

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

Notes to the Financial Statements

31 December 2000

14. 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
Kwong Hing Food Products Company Limited	Corporate	People's Republic of China	50%	Ceased operations during 1999 and currently under dissolution
Omeron Profits Limited	Corporate	British Virgin Islands	50%	Trademark licencing
Tepac Profits Limited	Corporate	British Virgin Islands	50%	Trademark licencing

15. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	42,644	42,644
Share of post-acquisition profits	10,841	13,845
	<u>53,485</u>	<u>56,489</u>

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

Name of company	Business structure	Place of incorporation/ principal operation	Percentage of equity 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

Notes to the Financial Statements

31 December 2000

15. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

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

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
<i>State of affairs</i>		
Current assets	202,465	225,794
Non-current assets	38,248	47,604
Current liabilities	(129,032)	(152,894)
Long term liabilities	(2,516)	(3,449)
	<u>109,165</u>	<u>117,055</u>
<i>Income and profit</i>		
Turnover	<u>662,775</u>	<u>735,326</u>
Profit for the year	<u>4,991</u>	<u>5,889</u>

16. STOCKS

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Finished goods	23,532	18,680
Work in progress	1,031	4,872
Raw materials	<u>54,702</u>	<u>101,105</u>
	<u>79,265</u>	<u>124,657</u>

The amount of stocks that are carried at net realisable value is HK\$14,081,000 (1999: HK\$48,087,000).

Notes to the Financial Statements

31 December 2000

17. ACCOUNTS RECEIVABLE

The aging analysis of accounts receivable is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Current	69,589	53,181
Less than 3 months	47,398	24,814
Over 3 months	9,605	5,358
	<u>126,592</u>	<u>83,353</u>

The Group's products are sold either on cash on delivery basis or on open account basis ranging from 30 to 50 days of credit. Each customer has a maximum credit limit. Overdue balances are regularly reviewed by senior management.

Accounts receivable of the Group include trading balance due from a jointly controlled entity of HK\$22,007,000 (1999: HK\$11,754,000), which is unsecured and interest-free.

18. INVESTMENTS IN SECURITIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Listed equity investment in Hong Kong, at market value	<u>24,944</u>	<u>—</u>

19. PLEDGED CASH DEPOSIT

The pledged cash deposit was pledged to a bank as security for certain bills payable.

Notes to the Financial Statements

31 December 2000

20. INTEREST-BEARING BANK LOANS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Secured	329,738	128,767
Unsecured	<u>32,176</u>	<u>196,929</u>
	361,914	325,696
Portion due within one year included under current liabilities	<u>(153,910)</u>	<u>(214,380)</u>
Long term portion	<u>208,004</u>	<u>111,316</u>
The bank loans are repayable in various instalments within a period of:		
Less than 1 year or on demand	153,910	214,380
More than 1 year but less than 2 years	51,380	39,777
More than 2 years but less than 5 years	<u>156,624</u>	<u>71,539</u>
	<u>361,914</u>	<u>325,696</u>

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

Notes to the Financial Statements

31 December 2000

21. OTHER LOANS

	Group	
	2000 HK\$'000	1999 HK\$'000
Due to the controlling shareholder of the Group	11,202	23,399
Due to minority shareholders of subsidiaries		
Secured	2,293	2,293
Unsecured	2,884	3,037
	<u>5,177</u>	<u>5,330</u>
	<u>16,379</u>	<u>28,729</u>

The amount due to the controlling shareholder is unsecured, interest-free and repayable on demand.

The amounts due to the minority shareholders bear interest at 7% to 12% per annum. During the year, certain minority shareholders had waived interest totalling HK\$346,000 (1999: HK\$346,000) on the loans due to them by the Group.

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

22. BILLS PAYABLE

Bills payable of HK\$26,404,000 (1999: HK\$6,037,000) are secured by cash deposits of HK\$5,802,000 (1999: HK\$604,000).

23. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Current and less than 3 months	31,414	35,363
Over 3 months	24,834	26,554
	<u>56,248</u>	<u>61,917</u>

Included in accounts payable as at 31 December 1999 is an amount due to a supplier (the "Supplier") incurred by a wholly-owned subsidiary of the Group in prior year.

Notes to the Financial Statements

31 December 2000

23. ACCOUNTS PAYABLE (continued)

Based on the legal opinion expressed by the Group's legal advisor, the directors are of the opinion that such level of accrual is no longer required following the decision of the directors not to provide further financial support from the Group, other than the remaining provision, to that subsidiary. Accordingly, the Group wrote back an amount due to the Supplier of HK\$13 million (note 5).

24. DEFERRED TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
Balance at beginning of year	10,409	9,614
Charge/(reversal) for the year – note 8	(555)	795
Balance at end of year	<u>9,854</u>	<u>10,409</u>

The provision for deferred tax as shown in the balance sheet relates to timing differences arising from accelerated capital allowances. There were no other material timing differences at the balance sheet date.

No provision for deferred tax has been made for the revaluation surpluses of the investment property and other properties as they do not constitute timing differences.

25. ISSUED CAPITAL

Shares

	Company	
	Number of shares	HK\$'000
Authorised:		
Shares of HK\$0.10 each At 1 January 2000 and 31 December 2000	<u>800,000,000</u>	80,000
Shares of US\$0.10 each At 1 January 2000 and 31 December 2000	<u>120,000</u>	93
		<u>80,093</u>
Issued and fully paid:		
Shares of HK\$0.10 each At 1 January 2000 and 31 December 2000	<u>409,113,021</u>	<u>40,911</u>

25. ISSUED CAPITAL (continued)

Warrants

At 1 January 2000, the Company had outstanding 81,451,743 warrants carrying rights to subscribe for an aggregate of 81,451,743 new shares of HK\$0.10 each in the Company at any time up to 30 April 2001 at an initial subscription price of HK\$1.25 per share, subject to adjustments.

No warrants were exercised during the year. The exercise in full of these warrants would, under the capital structure of the Company at 31 December 2000, result in the issue of 81,451,743 additional shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$101,815,000.

Share options

The Share Option Scheme adopted by the Company on 4 June 1990 (the "Old Scheme") expired on 4 June 2000. A new share option scheme ("New Scheme") was adopted and approved by the Company at a special general meeting held on 30 June 2000. The principal terms of the New Scheme were set out in a circular dated 13 June 2000 to the shareholders.

On 10 January 2000, Wong Kwok Ying, a director, was granted 4,091,130 share options for a cash consideration of HK\$1 under the Old Scheme entitling him to subscribe shares of HK\$0.10 each in the Company at a price of HK\$0.384 per share upon exercise of his subscription rights in the exercisable period from 10 January 2001 to 9 January 2007 (both dates inclusive).

On 17 November 2000, all the unexercised share options granted under the Old Scheme, which entitled the grantees to subscribe for 17,182,755 shares of HK\$0.10 each in the Company in total, were waived by the grantees.

Pursuant to a board resolution on 17 November 2000, certain directors, including independent non-executive directors, were granted share options under the New Scheme to subscribe for an aggregate of 23,492,677 shares of HK\$0.10 each in the Company at a consideration of HK\$1 per grantee, the details of which are set out in the Report of the Directors under the heading "Directors' rights to acquire shares".

The granting of share options under the New Scheme to independent non-executive directors has been approved by the shareholders of the Company at a special general meeting held on 30 June 2000.

No share options were exercised during the year.

The exercise in full of the above share options would, under the capital structure of the Company at 31 December 2000, result in the issue of 23,492,677 additional shares of HK\$0.10 each and cash proceeds, before the related issue expenses, of approximately HK\$4,365,000.

