

Corporate information

02

corporate
information

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

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

CHAIRMAN'S



STATEMENT

Chairman's statement

04

chairman's
statement

REVIEW OF OPERATIONS AND PROSPECTS

2001 was another difficult and challenging year for businesses in Hong Kong, and household and consumer spending continued to have been influenced by high unemployment rate as well as the gloomy local and international economic outlook. During this year, your management has maintained its focus on its prudent strategies while at the same time taking the necessary steps to position itself for any market changes in the future.



Operating Results

Earnings before interests, depreciation and amortisation (EBIDTA) for the year ended 31 December 2001 was HK\$60.3 million, as compared to HK\$60.8 million (before accounting for gain on investment shares) for the year 2000.

Net profit attributable to shareholders for the year ended 31 December 2001 was HK\$7.3 million, as compared to HK\$20.6 million for 2000. The latter figure includes HK\$24.9 million gain on investment shares.

Dividend and Bonus Warrants

No interim dividend was paid (2000: Nil) and your directors do not recommend the payment of any final dividend for the year under review (2000: Nil).

The directors propose a bonus issue of warrants (the "Bonus Warrants") to be granted to the shareholders on the basis of one Bonus Warrant for every five shares held. Each Bonus Warrant entitles the warrant holder to subscribe for one new share at an initial subscription price of HK\$0.27 each in the period from 29 May 2002 to 30 April 2005.

REVIEW OF OPERATIONS

Edible Oil

Your business in Hong Kong has performed slightly better than the previous year, but much efforts and resources had to be deployed to maintaining and enhancing our cutting edge against anticipated increase in competition after China's accession to WTO.

In China, the market was still heavily impacted by competition with price driven strategies. In the circumstance, your management has continued to concentrate on brand building and risk management, strengthening our readiness for more profitable market shares in the foreseeable future.

Edible Oil (continued)

At the same time, our drive to further improve working capital management and become more cost effective has produced positive results. Our accounts receivable was reduced by about 60%, from HK\$127 million of 2000 to HK\$51 million on 31 December 2001.

Inventory at the end of 2001 amounted to HK\$60 million, as compared to HK\$79 million on 31 December 2000. Total wages and salaries paid in 2001 was about HK\$46.8 million, against HK\$51.2 million in 2000, a reduction of 8.6%.

Gearing

As at 31 December 2001, the total interest-bearing bank loans amounted to HK\$296.8 million, a reduction of HK\$65.1 million from 31 December 2000. Accordingly, when compared against that for 31 December 2000, the Group's gearing ratio on 31 December 2001 has improved by 19%.

**Human Resources**

The Group places high emphasis on the quality of its employees which is vital for performance in this fast changing and challenging business environment.

During the reporting year, the Group has completed rebuilding a management team with both the breadth and depth required to meet the forthcoming business needs. Concurrently, much has been done in training and development, designed to achieve a quantum leap in quality in all levels of employment.

OUTLOOK

The Hong Kong market will go through a period of stagnation and increased competition. On the other hand, with China's accession to WTO and the fast expansion of international supermarket chains in PRC, retail sales of branded edible oils in China will stand to benefit due to increased transparency and anticipated growth in this sector of the industry. Your Board looks ahead with prudent optimism in this regard.

MANAGEMENT AND STAFF

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

HUNG HAK HIP
Chairman
23 April 2002



RESULTS

Net profit attributable to shareholders for the year ended 31 December 2001 was HK\$7.3 million, as compared to HK\$20.6 million for 2000. The operating profit for the year under review including share of profit of a jointly controlled entity but before other revenue and gains was HK\$31.2 million compared to HK\$30.3 million for the previous year. The basic earnings per share for the year was 1.79 cents (2000: 5.03 cents).

EQUITY

The number of issued shares of HK\$0.10 each as at 31 December 2001 was 409,113,021. There was no movement in the share capital of the Company in the year under review. During the year, the 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 expired. As at the year end date, there were outstanding share options granted to the certain eligible employees, entitling them to subscribe for an aggregate of 23,492,677 shares of the Company.

LIQUIDITY AND GEARING

As at the balance sheet date, the Group's current ratio was 1.01 (2000: 1.07). The Group's total borrowings less cash and cash equivalents amount to HK\$272 million (2000: HK\$337 million). The net interest expense for the year was HK\$23 million (2000: HK\$33 million).

As at 31 December 2001, the Group's gearing ratio (expressed as a percentage of long term bank borrowings over shareholders' funds and long term bank borrowings) was 22% (2000: 27%).

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 2001 was HK\$47 million (2000: HK\$51 million). As at 31 December 2001, the Group has 593 (2000: 582) employees.

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

SEGMENT 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 decrease in bulk oil activities contributed to the fluctuation of Group's turnover as compared with last year.

The net profit for last year included a holding gain on investments in listed securities.

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

REPORT OF



THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

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.

SEGMENT INFORMATION

Segment information of the Group for the year ended 31 December 2001 is set out in note 4 to the financial statements.



RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2001 and the state of affairs of the Group and of the Company at that date are set out in the financial statements on pages 21 to 55.

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

The directors propose a bonus issue of warrants (the "Bonus Warrants") to be granted to the shareholders on the basis of one Bonus Warrant for every five shares of HK\$0.10 each. Each Bonus Warrant entitles the warrant holder to subscribe for one new share at an initial subscription price of HK\$0.27 each in the period from 29 May 2002 to 30 April 2005. Further details of the Bonus Warrants are set out in note 34 to the financial statements.

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 and 57.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at the balance sheet date are set out in note 14 to the financial statements.

Report of the directors

10

report of
the directors

ASSOCIATES AND JOINTLY CONTROLLED ENTITY

Details of the Group's interests in its associates and jointly controlled entity are set out in notes 15 and 16 to the financial statements, respectively.

SHARE CAPITAL AND RESERVES

Shareholders' funds of the Group at the year end date were HK\$564 million, an increase of HK\$6 million over 2000. The increase was mainly attributable to the profit for the year.

Details of the Company's share capital are set out in note 26 to the financial statements. The movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the balance sheet date are set out in notes 21, 22 and 23 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**

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Han Kin Yee

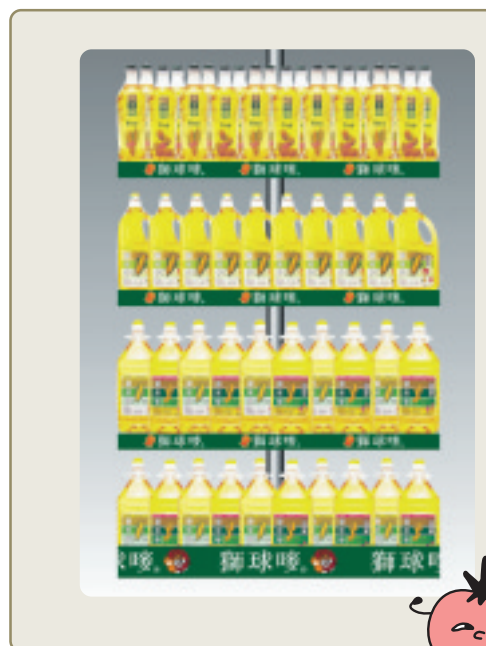
Chan Sai On, David

Wong Kwok Ying

* *Non-executive director*

** *Independent non-executive director*

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. Liu Chi Keung, Ricky, Wong Yu Hong, Philip, Cheung Wing Yui, Edward and Chan Sai On, David will retire and, being eligible, will offer themselves for re-election.



DIRECTORS AND SENIOR EXECUTIVES

(a) Non-executive directors

Hung Hak Hip, aged 57, 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", 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 63, 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 (the "PRC") Hong Kong SAR Legislative Council, treasurer of the Chinese General Chamber of Commerce and board member of the Hong Kong Trade Development Council.

Sze Tsai To, Robert, aged 61, 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 52, 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 61, 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 56, 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.

(b) Executive directors

Liu Chi Keung, Ricky, aged 53, Vice-Chairman & CEO, B. Comm; Master in Finance; F.I.M. He has over 28 years' senior management experience, the last 19 years of which were at the directorate level of international corporates and locally listed companies, 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 55, 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.

Report of the directors

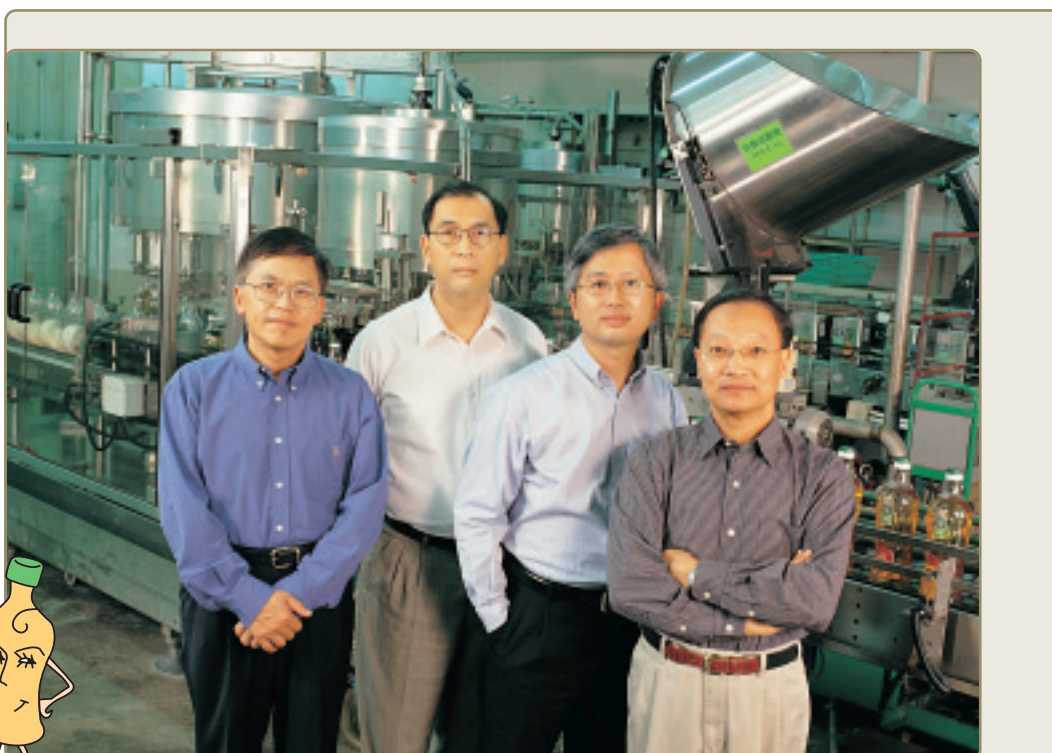
12

report of
the directors

(b) Executive directors (continued)

Chan Sai On, David, aged 47, is the Managing Director of the Group's operating subsidiaries in 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 42, 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.



*Mr. Han Kin Yee, Mr. Chan Sai On, David, Mr. Wong Kwok Ying, Mr. Liu Chi Keung, Ricky
(from left to right)*

(c) Senior executives

Lam Fung Ming, Tammy, aged 38, 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, Amy, aged 47, 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.

(c) Senior executives (continued)

Wan Kam Shing, aged 53, 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.

Lian Bai Xiang, aged 53, is the general manager for the Group's sales activities in China South-West Region. He obtained a Diploma in Industrial Enterprise Management from the Shanghai University of Textile in 1987. He had held various managerial positions with PRC entities for over 20 years. He is also the general manager of a Sino-foreign equity joint venture of the Group. Mr. Lian joined the Group in 1993.

Wu Chuan Fang, Julia, aged 36, is the general manager for the Group's sales activities in China East and China Central Regions. She graduated from the Metal Corrosion and Anticorrosive Department of Nanchang Institute of Aeronautical Technology and holds a master degree in Business Administration from the Guangzhou Zhongshan University. She has held a number of managerial positions with various PRC entities for over 12 years. Ms. Wu joined the Group in 2001.

Wu Ping Hu, Michael, aged 36, is the deputy general manager for the Group's sales activities in China South Region. He holds a bachelor degree in Internal Combustion Engineering from the Zhejiang University and completed in a post-graduate certificate in Management Science & Technology from the South China Technology University. He has over 12 years' managerial experience with foreign owned manufacturing companies and international organisations engaged in the marketing and distribution of food products in China. Mr. Wu joined the Group in 2001.



Ms. Chan Yuet Miu, Amy, Mr. Wu Ping Hu, Michael, Ms. Lam Fung Ming, Tammy, Mr. Huang Shou Wen, Simon, Mr. Luo Jie, Roger, Mr. Wang Yue, David (from left to right)

Report of the directors

14

report of
the directors



(c) Senior executives (continued)

Wang Yue, David, aged 32, is the deputy general manager for the Group's sales activities in China East Region. He holds a bachelor degree in Bio-Chemical Engineering from the South China Technology University. He has about 9 years' managerial experience in the sales and marketing of food products in the PRC. Mr. Wang joined the Group in 2001.