Notes to the Financial Statements

31 December 2000

26. RESERVES

Group

		Revaluation reserves			Capital	Retained	Total
		Share	Investment	Other	and other	profits	
	Note	premium	property	properties	reserves		Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as 1 January 1999							
As previously stated		374,364	21,119	56,810	58,112	25,626	536,031
Prior year adjustment	32	-	-	-	-	(1,858)	(1,858)
		<u>374,364</u>	<u>21,119</u>	<u>56,810</u>	<u>58,112</u>	<u>23,768</u>	<u>534,173</u>
Release in reserve regarding the provision for decline in recoverable amounts of fixed assets		-	-	(545)	-	-	(545)
Deficit on revaluation of investment property		-	(11,200)	-	-	-	(11,200)
Exchange differences arising on consolidation		-	-	-	5	-	5
Net loss attributable to shareholders		-	-	-	-	(24,901)	(24,901)
		<u>374,364</u>	<u>9,919</u>	<u>56,265</u>	<u>58,117</u>	<u>(1,133)</u>	<u>497,532</u>
Balance at 31 December 1999 and as at 1 January 2000							
Net profit attributable to shareholders		-	-	-	-	20,379	20,379
		<u>374,364</u>	<u>9,919</u>	<u>56,265</u>	<u>58,117</u>	<u>19,246</u>	<u>517,911</u>

Company

		Share	Contributed	Retained	Total
		premium	surplus	profits	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 1999		231,754	231,383	13,539	476,676
Net profit attributable to shareholders		-	-	173	173
		<u>231,754</u>	<u>231,383</u>	<u>13,712</u>	<u>476,849</u>
Balance at 31 December 1999 and 1 January 2000					
Net profit attributable to shareholders		-	-	22	22
		<u>231,754</u>	<u>231,383</u>	<u>13,734</u>	<u>476,871</u>

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 2000, the total amount of reserves distributable to shareholders, including the Company's retained profits, amounted to HK\$245,117,000 (1999: HK\$245,095,000).

Notes to the Financial Statements

31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit from operating activities to net cash (outflow)/inflow from operating activities:

	2000 HK\$'000	1999 HK\$'000
Profit from operating activities	51,880	27,258
Depreciation	30,551	31,706
Loss on disposal of fixed assets	905	1,477
Loss on disposal of subsidiaries	1,080	-
Write-back of accounts payable provision	(13,000)	-
Unrealised holding gain on investments in listed securities	(24,867)	-
Provision for decline in recoverable amounts of fixed assets	-	4,604
Decrease in stocks	44,603	120,151
(Increase)/decrease in accounts receivable	(43,256)	33,351
Decrease in sundry receivables, deposits and prepayments	2,076	9,153
Decrease in bills payable	(90,680)	(101,149)
Increase in accounts payable	7,331	5,279
Decrease in other payables and accrued charges	(9,214)	(24,421)
	<u>(42,591)</u>	<u>107,409</u>
Net cash (outflow)/inflow from operating activities	<u>(42,591)</u>	<u>107,409</u>

- (b) Analysis of changes in financing:

	Interest-bearing bank and other loans* HK\$'000	Minority interest HK\$'000
Balance at 1 January 1999	219,620	7,346
Net cash inflow from financing	8,495	-
Share of profits of subsidiaries for the year	-	251
	<u>228,115</u>	<u>7,597</u>
Balance at 31 December 1999 and 1 January 2000	228,115	7,597
Net cash inflow from financing	92,486	-
Share of losses of subsidiaries for the year	-	(279)
	<u>320,601</u>	<u>7,318</u>
Balance at 31 December 2000	<u>320,601</u>	<u>7,318</u>

* excluding bank loans maturing within 3 months from drawdown dates.

Notes to the Financial Statements

31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposals of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Net assets/(liabilities) disposed of:		
Fixed assets, net	5,756	–
Trademarks	4,900	–
Stocks	789	–
Accounts receivable	17	–
Sundry receivables, deposits and prepayments	1,555	–
Cash and bank balances	1,767	–
Other payables and accrued charges	(4,016)	–
	<u>10,768</u>	<u>–</u>
Losses on disposals	(1,080)	–
	<u>9,688</u>	<u>–</u>
Satisfied by:		
Cash	<u>9,688</u>	<u>–</u>

Analysis of the net cash inflow of cash and cash equivalents in respect of the disposals of subsidiaries:

	2000 HK\$'000	1999 HK\$'000
Cash consideration	9,688	–
Cash and bank balances disposed of	(1,767)	–
	<u>7,921</u>	<u>–</u>

The subsidiaries disposed of during the year had no significant impact on the Group's cash flows. The results of the subsidiaries disposed of during the year had no significant impact on the consolidated turnover and the consolidated profit after tax for the year ended 31 December 2000.