Luo Jie, Roger, aged 32, is the deputy general manager for the Group's sales activities in China Central Region. He graduated from the University of Chongqing in Motor Engineering. He has held managerial positions with various PRC entities for over 10 years. Mr. Luo joined the Group in 1998 and was promoted to his current position in March 2002.

Xiao Min, aged 37, 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 the Zhongshan University. His 14 years' working experience included teaching in the Wuhan University, acting as a 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, Simon, aged 34, 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 about 13 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.



Ms. Cheng Yee Wah, Eva, Mr. Chan Chi Lik, Tony, Mr. Wan Kam Shing, Mr. Lian Bai Xiang, Ms. Wu Chuan Fang, Julia, Mr. Xiao Min (from left to right)

(c) Senior executives (continued)

Cheng Yee Wah, Eva, aged 39, is the Group's accounting manager responsible for the PRC financial and accounting functions. Ms. Cheng is an associate member of the Hong Kong Society of Accountants and a member of the American Institute of Certified Public Accountants. She has over 12 years' experience in finance and accounting positions in both Hong Kong and the PRC. Ms. Cheng joined the Group in 2000.

Chan Chi Lik, Tony, aged 36, is the Group's IT manager. He holds a bachelor degree with honor in Information System from the University of Staffordshire in UK. He has over 11 years' experience in information services and implementation of Enterprise Resources Planning Execution systems. Mr. Chan joined the Group in 2000.

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

The interests of the directors in the issued shares of the Company as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance as at 31 December 2001 were as follows:

	Number of shares of HK\$0.10 each			
	Personal interests	Family interests	Corporate interests	Other interests
Hung Hak Hip	-	896,645	3,601,607	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	-	-	-	-

Report of the directors

16

report of
the directors

DIRECTORS' INTERESTS IN SHARES (continued)

* 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.

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 the exercise of their subscription rights as follows:

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

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

No share options were granted or exercised during the year.

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 2001, 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

Details of the related party transactions for the year are set out in note 33 to the financial statements. Save as disclosed therein, there were no other transactions which, in the opinion of the directors, constitute connected transactions under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, the percentage of purchases 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 purchases and turnover, respectively.

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.

RETIREMENT SCHEME (continued)

For the year ended 31 December 2001, the total scheme contributions made by the Group amounted to HK\$1,297,000 and forfeited contributions applied to reduce employer's contributions were HK\$263,000. At 31 December 2001, forfeited contributions totalling HK\$95,000 were available to reduce future contributions to the Exempted Scheme.

The employees of the Group's subsidiaries which operates in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute 11% of its payroll costs to the central pension 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 (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code 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

23 April 2002



To the members

Hop Hing Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 55 which have been prepared in accordance with accounting principles generally accepted in Hong Kong, except as further explained below.

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.

ACCOUNTING TREATMENT OF TRADEMARKS

Included in the consolidated balance sheet are trademarks of HK\$121,971,000 which are stated at cost and are not amortised. In accordance with SSAP 29 "Intangible Assets", which became effective during the year, these trademarks should be amortised over the best estimate of their useful lives. However, as further explained in note 13 ("Trademarks") to the financial statements, in the opinion of the directors, no amortisation is considered necessary for the reasons stated therein. Because we have not been able to quantify the estimated useful lives of the trademarks, we are unable to determine the effect of this departure from SSAP 29 on the Group's net assets as at 31 December 2001 and the profit for the year then ended, including the prior year adjustment that is required in respect thereof in order to implement SSAP 29 retrospectively in accordance with the requirements of the SSAP.

Except for any adjustments that might have been found necessary had the trademarks been amortised, 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 2001 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

23 April 2002

Consolidated profit and loss account

for the year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000 (Restated)
TURNOVER	5	598,041	847,166
Direct cost of stocks sold and services provided		(421,574)	(646,430)
Other production and service costs (including depreciation of HK\$29,068,000 (2000: HK\$30,551,000))		(50,519)	(57,629)
Selling and distribution costs		(40,014)	(33,892)
General and administrative expenses		(60,550)	(79,962)
Other revenue and gains		624	24,867
Restructuring costs		-	(2,240)
PROFIT FROM OPERATING ACTIVITIES	6	26,008	51,880
Finance costs, net	8	(23,028)	(33,421)
Share of profit of a jointly controlled entity		5,836	3,242
PROFIT BEFORE TAX		8,816	21,701
Tax	9	(1,577)	(1,389)
PROFIT AFTER TAX		7,239	20,312
Minority interests		102	279
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS	10,27	7,341	20,591
Retained profits/(accumulated losses) at beginning of year:			
As previously reported		19,246	(1,133)
Prior year adjustment	16	(651)	(863)
Retained profits/(accumulated losses) as restated		18,595	(1,996)
RETAINED PROFIT AT END OF YEAR		25,936	18,595
Retained in/(accumulated by):			
Company and subsidiaries		(13,985)	(16,241)
Associates		24,646	24,646
A jointly controlled entity		15,275	10,190
		25,936	18,595
EARNINGS PER SHARE (HK cents)	11		
Basic		1.79	5.03
Diluted		N/A	N/A

consolidated
profit
and
loss
account

21

Consolidated statement of recognised gains and losses

for the year ended 31 December 2001

22

consolidated
statement
of
recognised
gains
and
losses

	Notes	2001 HK\$'000	2000 HK\$'000
Net profit attributable to shareholders:			
Current year/prior year as previously reported		7,341	20,379
Effect of change in accounting policy with respect to the treatment of deferred expenditures of a jointly controlled entity	16	-	212
Deficit on revaluation of investment property	27	(2,400)	-
Total recognised gains and losses		<u>4,941</u>	<u>20,591</u>
Note on prior year adjustment			
Given effect as to restatement of 2000 profit and loss account		212	
Given effect as to restatement of reserves brought forward at 1 January 2000		<u>(863)</u>	
		<u>(651)</u>	

Consolidated balance sheet

31 December 2001

consolidated
balance
sheet

23

	Notes	2001 HK\$'000	2000 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	12	554,195	585,500
Trademarks	13	121,971	121,502
Interests in associates	15	(1,425)	(1,425)
Interest in a jointly controlled entity	16	57,919	52,834
		<u>732,660</u>	<u>758,411</u>
CURRENT ASSETS			
Stocks	17	59,655	79,265
Accounts receivable	18	51,016	126,592
Investments in securities	19	-	24,944
Tax recoverable		309	-
Sundry receivables, deposits and prepayments		66,637	47,437
Pledged cash deposit	20	7,437	5,802
Cash and bank balances		88,692	119,985
		<u>273,746</u>	<u>404,025</u>
CURRENT LIABILITIES			
Interest-bearing bank loans	21	140,335	153,910
Other loans	22	5,177	16,379
Bills payable	23	71,246	101,206
Accounts payable	24	23,453	56,248
Other payables and accrued charges		31,090	50,869
Tax		-	477
		<u>271,301</u>	<u>379,089</u>
NET CURRENT ASSETS		<u>2,445</u>	<u>24,936</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>735,105</u>	<u>783,347</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	21	156,508	208,004
Deferred tax	25	9,600	9,854
		<u>166,108</u>	<u>217,858</u>
Minority interests		<u>5,243</u>	<u>7,318</u>
		<u>563,754</u>	<u>558,171</u>
CAPITAL AND RESERVES			
Issued capital	26	40,911	40,911
Reserves	27	522,843	517,260
		<u>563,754</u>	<u>558,171</u>

HUNG HAK HIP
CHAIRMAN

LIU CHI KEUNG, RICKY
VICE-CHAIRMAN & CEO

Consolidated cash flow statement

for the year ended 31 December 2001

24

consolidated
cash
flow
statement

	Notes	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	28(a)	48,838	(42,591)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received from a jointly controlled entity		-	5,500
Interest received		2,809	4,426
Interest paid		(25,837)	(37,847)
Net cash outflow from returns on investments and servicing of finance		(23,028)	(27,921)
TAX			
Tax paid		(1,866)	(1,967)
INVESTING ACTIVITIES			
Purchases of fixed assets		(2,780)	(11,614)
Proceeds from disposal of fixed assets		352	2,330
Acquisition of trademarks		(469)	(104)
Proceeds from disposal of investments in securities		25,568	-
Proceeds from disposal of a subsidiary	28(c)	-	7,921
Net cash inflow/(outflow) from investing activities		22,671	(1,467)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		46,615	(73,946)
FINANCING ACTIVITIES			
New bank and other loans	28(b)	2,246	208,547
Repayment of bank and other loans	28(b)	(40,575)	(116,061)
Increase in pledged cash deposit		(1,635)	(5,198)
Net cash inflow/(outflow) from financing activities		(39,964)	87,288
INCREASE IN CASH AND CASH EQUIVALENTS		6,651	13,342
Cash and cash equivalents at 1 January		62,293	48,951
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		68,944	62,293
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and time deposits		88,692	119,985
Bank loans with maturity within three months from drawdown dates		(19,748)	(57,692)
		68,944	62,293

Balance sheet

31 December 2001

25
balance
sheet

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	518,187	517,901
CURRENT ASSETS			
Sundry receivables and prepayments		73	246
Cash and bank balances		256	113
		329	359
CURRENT LIABILITIES			
Other payables and accrued charges		684	478
NET CURRENT LIABILITIES			
		(355)	(119)
		517,832	517,782
CAPITAL AND RESERVES			
Issued capital	26	40,911	40,911
Reserves	27	476,921	476,871
		517,832	517,782

HUNG HAK HIP
CHAIRMAN

LIU CHI KEUNG, RICKY
VICE-CHAIRMAN & CEO

Notes to the financial statements

31 December 2001

26

notes
to the
financial
statements

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. IMPACT OF NEW/REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants are effective for the first time in the preparation of the current year's financial statements, except for SSAP 29 as further explained below.

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. Except for SSAP 14 (Revised), SSAP 26, and SSAP 29, all the above SSAPs have no major impact on these financial statements. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of SSAP 14 (Revised), SSAP 26, and SSAP 29 are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements. The change in disclosure requirements under this SSAP has resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 30 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of additional segment reporting disclosures which are set out in note 4 to the financial statements.

2. IMPACT OF NEW/REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The major impact of the SSAP for these financial statements is that deferred expenditure of a jointly controlled entity of the Group which was recognised as a non-current asset in previous years, no longer qualifies for recognition as an asset under SSAP 29. This has resulted in a prior year adjustment, further details of which are included in note 16 to the financial statements. As further explained in note 13 to the financial statements, the Group has not provided for any amortisation for the trademarks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated financial statements have been prepared in accordance with the 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 periodic remeasurement of investment property 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 2001. 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses. Details of the principal subsidiaries are set out in note 14 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 15 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 impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entity

Jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

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 Group's share of net assets of the joint venture company less any impairment loss.

Goodwill on consolidation

Goodwill arising on the acquisition of subsidiaries represents the excess of purchase consideration paid for the subsidiaries over the Group's share of the fair value of the identifiable assets and liabilities as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisition which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

Upon disposal of such subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill, which remains unamortised, and any relevant reserves, as appropriate.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised, for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. 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 2.5% 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 80 of SSAP17 "Property, plant and equipment" 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.

Notes to the financial statements

31 December 2001

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment property is an interest in land and buildings which are intended to be held on a long term basis for their investment potential. Such property is 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 value of the investment property is 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 less impairment losses and are not amortised.

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 investments in listed equity securities and are stated at fair value at the balance sheet date. Realised and 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are recognised immediately as a liability when they are proposed and declared.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation.

Notes to the financial statements

31 December 2001

32

notes
to the
financial
statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor 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. For the purpose of balance sheet classification, cash and bank balance represents amounts which are not restricted to use.

4. SEGMENT INFORMATION

The Group's primary segment is the edible oils and food related business segment. Since this is the only business segment of the Group, no further analysis thereof is presented.

Segment information is presented below in respect of the Group's geographical segment, which is regarded as the secondary segment. In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	People's Republic of China		Hong Kong		Consolidated	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from						
external customers	<u>462,112</u>	<u>685,354</u>	<u>135,929</u>	<u>161,812</u>	<u>598,041</u>	<u>847,166</u>
Segment results	<u>6,487</u>	<u>5,036</u>	<u>19,521</u>	<u>46,844</u>	<u>26,008</u>	<u>51,880</u>
Segment assets	539,820	618,823	409,783	492,204	949,603	1,111,027
Unallocated assets					<u>58,228</u>	<u>52,834</u>
					<u>1,007,831</u>	<u>1,163,861</u>
Capital expenditure						
incurred during						
the year	<u>2,358</u>	<u>8,993</u>	<u>422</u>	<u>2,621</u>	<u>2,780</u>	<u>11,614</u>

5. 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.