(d) Major non-cash transaction:

Pursuant to the restructuring of The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited (the "HKFE") during the year, the Group received one HKFE Trading Right and certain ordinary shares in the Hong Kong Exchange and Clearing Limited (the "HKEC Shares") in exchange for one share in the HKFE previously held by the Group.

As at the balance sheet date, the HKEC shares were stated at market value which resulted in an unrealised holding gain of HK\$24,867,000.

Notes to the Financial Statements

31 December 2000

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\$352,174,000 (1999: HK\$175,170,000) and a cash deposit of the Group of approximately HK\$5,802,000 (1999: HK\$604,000) 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 (1999: HK\$2,293,000) were pledged to secure certain other loans.

29. COMMITMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	3,704	4,705
Authorised, but not contracted for	3,057	9,384
	<u> </u>	<u> </u>
Annual commitments under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	327	296
In the second to fifth years, inclusive	2,373	7,554
Beyond five years	76	76
	<u> </u>	<u> </u>

The Company had no commitments at the balance sheet date (1999: Nil).

30. CONTINGENT LIABILITIES

Group

- (a) At the balance sheet date, 49 (1999: 74) 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\$1,148,000 (1999: HK\$2,603,000). No provision has been made for this amount in the financial statements as it is unlikely that this liability will crystallise in the foreseeable future.
- (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 (the "JCE") of the Group amounted to HK\$10,131,000 (1999: HK\$29,665,000).

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\$175,682,000 (1999: HK\$239,934,000).

Notes to the Financial Statements

31 December 2000

31. RELATED PARTY TRANSACTIONS

In addition to those transactions disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	2000 HK\$'000	1999 <i>HK\$'000</i>
Transactions with the JCE:			
Sales of goods	<i>a</i>	63,562	129,086
Purchases of goods/services	<i>b</i>	6,090	25,127
Oil refinement income	<i>c</i>	14,317	10,319
Royalty income	<i>d</i>	24,443	18,026
Property rental and tank farm income	<i>e</i>	13,506	14,835
Other property related income	<i>f</i>	4,340	4,111
Management and marketing fee income	<i>g</i>	2,050	7,560
Transactions with an associate			
Management fee income	<i>g</i>	–	570
Transactions with the controlling shareholder of the Company			
Sales of goods	<i>a</i>	920	856
Consideration received on disposal of subsidiaries	<i>h</i>	9,688	–
Consideration received on disposal of a property	<i>h</i>	2,012	–
Consideration received on disposal of an associate to a company controlled by a former director of the Company	<i>i</i>	–	23,399
Management fee expenses paid to a company in which a director of the Company has an indirect interest	<i>j</i>	<u>540</u>	<u>540</u>

Notes:

- a. The sales 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.

31. RELATED PARTY TRANSACTIONS (Continued)

- d. Pursuant to a trademark licence agreement entered into between the Group and the JCE, the royalties received for the use of the trademarks is 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 JCE within Hong Kong and Macau.
- e. The property rental income related to the investment property 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.
- f. 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.
- g. The management and marketing fee income were charged based on the cost incurred for providing such services.
- h. The transactions were conducted according to the terms of contracts entered into between the Group and companies associated with the controlling shareholder. The transactions were approved by the shareholders at a special general meeting held on 30 June 2000, and the details of the contracts are summarised in a circular to the shareholders dated 13 June 2000.
- i. Pursuant to a sales and purchase agreement dated 18 August 1999 entered into between the Group and Universal Investment Holdings Limited ("UIH"), 99.99% owned by a former director of the Group, the Group agreed to dispose of its 50% equity interest in Universal Energy Limited, the then associate of the Group, and the shareholders' loan thereto to UIH for a consideration of RMB25,000,000.
- j. The management fee expenses represented payment of remuneration to a director of the Company through a company in which he has indirect interest therein.