	2001 HK\$'000	2000 HK\$'000
Sales of goods and services	579,512	827,136
Rental and other income	18,529	20,030
	<u>598,041</u>	<u>847,166</u>

6. PROFIT FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000
Rental income:		
Investment property	8,120	9,504
Leasehold land and buildings	4,353	3,673
	<u>12,473</u>	<u>13,177</u>
Less: Outgoings	<u>(2,600)</u>	<u>(2,592)</u>
Net rental income	<u>9,873</u>	<u>10,585</u>
Royalties	23,190	24,443
Realised and unrealised gains on investments in listed securities classified as other revenue and gains	624	24,867
Gain on liquidation of a subsidiary	51	-
and after charging:		
Cost of stocks sold (including write-back of accounts payable provision of HK\$10,206,000 (2000: HK\$13,000,000))	418,974	643,838
Staff costs (including directors' emoluments):		
Wages and salaries	45,726	50,356
Pension scheme contributions	1,297	1,348
Less: Unvested contributions forfeited*	<u>(263)</u>	<u>(464)</u>
	<u>1,034</u>	<u>884</u>
	<u>46,760</u>	<u>51,240</u>
Depreciation	29,068	30,551
Minimum lease payments under operating leases in respect of land and buildings	2,946	5,558
Loss on disposal of fixed assets	985	905
Loss on disposal of subsidiaries	-	1,080
Auditors' remuneration	<u>800</u>	<u>1,000</u>

* At 31 December 2001, the amount of forfeited contributions available to the Group to reduce its future contributions to the Exempted Scheme as defined in the Report of Directors under the heading "Retirement Scheme" amounted to HK\$95,000 (2000: HK\$109,000).

Notes to the financial statements

31 December 2001

34

notes
to the
financial
statements

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Non-executive directors' fees	560	340
Salaries and allowances*	8,549	8,654
Discretionary/performance related bonuses	300	1,074
Retirement fund contributions	334	259
	<u>9,743</u>	<u>10,327</u>

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

The directors' emoluments are analysed as follows:

Band	Group	
	2001	2000
	Number of directors	Number of directors
Nil to HK\$1,000,000	6	7
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	-
HK\$5,000,001 to HK\$5,500,000	-	1

As at the balance sheet date, certain directors held share options of the Company, which were granted in 2000, the details of which are set out in the section "Directors' right to acquire shares" in the Report of the Directors and in note 26 to the financial statements. No value in respect of the share options granted in the prior year had been charged to the profit and loss account or included in the disclosure of directors' emoluments.

7. 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	
	2001	2000
	HK\$'000	HK\$'000
Salaries and allowances	8,843	8,915
Discretionary/performance related bonuses	350	1,074
Retirement fund contributions	401	317
	<u>9,594</u>	<u>10,306</u>

The above emoluments are analysed as follows:

Band	Group	
	2001	2000
	Number of individuals	Number of individuals
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$4,000,001 to HK\$4,500,000	1	-
HK\$5,000,001 to HK\$5,500,000	-	1
	<u>-</u>	<u>1</u>

8. FINANCE COSTS, NET

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank borrowings	25,676	37,686
Interest on other loans wholly repayable within five years	161	161
	<u>25,837</u>	<u>37,847</u>
Total finance costs	25,837	37,847
Less: Interest income	(2,809)	(4,426)
	<u>23,028</u>	<u>33,421</u>

Notes to the financial statements

31 December 2001

36

notes
to the
financial
statements

9. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 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	
	2001	2000
	HK\$'000	HK\$'000
Tax in the profit and loss account represents:		
Provision for Hong Kong profits tax	(923)	(1,113)
Provision for tax elsewhere	(71)	-
Underprovision in respect of prior years	(86)	(297)
	<u>(1,080)</u>	<u>(1,410)</u>
Deferred tax – note 25	254	555
	<u>(826)</u>	<u>(855)</u>
Share of tax charges of a jointly controlled entity		
– Hong Kong	(751)	(534)
	<u>(1,577)</u>	<u>(1,389)</u>

10. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$50,000 (2000: HK\$22,000).

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated based on the profit attributable to shareholders of HK\$7,341,000 (2000: HK\$20,591,000 (restated)); and 409,113,021 shares (2000: 409,113,021 shares) in issue during the year.

(b) Diluted earnings 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 per share.

12. FIXED ASSETS

Group

	Investment property HK\$'000	Leasehold land and buildings HK\$'000	Barges, vehicles, leasehold improvements, machinery and equipment HK\$'000	Total HK\$'000
Cost/valuation:				
At 1 January 2001	68,000	326,130	331,231	725,361
Additions	-	1,257	1,523	2,780
Disposals	-	(1,125)	(6,319)	(7,444)
Deficit on revaluation (note 27)	(2,400)	-	-	(2,400)
At 31 December 2001	65,600	326,262	326,435	718,297
Accumulated depreciation:				
At 1 January 2001	-	28,021	111,840	139,861
Provided during the year	-	7,471	21,597	29,068
Disposals	-	(1,019)	(3,808)	(4,827)
At 31 December 2001	-	34,473	129,629	164,102
Net book value:				
At 31 December 2001	65,600	291,789	196,806	554,195
At 31 December 2000	68,000	298,109	219,391	585,500

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 a professional valuation performed by DTZ Debenham Tie Leung Limited, Chartered Surveyors, using an open market, existing use basis at 31 December 2001. 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 2001

38

notes
to the
financial
statements

12. 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 HK\$'000	Hong Kong, at cost less accumulated depreciation HK\$'000	Elsewhere, at cost less accumulated depreciation HK\$'000	Total HK\$'000
Long term	1,162	-	5,096	6,258
Medium term	67,958	56,657	160,356	284,971
Short term	-	-	560	560
	<u>69,120</u>	<u>56,657</u>	<u>166,012</u>	<u>291,789</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\$244,374,000 (2000: HK\$253,375,000).

13. TRADEMARKS

In accordance with the requirements of SSAP 29 "Intangible Assets", the cost of the Group's trademarks should be amortised over their best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed twenty years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its earnings per share for the following reasons:

- (i) The trademarks, which were acquired by the Group in 1988, have been in use for a very long time, some of them since the 1930s, and will continue to be used for the long term. The valuation of the Group's trademarks performed by Sallmanns (Far East) Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 31 December 2001; and
- (ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to the profit and loss account when incurred, to maintain and increase the market value of its trademarks and brands.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy that trademarks are stated at cost and provision is made for any impairment in value. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

Notes to the financial statements

31 December 2001

14. INTERESTS IN SUBSIDIARIES

notes
to the
financial
statements

39

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	260,476	260,476
Amounts due from subsidiaries	257,711	257,425
	<u>518,187</u>	<u>517,901</u>

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

Details of the principal subsidiaries of the Company at the balance sheet date were as follows:

<u>Name of company</u>	<u>Place of incorporation/ registration and operations</u>	<u>Issued/ registered and fully paid share capital</u>	<u>Percentage of equity interest attributable to the Company</u>	<u>Principal activities</u>
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

Notes to the financial statements

31 December 2001

40

notes
to the
financial
statements

14. INTERESTS IN SUBSIDIARIES (continued)

<u>Name of company</u>	<u>Place of incorporation/ registration and operations</u>	<u>Issued/ registered and fully paid share capital</u>	<u>Percentage of equity interest attributable to the Company</u>	<u>Principal activities</u>
Knight Investment Limited	Hong Kong	HK\$4	100%	Property holding
Lapidus (1985) Limited	Hong Kong	HK\$12	100%	Barge ownership
Literal Company Limited	Hong Kong	HK\$10,000	100%	Property holding
Monitor Ltd.	British Virgin Islands	US\$1	100%	Trademark holding
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.

Notes to the financial statements

31 December 2001

15. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK\$'000	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 repayment.

Details of the associates of the Group at the balance sheet date were as follows:

<u>Name of company</u>	<u>Business structure</u>	<u>Place of incorporation/ registration and operations</u>	<u>Percentage of ownership of ownership interest attributable to the Group</u>	<u>Principal activities</u>
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

Notes to the financial statements

31 December 2001

42

notes
to the
financial
statements

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2001	2000
	HK\$'000	HK\$'000
		(Restated)
	<u> </u>	<u> </u>
Share of net assets	<u>57,919</u>	<u>52,834</u>

In order to conform with the provisions of SSAP 29 "Intangible assets", the jointly controlled entity of the Group (the "JCE") changed its accounting policy with respect to the treatment of deferred expenditures during the year. The JCE now expenses rather than capitalises and amortises such deferred expenditures.

This change in accounting policy has been made retrospectively and, accordingly, the comparative amounts for the year ended 31 December 2000, including earnings per share, retained profits brought forward as at 1 January 2000 and interests in the JCE have been restated. The effect of this change in respect of the year ended 31 December 2000 is to increase both share of profits of the JCE and the net profit attributable to shareholders by HK\$212,000. The retained profits brought forward as at 1 January 2000 have been reduced by HK\$863,000 which is the amount of the adjustment in respect of the Group's share of the write-off of the deferred expenditures of the JCE capitalised relating to the years prior to 1 January 2000.

Details of the JCE at the balance sheet date were as follows:

<u>Name of company</u>	<u>Business structure</u>	<u>Place of incorporation/ principal operation</u>	<u>Percentage of equity interest attributable to the Group</u>	<u>Principal activities</u>
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 2001

43

notes
to the
financial
statements

16. INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

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

	2001 HK\$'000	2000 HK\$'000 (Restated)
	<u> </u>	<u> </u>
State of affairs		
Current assets	203,884	202,465
Non-current assets	31,330	36,947
Current liabilities	(116,321)	(129,032)
Long term liabilities	(1,857)	(2,516)
	<u> </u>	<u> </u>
Net assets attributable to venturers	<u>117,036</u>	<u>107,864</u>
Income and profit		
Turnover	<u>627,542</u>	<u>662,775</u>
Profit for the year	<u>9,172</u>	<u>5,415</u>

17. STOCKS

	Group	
	2001 HK\$'000	2000 HK\$'000
	<u> </u>	<u> </u>
Finished goods	9,625	23,532
Work in progress	1,000	1,031
Raw materials	49,030	54,702
	<u> </u>	<u> </u>
	<u>59,655</u>	<u>79,265</u>

The amount of stocks that are carried at net realisable value is HK\$13,862,000 (2000: HK\$14,081,000).

Notes to the financial statements

31 December 2001

44

notes
to the
financial
statements

18. ACCOUNTS RECEIVABLE

The aged analysis of accounts receivable as at the balance sheet date is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	35,792	69,589
Less than 60 days	5,192	39,709
Over 60 days	10,032	17,294
	<u>51,016</u>	<u>126,592</u>

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

Accounts receivable of the Group include a trading balance due from a jointly controlled entity of HK\$6,845,000 (2000: HK\$22,007,000), which is unsecured and interest-free.

19. INVESTMENTS IN SECURITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Listed equity investment in Hong Kong, at market value	<u>-</u>	<u>24,944</u>

20. 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 2001

45

notes
to the
financial
statements

21. INTEREST-BEARING BANK LOANS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Secured	291,227	329,738
Unsecured	5,616	32,176
	296,843	361,914
Portion due within one year included under current liabilities	(140,335)	(153,910)
Long term portion	156,508	208,004
The bank loans are repayable in various instalments within a period of:		
Less than 1 year or on demand	140,335	153,910
More than 1 year but less than 2 years	156,508	51,380
More than 2 years but less than 5 years	-	156,624
	296,843	361,914

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

22. OTHER LOANS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Due to the controlling shareholder of the Group	-	11,202
Due to minority shareholders of subsidiaries		
Secured	2,293	2,293
Unsecured	2,884	2,884
	5,177	5,177
	5,177	16,379

Notes to the financial statements

31 December 2001

46

notes
to the
financial
statements

22. OTHER LOANS (continued)

The amount due to the controlling shareholder is unsecured, interest-free and was fully settled during the year.

The amounts due to the minority shareholders bear interest at 6% to 7% per annum. During the year, certain minority shareholders waived interest totalling HK\$173,025 (2000: 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.

23. BILLS PAYABLE

Bills payable are secured by certain cash deposits, investment property and certain leasehold land and buildings of the Group.

24. ACCOUNTS PAYABLE

The aged analysis of accounts payable as at the balance sheet date is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current and less than 60 days	15,588	23,917
Over 60 days	7,865	32,331
	<u>23,453</u>	<u>56,248</u>

25. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning of year	9,854	10,409
Reversal for the year – note 9	(254)	(555)
	<u>9,600</u>	<u>9,854</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.