At 31 December 2000, the Group had an outstanding balance due to the controlling shareholder of the Group of HK\$11,202,000 (1999: HK\$23,399,000), the terms of which are disclosed in note 21 to the financial statements.

32. PRIOR YEAR ADJUSTMENT

In the prior year, the Group changed its accounting policy with respect to the treatment of pre-operating expenses. In order to conform with the provisions of SSAP 1, "Presentation of Financial Statements" as subsequently confirmed by Interpretation 9 "Accounting for Pre-operating Cost", the Group expensed rather than capitalised and amortised such pre-operating expenses. This change in accounting policy was made retrospectively.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.

Comparative Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
RESULTS					
Turnover	<u>847,166</u>	<u>1,102,429</u>	<u>1,794,035</u>	<u>731,409</u>	<u>391,563</u>
Operating profit/(loss)	<u>18,459</u>	<u>(25,137)</u>	<u>(114,861)</u>	<u>45,398</u>	<u>31,649</u>
Share of profits less losses of associates and a jointly controlled entity	<u>3,030</u>	<u>3,895</u>	<u>(6,493)</u>	<u>8,478</u>	<u>9,230</u>
Profit/(loss) before tax	<u>21,489</u>	<u>(21,242)</u>	<u>(121,354)</u>	<u>53,876</u>	<u>40,879</u>
Tax	<u>(1,389)</u>	<u>(3,408)</u>	<u>(1,780)</u>	<u>(4,827)</u>	<u>(4,504)</u>
Profit/(loss) after tax	<u>20,100</u>	<u>(24,650)</u>	<u>(123,134)</u>	<u>49,049</u>	<u>36,375</u>
Minority interests	<u>279</u>	<u>(251)</u>	<u>(22)</u>	<u>1,035</u>	<u>1,305</u>
Net profit/(loss) attributable to shareholders	<u>20,379</u>	<u>(24,901)</u>	<u>(123,156)</u>	<u>50,084</u>	<u>37,680</u>
31 December					
	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000	1996 HK\$'000
ASSETS					
Fixed assets and other non-current assets	<u>585,500</u>	<u>613,428</u>	<u>635,949</u>	<u>586,057</u>	<u>479,304</u>
Trademarks	<u>121,502</u>	<u>126,298</u>	<u>126,035</u>	<u>120,600</u>	<u>120,054</u>
Interests in associates and a jointly controlled entity	<u>52,060</u>	<u>55,064</u>	<u>88,692</u>	<u>101,922</u>	<u>99,347</u>
Current assets	<u>404,025</u>	<u>435,020</u>	<u>531,098</u>	<u>271,227</u>	<u>180,060</u>
TOTAL ASSETS	<u>1,163,087</u>	<u>1,229,810</u>	<u>1,381,774</u>	<u>1,079,806</u>	<u>878,765</u>
LIABILITIES					
Current liabilities	<u>379,089</u>	<u>562,045</u>	<u>646,025</u>	<u>214,689</u>	<u>129,884</u>
Long term portion of bank and other loans	<u>208,004</u>	<u>111,316</u>	<u>143,705</u>	<u>121,989</u>	<u>35,188</u>
Deferred tax	<u>9,854</u>	<u>10,409</u>	<u>9,614</u>	<u>11,074</u>	<u>10,148</u>
TOTAL LIABILITIES	<u>596,947</u>	<u>683,770</u>	<u>799,344</u>	<u>347,752</u>	<u>175,220</u>
Minority interests	<u>7,318</u>	<u>7,597</u>	<u>7,346</u>	<u>7,324</u>	<u>8,359</u>
	<u>604,265</u>	<u>691,367</u>	<u>806,690</u>	<u>355,076</u>	<u>183,579</u>
NET ASSETS	<u>558,822</u>	<u>538,443</u>	<u>575,084</u>	<u>724,730</u>	<u>695,186</u>