26. ISSUED CAPITAL

Shares

	Company	
	Number of shares	HK\$'000
Authorised:		
Shares of HK\$0.10 each		
At 1 January 2001 and 31 December 2001	<u>800,000,000</u>	<u>80,000</u>
Shares of US\$0.10 each		
At 1 January 2001 and 31 December 2001	<u>120,000</u>	<u>93</u>
		<u>80,093</u>
Issued and fully paid:		
Shares of HK\$0.10 each		
At 1 January 2001 and 31 December 2001	<u>409,113,021</u>	<u>40,911</u>

Warrants

At 1 January 2001, 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 an initial subscription price of HK\$1.25 per share. Such warrants were cancelled upon their expiration on 30 April 2001.

No warrants were exercised during the year.

Share options

As at the balance sheet date, the Company had 23,492,677 share options outstanding under the Share Option Scheme of the Company, with exercise periods ranging from 17 November 2000 to 16 November 2010 and exercise prices ranging from HK\$0.1834 to HK\$0.2112. Further details of the share options outstanding are set out under the heading "Directors' right to acquire shares" in the Report of the Directors on page 16. No share options were exercised during the year.

The exercise in full of the share options would, under the capital structure of the Company at 31 December 2001, 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 2001

48 notes
to the
financial
statements

27. RESERVES Group

	Share	Revaluation reserves		Capital	Retained	Total
	premium	Investment	Other	and other	profits	
	HK\$'000	property	properties	reserves	HK\$'000	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2000:						
As previously stated	374,364	9,919	56,265	58,117	(1,133)	497,532
Prior year adjustment	-	-	-	-	(863)	(863)
As restated	374,364	9,919	56,265	58,117	(1,996)	496,669
Net profit attributable to shareholders	-	-	-	-	20,591	20,591
Balance at 31 December 2000	<u>374,364</u>	<u>9,919</u>	<u>56,265</u>	<u>58,117</u>	<u>18,595</u>	<u>517,260</u>
Balance at 1 January 2001:						
As previously stated	374,364	9,919	56,265	58,117	19,246	517,911
Prior year adjustment	-	-	-	-	(651)	(651)
As restated	374,364	9,919	56,265	58,117	18,595	517,260
Deficit on revaluation (note 12)	-	(2,400)	-	-	-	(2,400)
Release on liquidation of a subsidiary	-	-	-	642	-	642
Net profit attributable to shareholders	-	-	-	-	7,341	7,341
Balance at 31 December 2001	<u>374,364</u>	<u>7,519</u>	<u>56,265</u>	<u>58,759</u>	<u>25,936</u>	<u>522,843</u>

Company

	Share	Contributed	Retained	Total
	premium	surplus	profits	
	HK\$'000	HK\$'000	HK\$'000	
				HK\$'000
Balance at 1 January 2000	231,754	231,383	13,712	476,849
Net profit attributable to shareholders	-	-	22	22
Balance at 31 December 2000 and 1 January 2001	231,754	231,383	13,734	476,871
Net profit attributable to shareholders	-	-	50	50
Balance at 31 December 2001	<u>231,754</u>	<u>231,383</u>	<u>13,784</u>	<u>476,921</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.

27. RESERVES (continued)

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders in certain circumstances. As at 31 December 2001, the total amount of reserves distributable to shareholders, including the Company's retained profits, amounted to HK\$245,167,000 (2000: HK\$245,117,000).

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK\$'000	HK\$'000
Profit from operating activities	26,008	51,880
Depreciation	29,068	30,551
Loss on disposal of fixed assets	985	905
Loss on disposal of subsidiaries	-	1,080
Gain on liquidation of a subsidiary	(51)	-
Write-back of accounts payable provision	(10,206)	(13,000)
Realised and unrealised holding gain on investments in listed securities	(624)	(24,867)
Decrease in stocks	19,610	44,603
Decrease/(increase) in accounts receivable	75,576	(43,256)
Decrease/(increase) in sundry receivables, deposits and prepayments	(19,200)	2,076
Decrease in bills payable	(29,960)	(90,680)
Increase/(decrease) in accounts payable	(22,589)	7,331
Decrease in other payables and accrued changes	(19,779)	(9,214)
	<u>48,838</u>	<u>(42,591)</u>
Net cash inflow/(outflow) from operating activities	<u>48,838</u>	<u>(42,591)</u>

Notes to the financial statements

31 December 2001

50 notes
to the
financial
statements

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing:

	Interest-bearing bank and other loans*	Minority interests
	HK\$'000	HK\$'000
Balance at 1 January 2000	228,115	7,597
Net cash inflow from financing	92,486	-
Share of profits of subsidiaries for the year	-	(279)
Balance at 31 December 2000 and 1 January 2001	320,601	7,318
Net cash outflow from financing	(38,329)	-
Liquidation of a subsidiary	-	(1,973)
Share of losses of subsidiaries for the year	-	(102)
Balance at 31 December 2001	<u>282,272</u>	<u>5,243</u>

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

(c) Disposals of subsidiaries:

	2001 HK\$'000	2000 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)
	-	10,768
Loss on disposals	-	(1,080)
	<u>-</u>	<u>9,688</u>
Satisfied by:		
Cash	<u>-</u>	<u>9,688</u>

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposals of subsidiaries: (continued)

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

	2001	2000
	HK\$'000	HK\$'000
Cash consideration	-	9,688
Cash and bank balances disposed of	-	(1,767)
	<u>-</u>	<u>7,921</u>

The subsidiaries disposed of in prior year had no significant impact on the Group's cash flows. The results of the subsidiaries disposed of in the prior year had no significant impact on the consolidated turnover and the consolidated profit after tax for the prior year.

(d) Liquidation of a subsidiary:

	2001	2000
	HK\$'000	HK\$'000
Net liabilities disposed of:		
Fixed assets, net	1,280	-
Minority interest	(1,973)	-
	<u>(693)</u>	<u>-</u>
Release of reserve	642	-
Gain on liquidation of a subsidiary	51	-
	<u>-</u>	<u>-</u>

The subsidiary liquidated in the current year had no significant impact on the Group's cash flows. The results of the subsidiary liquidated during the year had no significant impact on the consolidated turnover and the consolidated profit after tax for the current year.

Notes to the financial statements

31 December 2001

52

notes
to the
financial
statements

29. 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\$344,970,000 (2000: HK\$352,174,000), certain accounts receivable of the Group of approximately HK\$5,049,000 (2000: Nil), certain stocks of the Group with a carrying value of approximately HK\$22,096,000 (2000: Nil) and a cash deposit of the Group of approximately HK\$7,437,000 (2000: HK\$5,802,000) 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 (2000: HK\$2,293,000) were pledged to secure certain other loans.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its leasehold land and building and investment property under operating lease arrangements, with leases negotiated for terms ranging from 2 to 8 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	9,623	7,341
In the second to fifth years, inclusive	23,587	1,547
After five years	13,940	-
	<u>47,150</u>	<u>8,888</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between 1 to 25 years.

As at 31 December 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2001 HK\$'000	2000 HK\$'000
Within one year	837	1,412
In the second to fifth years, inclusive	497	1,078
After five years	3,520	3,659
	<u>4,854</u>	<u>6,149</u>

31. COMMITMENTS

In addition to the operating lease commitments details in note 30(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Capital commitments for the acquisition of property, plant and equipment:		
Contracted for	4,931	3,704
Authorised, but not contracted for	<u>2,069</u>	<u>3,057</u>

The Company had no significant commitments at the balance sheet date (2000: Nil).

32. CONTINGENT LIABILITIES**Group**

- (a) At the balance sheet date, 37 (2000: 49) 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\$964,000 (2000: HK\$1,148,000). No provision has been made for this amount in the financial statements as the probability of an outflow of resources thereof is considered remote.
- (b) At the balance sheet date, the contingent liabilities in respect of guarantees given to banks to secure banking facilities utilised by the JCE of the Group amounted to HK\$15,333,000 (2000: HK\$10,131,000).

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\$109,671,000 (2000: HK\$175,682,000).

Notes to the financial statements

31 December 2001

54

notes
to the
financial
statements

33. 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:

	Notes	2001 HK\$'000	2000 HK\$'000
Transactions with the JCE:			
Sales of goods	a	52,746	63,562
Purchases of goods/services	b	2,290	6,090
Oil refinement income	c	14,597	14,317
Royalty income	d	23,190	24,443
Property rental and tank farm income	e	12,552	13,506
Other property related income	f	4,174	4,340
Management and marketing fee income	g	7,000	2,050
Transactions with the controlling shareholders of the Company			
Sales of goods	a	569	920
Consideration received on disposal of subsidiaries	h	-	9,688
Consideration received on a disposal of property	h	-	2,012
Management fee expenses paid to a company in which a director of the Company has an indirect interest			
	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.
- 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.

33. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- 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. 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 2001, the Group had no outstanding balance due to the controlling shareholder of the Group (2000: HK\$11,202,000).

34. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the directors propose a bonus issue of warrants (the "Bonus Warrants") to the shareholders on the basis of one Bonus Warrant for every five shares of HK\$0.10 each. Each Bonus Warrant entitles the warrant holder to subscribe for one new share of the Company at an initial subscription price of HK\$0.27 each in the period from 29 May 2002 to 30 April 2005. Based on 409,113,021 shares in issue as at the balance sheet date, the total number of Bonus Warrants to be issued will be up to 81,822,604 units, entitling the warrant holders thereof to subscribe for an aggregate of 81,822,604 shares of the Company, representing 20% of the issued share capital as at the balance sheet date.

35. COMPARATIVE AMOUNTS

As explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. A prior year adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2002.

Comparative financial information

56

comparative
financial
information

A summary of the published 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. The amounts for each year in the five year summary have been adjusted for the effects of the retrospective changes in accounting policy affecting deferred expenditure of a JCE, as detailed in note 16 to the financial statements.

In addition, the revised SSAP 9 "Events after the balance sheet date" has been adopted and the principal impact is that the proposed final dividend, which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. There is no impact to the current year's audited financial statements. However, the current liabilities as at 31 December 1997, which included proposed final dividend for that year, have been adjusted for the effects of the retrospective changes in accounting policy thereof.

	Year ended 31 December				
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000	1998 HK\$'000	1997 HK\$'000
RESULTS					
Turnover	598,041	847,166	1,102,429	1,794,035	731,409
Operating profit/(loss)	2,980	18,459	(25,137)	(114,861)	45,398
Share of profits less losses of associates and a jointly controlled entity	5,836	3,242	4,519	(5,761)	7,391
Profit/(loss) before tax	8,816	21,701	(20,618)	(120,622)	52,789
Tax	(1,577)	(1,389)	(3,408)	(1,780)	(4,827)
Profit/(loss) after tax	7,239	20,312	(24,026)	(122,402)	47,962
Minority interests	102	279	(251)	(22)	1,035
Net profit/(loss) attributable to shareholders	7,341	20,591	(24,277)	(122,424)	48,997

Comparative financial information

	31 December				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Fixed assets and other non-current assets	554,195	585,500	613,428	635,949	586,057
Trademarks	121,971	121,502	126,298	126,035	120,600
Interests in associates and a jointly controlled entity	56,494	51,409	54,201	87,205	99,703
Current assets	273,746	404,025	435,020	531,098	271,227
TOTAL ASSETS	1,006,406	1,162,436	1,228,947	1,380,287	1,077,587
LIABILITIES					
Current liabilities	271,301	379,089	562,045	646,025	204,508
Long term portion of bank and other loans	156,508	208,004	111,316	143,705	121,989
Deferred tax	9,600	9,854	10,409	9,614	11,074
TOTAL LIABILITIES	437,409	596,947	683,770	799,344	337,571
Minority interests	5,243	7,318	7,597	7,346	7,324
	442,652	604,265	691,367	806,690	344,895
NET ASSETS	563,754	558,171	537,580	573,597	732,692

Notice of annual general meeting

58

notice of annual
general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Members of HOP HING HOLDINGS LIMITED (the "Company") will be held at Units E & F, 2/F., Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories on 22 May 2002 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 2001;
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 securities 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;
- (iii) the aggregate nominal amount of the securities 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 the aggregate of 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date hereof plus the aggregate nominal amount of the number of such securities repurchased by the Company since the date of this Resolution and such approval shall be limited accordingly; and

Notice of annual general meeting

- (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 Members of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares pursuant to an offer made to the Members of the Company, excluding for that purpose any Member 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);

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 5A 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) (a) 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 (b) the total amount of warrants of the Company which may be repurchased by the Company pursuant to the approval in paragraph (i) above during the Relevant Period and the authority pursuant to paragraph (i) above shall be limited accordingly; and

Notice of annual general meeting

- C. THAT conditional upon the passing of Resolution 5B 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 securities 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 securities 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 securities, 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
23 April 2002

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, Rooms 1901-5, 19th 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 5A above, the Directors wish to state that approval is being sought from Members for a general mandate to be given to the Directors to allot additional securities of the Company in order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to issue any securities of the Company up to 20 per cent of the existing issued share capital.
5. Concerning items 5B and 5C above, approval is being sought from Members for a general mandate to be given to the Directors to repurchase securities and to reissue securities 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.